

City of Chicago, Illinois

Basic Financial Statements as of and for the Year
Ended December 31, 2008, Independent Auditors'
Report and Independent Auditors' Report on Internal
Control Over Financial Reporting and on Compliance
and Other Matters Based Upon an Audit of Financial
Statements Performed in Accordance With
Government Auditing Standards for the Year Ended
December 31, 2008

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CITY OF CHICAGO, ILLINOIS

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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 of 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 other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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. The City's Pension Plans, audited by other auditors, were not audited in accordance with *Government Auditing Standards*. 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 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, business-type activities, each major fund, and the aggregate remaining fund information of the City of Chicago, Illinois, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2009, on our consideration of City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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.

Deloitte & Touche LLP

June 26, 2009

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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 was 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**

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 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**

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.

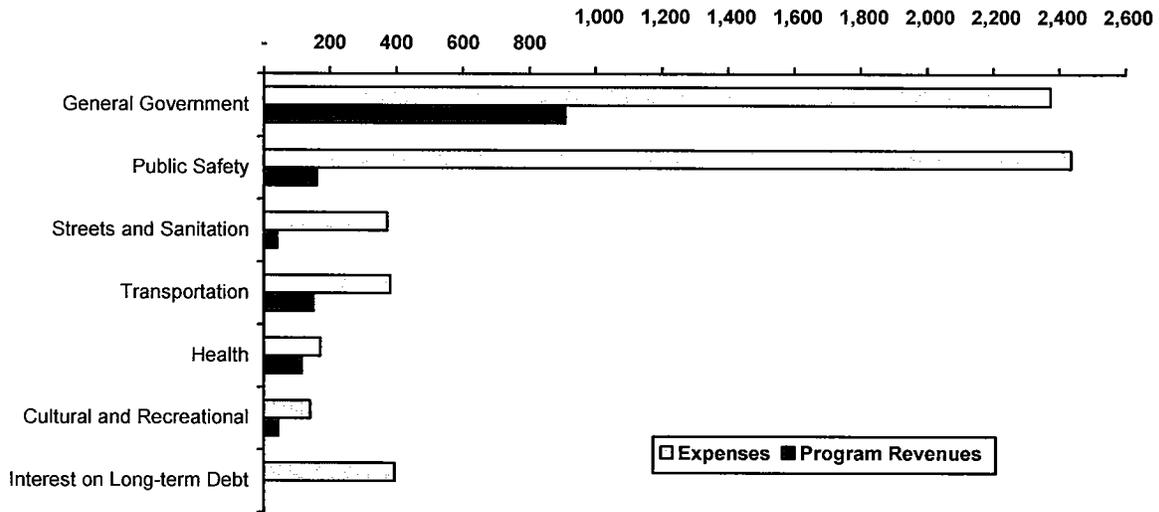
Although total net assets of business-types activities were \$1,585.4 million, these resources cannot be used to make up for the net asset deficit in governmental activities. The City generally can only use these net assets to finance the continuing operations of the water, sewer, tollway, and airports activities.

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

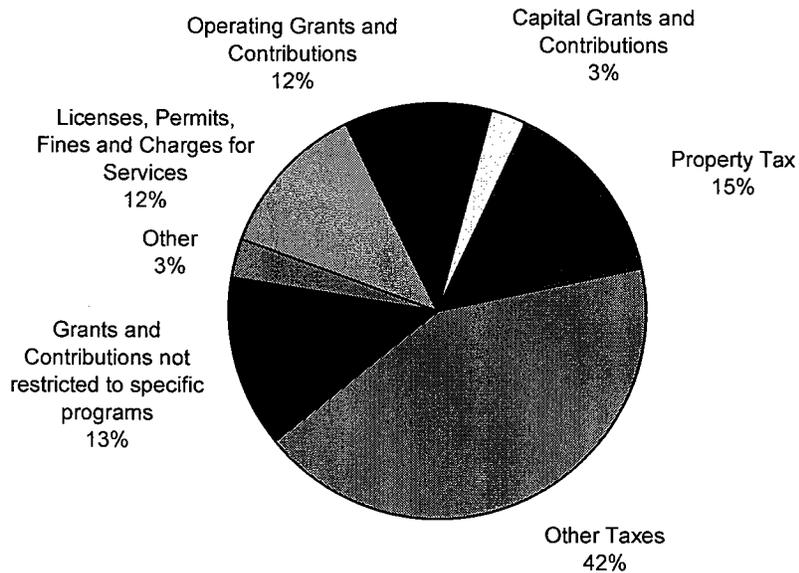
**City of Chicago, Illinois
Changes in Net Assets
Years Ended December 31,
(in millions of dollars)**

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
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

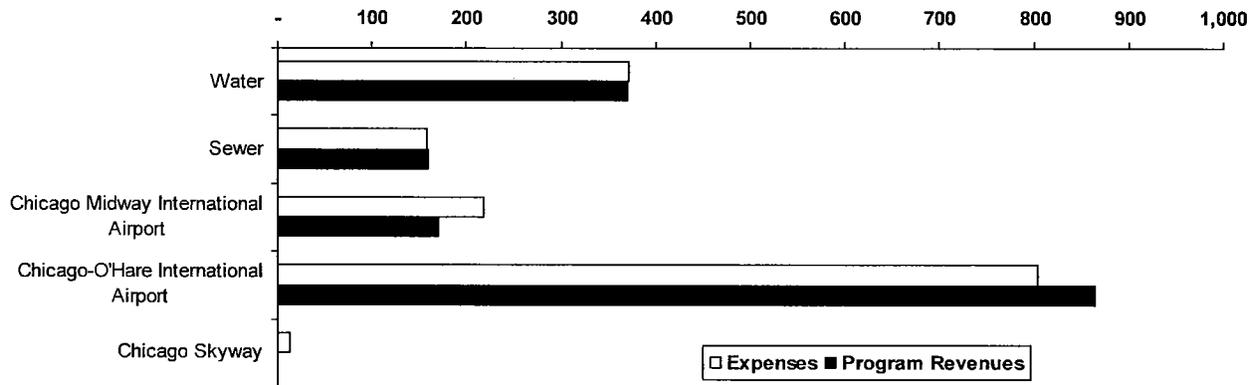


**CITY OF CHICAGO, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2008 - Continued**

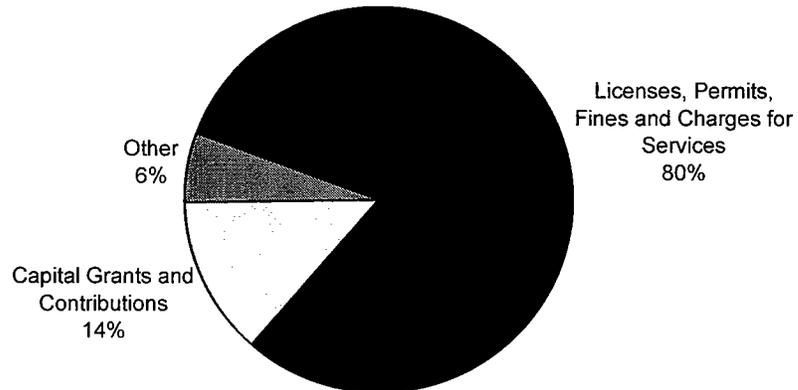
Business-type Activities. Revenues of the City's business-type activities increased by \$30.0 million in 2008 due primarily to increases in charges for services. All Funds met debt service coverage ratios set forth in the applicable bond indentures.

- 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**

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**

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	3,723.6	3,549.8	-	-	3,723.6	3,549.8
Total	\$ 7,208.5	\$ 6,921.2	\$ 10,211.8	\$ 9,444.8	\$ 17,420.3	\$ 16,366.0

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	562.7	512.6	9,467.7	8,750.6	10,030.4	9,263.2
Total	\$ 7,234.4	\$ 7,198.9	\$ 9,467.7	\$ 8,750.6	\$ 16,702.1	\$ 15,949.5

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:

Rating Agency	Moody's	Standard & Poors	Fitch
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**

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
ASSETS			
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>
LIABILITIES			
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>
NET ASSETS			
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		
Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
		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
ASSETS			
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	-
Total Assets	<u>\$ 656,390</u>	<u>\$ 285,375</u>	<u>\$ 1,422,981</u>
LIABILITIES AND FUND BALANCE			
Liabilities:			
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
Total Liabilities	<u>607,947</u>	<u>272,325</u>	<u>418,775</u>
Fund Balance:			
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	-	-	-
Total Fund Balance	<u>48,443</u>	<u>13,050</u>	<u>1,004,206</u>
Total Liabilities and Fund Balance	<u>\$ 656,390</u>	<u>\$ 285,375</u>	<u>\$ 1,422,981</u>

See notes to basic financial statements.

<u>Reserve</u>	<u>Bond, Note Redemption and Interest</u>	<u>Community Development and Improvement Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 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	<u>\$ (755,309)</u>

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
Revenues:			
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
Total Revenues	2,875,771	794,564	354,105
Expenditures:			
Current:			
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	-
Debt Service:			
Principal Retirement	3,344	-	-
Interest and Other Fiscal Charges	1,974	-	-
Total Expenditures	3,107,284	798,288	320,487
Revenues Over (Under) Expenditures ...	(231,513)	(3,724)	33,618

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.

<u>Reserve</u>	<u>Bond, Note Redemption and Interest</u>	<u>Community Development and Improvement Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 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)

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)
Revenues:				
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
Total Revenues	<u>3,218,510</u>	<u>3,218,510</u>	<u>3,134,976</u>	<u>(83,534)</u>
Expenditures:				
Current:				
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
Debt Service:				
Principal Retirement	3,345	3,345	3,345	-
Interest and Other Fiscal Charges	1,604	1,604	1,576	28
Total Expenditures	<u>3,218,510</u>	<u>3,218,510</u>	<u>3,134,976</u>	<u>83,534</u>
Revenues Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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					
	Water	Sewer	Chicago Midway International Airport	Chicago- O'Hare International Airport	Chicago Skyway	Total
ASSETS						
CURRENT ASSETS:						
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
Total Unrestricted Assets	146,537	81,718	68,274	198,125	2,458	497,112
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
Total Restricted Assets	269,164	200,729	233,001	1,676,595	-	2,379,489
Total Current Assets	415,701	282,447	301,275	1,874,720	2,458	2,876,601
NONCURRENT ASSETS:						
OTHER ASSETS	14,722	11,437	99,095	370,978	10,596	506,828
PROPERTY, PLANT AND EQUIPMENT:						
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
Total Property, Plant and Equipment ...	2,254,892	1,163,496	1,169,433	5,289,362	334,687	10,211,870
Total Noncurrent Assets	2,269,614	1,174,933	1,268,528	5,660,340	345,283	10,718,698
Total Assets	\$ 2,685,315	\$ 1,457,380	\$ 1,569,803	\$ 7,535,060	\$ 347,741	\$ 13,595,299

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
LIABILITIES						
CURRENT LIABILITIES:						
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
NONCURRENT LIABILITIES:						
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
NET ASSETS:						
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
Operating Revenues:						
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
Total Operating Revenues	370,244	160,005	124,985	684,282	-	1,339,516
Operating Expenses:						
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
Total Operating Expenses	314,396	119,469	155,596	579,297	12,359	1,181,117
Operating Income (Loss)	55,848	40,536	(30,611)	104,985	(12,359)	158,399
Nonoperating Revenues (Expenses):						
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
Total Nonoperating Revenues						
(Expenses)	(47,455)	(37,849)	(14,571)	(37,486)	18,525	(118,836)
Transfers Out	-	-	-	-	-	-
Capital Grants	-	-	6,777	49,950	-	56,727
Net Income (Loss)	8,393	2,687	(38,405)	117,449	6,166	96,290
Net Assets (Deficit) - Beginning of Year	957,858	465,127	282,390	1,198,759	(1,415,027)	1,489,107
Net Assets (Deficit) - End of Year	\$ 966,251	\$ 467,814	\$ 243,985	\$ 1,316,208	\$ (1,408,861)	\$ 1,585,397

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	
Cash Flows from Operating Activities:						
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)
Cash Flows from Operating Activities	83,057	56,760	48	192,669	-	332,534
Cash Flows from Capital and Related Financing Activities:						
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)
Cash Flows from Capital and Related Financing Activities	14,123	26,215	(84,756)	(410,486)	(1,449)	(456,353)
Cash Flows from Investing Activities:						
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
Cash Flows from Investing Activities	(116,318)	(88,656)	69,076	(518,058)	8	(653,948)
Net Increase (Decrease) in Cash and Cash Equivalents	(19,138)	(5,681)	(15,632)	(735,875)	(1,441)	(777,767)
Cash and Cash Equivalents, Beginning of Year	94,459	88,507	256,989	1,475,669	3,781	1,919,405
Cash and Cash Equivalents, End of Year	\$ 75,321	\$ 82,826	\$ 241,357	\$ 739,794	\$ 2,340	\$ 1,141,638

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					Total
	Major Funds					
	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)	\$ 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>
Supplemental Disclosure of Noncash Items:						
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
ASSETS		
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	\$ 11,579,395	\$ 349,776
LIABILITIES		
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	1,736,010	349,776
NET ASSETS		
Reserved for Employee		
Benefit Plans	9,843,385	-
Total Net Assets	\$ 9,843,385	\$ -

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>
ADDITIONS	
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>
DEDUCTIONS	
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>\$ 9,843,385</u>

See notes to basic financial statements.

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

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

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 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, 2008 - CONTINUED**

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**

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**

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**

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**

- 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		<u>(10,110)</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		<u>2,295</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		<u>2,784</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):

	<u>General Fund</u>
Revenues, GAAP Basis	\$ 2,875,771
Add:	
Proceeds of Debt	164,000
Transfers In	94,058
Prior Year's Surplus Utilized	1,147
	<u>3,134,976</u>
Revenues, Budgetary Basis	\$ 3,134,976
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)
	<u>(25,432)</u>
Expenditures, Budgetary Basis	<u>\$ 3,134,976</u>

**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	
City Funds					
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
Total City Funds.....	\$ 3,108,339	\$ 1,345,728	\$ 104,314	\$ 572,166	\$ 5,130,547
Pension Trust Funds					
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
Total Pension Trust Funds.....	\$ 9,045,992	\$ 488,974	\$ 284,232	\$ 1,145,500	\$ 10,964,698
Total.....	\$ 12,154,331	\$ 1,834,702	\$ 388,546	\$ 1,717,666	\$ 16,095,245

- 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, 2008 - 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):

Quality Rating	City	Pension Plans
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.....	\$ 5,130,547	\$ 2,466,703

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):

Foreign Currency Risk	
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.....	100,426	62,376
	<u>473,761</u>	<u>513,640</u>
Total Governmental activities.....		
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.....	1	27
	<u>68,731</u>	<u>51,101</u>
Total Business-type activities.....		
Fiduciary activities:		
Pension Trust.....	22,249	-
	<u>22,249</u>	<u>-</u>
Total Fiduciary activities.....		
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**

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>293,448</u>	<u>293,448</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
	<hr/>
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
	<hr/>
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
	<hr/>
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
		9,564
Total Minimum Future Rental Income.....	\$	196,742

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
		437
Total Minimum Future Rental Income.....	\$	39,931

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):

	Balance January 1, 2008	Additions	Reductions	Balance December 31, 2008	Amounts Due within One Year
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**

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 7th 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**

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**

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

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**

Associated Bond Issue	Notional Amounts	Effective Date	Rate Paid	Rate Received	Fair Values	Swap Termination Date	Counterparty Credit Rating
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

- (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

- (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

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

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):

	<u>Amount</u> <u>Defeased</u>	<u>Outstanding</u>
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 Millennium Project Parking Facilities Bonds - Series 1998	149,880	43,880
Lake Millennium 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
Total	<u>\$ 3,322,500</u>	<u>\$ 2,608,165</u>

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

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):

	Municipal Employees'	Laborers'	Policemen's	Firemen's	Total
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.....	<u>\$ 415,208</u>	<u>\$ (225,759)</u>	<u>\$ 1,360,491</u>	<u>\$ 1,099,023</u>	<u>\$ 2,648,963</u>

	Municipal Employees'	Laborers'	Policemen's	Firemen's
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):

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

<u>Year</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Liability (AAL) Entry Age (b)</u>	<u>Unfunded (Surplus) AAL (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>Unfunded (Surplus) AAL as a Percentage of Covered Payroll ((b-a)/c)</u>
Municipal Employees':							
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
Laborers':							
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
Policemen's:							
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
Firemen's:							
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**

	Municipal Employees'	Laborers'	Policemen's	Firemen's
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 2.7 percent over a full career

(e) Trend not applicable - fixed dollar subsidy

OPEB COST SUMMARY

(dollars in thousands)

	Year	Annual OPEB Cost	% of Annual OPEB Obligation	Net OPEB Obligation
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).

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial 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)
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):

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.....	(633,769)	(424,719)
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**

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**

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)
Municipal Employees'							
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
Laborers'							
2007	12/31/2007	-	41,411	41,411	-	192,847	21.47
2008	12/31/2008	-	42,064	42,064	-	216,744	19.41
Policemen's							
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
Firemen's							
2007	12/31/2007	-	47,097	47,097	-	389,125	12.10
2008	12/31/2008	-	47,309	47,309	-	396,182	11.94
City of Chicago							
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.

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED UPON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS**

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

We have audited the 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 and have issued our report thereon dated June 26, 2009, based in part on reports of other auditors. We did not audit the financial statements of the City's Pension Plans which, in aggregate, represents 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 have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Pension Trust Fund, is based solely on the reports of the other auditors. This report does not include results of other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Pension Trust Fund, audited by other auditors, were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of

control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies described in the accompanying summary of basic financial statement findings to be significant deficiencies in internal control over financial reporting: 2008-1 to 2008-3.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies, and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above we consider findings 2008-1 to 2008-3 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we will report to management of the City in a separate letter dated on or about September 18, 2009.

The City's responses to the findings identified in our audit are described in the accompanying summary of basic financial statement findings. We did not audit the City's response, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Mayor, members of the City Council, management of the City, federal awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

Deloitte  Touche LLP

June 26, 2009

CITY OF CHICAGO, ILLINOIS

SUMMARY OF BASIC FINANCIAL STATEMENT FINDINGS OFFICE OF THE COMPTROLLER ADEQUACY OF STAFFED AND/OR TRAINED FINANCIAL PERSONNEL AND RESULTANT IMPLICATIONS ON THE FINANCIAL REPORTING AND CLOSING PROCESS * YEAR ENDED DECEMBER 31, 2008

FINDING 2008-1

Criteria — Sufficient levels of properly trained management and staff-level personnel are required to carry out the daily tasks of the Office of the Comptroller, including effective and efficient external audit and financial reporting preparation.

Condition — The Office of the Comptroller is not adequately staffed and/or trained at either the management or staff levels, thereby creating competing demands of their time and priorities.

Effect — The proper and timely completion of daily tasks, such as the preparation of account reconciliations or creation of financial reports may not be completed in an efficient and effective manner causing operating, reporting, and external audit preparation inefficiencies.

Cause — The Office of the Comptroller has been unable to successfully transfer or hire the appropriate levels of management and/or staff.

Recommendation — Perform a personnel needs assessment for the Office of the Comptroller. Ensure that properly trained management and staff fill existing or necessary vacancies to ensure the proper and timely completion of daily tasks in an effective and efficient manner. Continuously provide appropriate technical training, cross-train departmental employees, and document succession plans.

Views of Responsible Officials — The City, like many other state and local governments are faced with the nations most significant recession in decades while attempting to maintain appropriate levels of staff to manage core functions such as public safety, health, etc. The City will reassess additional requests for staffing as justified by responsibilities and available resources. Managerial staff assignments and organizational structures are being reviewed concerning responsibilities on a yearly basis.

Staff and management will continue to devote time in accommodating the development, testing, training, and implementation of the City's financial systems, and report writing capabilities. Additionally, technical accounting needs will be addressed by utilizing both internal and external training programs for staff and managers.

The City has also implemented and taken proactive steps toward making sure that employees are ready and able to handle the technological and environmental changes that are likely to impact the City.

* Comment repeated from previous fiscal years.

CITY OF CHICAGO, ILLINOIS

**SUMMARY OF BASIC FINANCIAL STATEMENT FINDINGS
OFFICE OF THE COMPTROLLER – SPECIAL ACCOUNTING DIVISION
FINANCIAL ACCOUNTING AND REPORTING*
YEAR ENDED DECEMBER 31, 2008**

FINDING 2008-2

Criteria — The Special Accounting Division (SAD) of the Office of the City Comptroller should maintain complete and accurate supporting documentation for land held for resale. In addition, the SAD should regularly monitor and perform a regular accounting for all grant activity; and, review certain receivable balances for collectability and certain liability accounts for accuracy.

Condition — The SAD does not currently monitor the inventory listing of land held for resale and does not maintain complete supporting documentation. Further, the SAD does not monitor certain significantly aged receivables for collectability or review certain liability accounts for accuracy. The SAD's grant accounting processes should be reviewed to identify and create efficiencies.

Effect — The SAD may experience difficulty in the ability to properly monitor asset acquisitions and/or disposals of certain aged assets; and, may not have the ability to properly record associated gains and/or losses on those assets. Further, the SAD may experience difficulty in the ability to properly monitor receivables for validity and collectability and liabilities for accuracy. Errors in accounting for grant activity may occur given current system and manual processes.

Cause — The City has been unable to properly monitor their inventory listing of assets held for resale. Significant delays in providing adequate supporting documentation to substantiate the inventory of land held for resale were experienced. Once received, the supporting documentation provided was often incomplete or inaccurate. Further, the City should monitor individually billed grant receivables to determine collectability and/or allocate an appropriate allowance.

Recommendation — Continue efforts to monitor the listing of each asset that is classified as held for resale. Monitor this inventory for current-year acquisition and disposition activity to ensure accurate and timely financial reporting. Implement procedures to review all outstanding receivables that have aged greater than 90 days to determine their collectability and write off any receivables that are deemed uncollectible. In addition, review the accounting records to properly match offsetting credits with the respective receivable balances. Review accrued liability balances regularly and process activity associated with these accounts timely and prior to the annual audit process.

* Comment repeated from previous fiscal years.

Views of Responsible Officials —

City departments that acquire land held for resale have begun to implement revised policies to ensure account balances are properly stated and classified. These policies include confirming account balances and land inventory (including monitoring) annually, and revising operational procedures to ensure that SAD is notified timely of land inventory changes, purchases, and sales. Additionally, the lead departments, such as Community Development, will be required to monitor the inventory listings for current year acquisition and disposition activity to ensure accurate and timely financial reporting along with providing appropriate supporting documentation as required.

SAD will continue to work with the Office of Budget and Management and the lead departments that utilize grant funds for land resale to ensure accurate and timely financial reporting. In addition, the assets and liabilities net to zero as does the revenue and expense.

The City recently implemented the Oracle accounts receivable module and based on that implementation, the SAD has developed and implemented an aged receivable process that requires obtaining a quarterly detailed receivables report for both current and aged receivables for review and analysis. Once the analysis is complete, all aged receivables will be further addressed and reviewed for those that have aged greater than 90 days to determine their means of collection. We will work with the various grantors to address any open receivables that are significantly aged and develop an appropriate allowance for doubtful accounts. Finally, this process will improve the controls over account receivables and ensure the accuracy of our receivable reports and fiscal reporting.

CITY OF CHICAGO, ILLINOIS

SUMMARY OF BASIC FINANCIAL STATEMENT FINDINGS OFFICE OF THE COMPTROLLER CAPITAL ASSET MANAGEMENT* YEAR ENDED DECEMBER 31, 2008

FINDING 2008-3

Criteria — Develop and maintain formal policies and procedures to properly identify, account for, monitor, and report capital asset activity. Utilize system functionality to centralize capital asset processes. Ensure that procedures are consistently applied for transferring completed projects from construction in progress to a depreciable fixed asset category.

Condition — The City does not maintain formal policies and procedures for capital assets and utilizes decentralized systems and departmental tools to identify, account for, monitor, and report capital asset activity. The City does not utilize system functionality to centralize capital asset processes. Procedures for transferring completed projects from construction in progress to a depreciable fixed asset category are not consistent.

Effect — The City may experience difficulty in the ability to properly track and analyze capital asset activity in accordance with GAAP.

Cause — The City does not maintain formal policies and procedures to properly identify, account for, monitor, and report capital asset activity. The City does not utilize system functionality to centralize capital asset processes. The City's procedures for transferring completed projects to a depreciable fixed asset category are not consistently applied.

Recommendation — Implement the Oracle fixed asset module to accumulate, track, and analyze capital asset movements. Develop and monitor appropriate policies and procedures to update the capital asset module for future activity relating to additions, disposals, transfers, and impairments. In addition, expenses should be regularly reviewed by someone outside of the originating department to ensure that they are being properly classified as an expense or capitalized. Lastly, ensure that consistent procedures are in place to appropriately and timely transfer completed projects from construction in progress to a depreciable fixed asset category.

Views of Responsible Officials — The City concurs with the observation. Future implementation of the Oracle Fixed Asset module, with proper policies and procedures to update additions, disposals, and transfers will enhance the City's ability to properly safeguard and report the City's fixed assets.

* Comment repeated from previous fiscal years.

CITY OF CHICAGO

Chicago, Illinois

REPORT ON FEDERAL AWARDS

For the Year Ended December 31, 2008

CITY OF CHICAGO

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INDEPENDENT AUDITORS' REPORT
ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

We have audited the accompanying schedule of expenditures of federal awards of the City of Chicago, Illinois for the year ended December 31, 2008. This financial statement is the responsibility of the City of Chicago's management. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the schedule of expenditures of federal awards referred to above presents fairly, in all material respects, the expenditures of federal awards of the City of Chicago, Illinois for the year ended December 31, 2008 in conformity with accounting principles generally accepted in the United States of America.

Baker Tilly Virchow Krause, LLP

Chicago, Illinois
September 15, 2009

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2008

Agency/ Program/ Grant Title	Federal CFDA Number	Federal Grant/ State Pass-Through Number	2008 Federal Expenditures	2008 Non-Federal Expenditures	2008 Subrecipient Expenditures
I. Department of Agriculture					
A. Food and Nutrition Service					
Special Supplemental Nutrition Program for Women, Infants, & Children (passed through the Illinois Department of Human Services)					
Women, Infants and Children Program 2006	10.557	711G7087900	\$ 240	\$ -	\$ -
Women, Infants and Children Program 2007	10.557	811G8087900	2,690,643	-	357,508
Women, Infants and Children Program 2008	10.557	711G7087570	2,382,826	-	279,849
All Our Kids Early Childhood Network 2006	10.557	711G7087570	367	-	-
All Our Kids Early Childhood Network 2007	10.557	811G8087570	63,064	7,007	-
All Our Kids Early Childhood Network 2008	10.557	K11G9087570	38,187	4,243	-
Healthy Child Care Illinois - 2007	10.557	811G8087420	17,190	-	-
Healthy Child Care Illinois - 2008	10.557	K11G9087420	12,880	-	-
			<u>5,205,398</u>	<u>11,250</u>	<u>637,357</u>
Child Nutrition Cluster					
Summer Food Services Program for Children (passed through the Illinois Department of Public Health)					
Summer Food Program IDPH 2008	10.559	95280366	104	-	-
(passed through the Illinois State Board of Education)					
Summer Food Program ISBE 2008	10.559	14016298P00	2,334,265	-	2,173,944
			<u>2,334,369</u>	<u>-</u>	<u>2,173,944</u>
Total Child Nutrition Cluster			<u>2,334,369</u>	<u>-</u>	<u>2,173,944</u>
Total Food and Nutrition Service			<u>7,539,768</u>	<u>11,250</u>	<u>2,811,301</u>
B. Forest Service					
Cooperative Forestry Assistance (passed through the Illinois Department of Natural Resources)					
Green Streets Program USDA Grant 2007	10.664	07DG11420004	216,745	-	-
			<u>216,745</u>	<u>-</u>	<u>-</u>
Urban and Community Forestry Program					
2008 Green Street Program USDA Grant	10.675	08DG11420004-269	79,500	-	-
			<u>79,500</u>	<u>-</u>	<u>-</u>
Total Forest Service			<u>296,245</u>	<u>-</u>	<u>-</u>
Total Department of Agriculture			<u>7,836,013</u>	<u>11,250</u>	<u>2,811,301</u>
II. Department of Commerce					
A. Economic Development Administration					
Investments for Public Works and Economic Development Cluster					
Grant for Public Works and Economic Development Facilities					
EDA-West Pullman Business Park	11.300	060105005	60,860	60,860	13,366
Total Public Works and Economic Development Cluster			<u>60,860</u>	<u>60,860</u>	<u>13,366</u>
Total Economic Development Administration			<u>60,860</u>	<u>60,860</u>	<u>13,366</u>
Total Department of Commerce			<u>60,860</u>	<u>60,860</u>	<u>13,366</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED DECEMBER 31, 2008

Agency/ Program/ Grant Title	Federal CFDA Number	Federal Grant/ State Pass-Through Number	2008 Federal Expenditures	2008 Non-Federal Expenditures	2008 Subrecipient Expenditures
III. Department of Housing and Urban Development					
A. Office of Housing, Office of Multi-Family Housing					
Multi-Family Assisted Housing Reform and Affordability Act					
Mark to Market	14.197	OMHARNO1040	\$ 37,271	\$ -	\$ -
			37,271	-	-
Multi-Family Property Disposition					
Upfront Grant - Lawndale Restoration	14.199	UFG06FW00001	2,848,574	-	-
			2,848,574	-	-
Total Office of Housing, Office of Multi-Family Housing			2,885,845	-	-
B. Community Planning and Development					
CDBG -- Entitlement and (HUD - Administered) Small Cities Cluster					
Community Development Block Grants/Entitlement Grants					
Community Development Block Grant - YR30	14.218	B04MC170006	16,729	-	(7,147)
Community Development Block Grant - YR31	14.218	B05MC170006	991,649	-	(4,804)
Community Development Block Grant - YR32	14.218	B06MC170006	5,087,901	-	(7,644)
Community Development Block Grant - YR33	14.218	B07MC170006	9,038,353	-	294,648
Community Development Block Grant - YR34	14.218	B08MC170006	82,004,172	-	25,430,935
			97,138,804	-	25,705,989
Total CDBG -- Entitlement and (HUD - Administered) Small Cities Cluster			97,138,804	-	25,705,989
Emergency Shelter Grants Program					
Emergency Shelter 2004	14.231	S-04-MC-17-0006	(219)	-	(219)
Emergency Shelter 2007	14.231	S-07-MC-17-0006	215,691	215,691	4,562
Emergency Shelter 2008	14.231	S-08-MC-17-0006	3,135,647	3,135,647	2,440,521
			3,351,119	3,351,338	2,444,863
Supportive Housing Program					
Supportive Housing Program	14.235	IL01B210002	(201)	-	(706)
Supportive Housing Program	14.235	IL01B510001	1,205,788	-	-
Supportive Housing Program	14.235	IL01B510077	(706)	-	-
Supportive Housing Program	14.235	IL01B610009	71,431	-	(201)
Supportive Housing Program	14.235	IL01B610021	381,893	-	27,007
Supportive Housing Program	14.235	IL01B610100	222,713	-	-
SHP/CLIHIF - Chronic Homeless Initiative	14.235	IL01B710003	296,047	-	-
			2,176,963	-	26,099
Shelter Plus Care					
Shelter Plus Care	14.238	IL01C010153	19,056	-	9,107
Shelter Plus Care	14.238	IL01C010155	8,952	-	9,868
Shelter Plus Care	14.238	IL01C010155	144,940	-	19,056
Shelter Plus Care	14.238	IL01C110007	2,219	-	8,952
Shelter Plus Care	14.238	IL01C110007	298,432	-	2,219
Shelter Plus Care	14.238	IL01C110050	141,065	-	-
Shelter Plus Care	14.238	IL01C110050	131,299	-	243,288
Shelter Plus Care	14.238	IL01C110051	99,009	-	72,677
Shelter Plus Care	14.238	IL01C110051	77,865	-	421,240
Shelter Plus Care	14.238	IL01C210001	134,403	-	112,548
Shelter Plus Care	14.238	IL01C210023	9,107	-	56,284
Shelter Plus Care	14.238	IL01C210023	49,761	-	200,510
Shelter Plus Care	14.238	IL01C210025	9,868	-	113,504
Shelter Plus Care	14.238	IL01C210025	55,094	-	53,601
Shelter Plus Care	14.238	IL01C210050	42,176	-	237,332
Shelter Plus Care	14.238	IL01C210050	23,625	-	8,412
Shelter Plus Care	14.238	IL01C310001	156,097	-	62,142
Shelter Plus Care	14.238	IL01C310001	95,584	-	27,331
Shelter Plus Care	14.238	IL01C610002	66,743	-	153,284
Shelter Plus Care	14.238	IL01C610002	110,287	-	43,018
Shelter Plus Care	14.238	IL01C610005	78,904	-	53,613
Shelter Plus Care	14.238	IL01C610005	239,019	-	150,602
Shelter Plus Care	14.238	IL01C610007	80,450	-	221,818
Shelter Plus Care	14.238	IL01C610138	243,288	-	55,094

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED DECEMBER 31, 2008

Agency/ Program/ Grant Title	Federal CFDA Number	Federal Grant/ State Pass-Through Number	2008 Federal Expenditures	2008 Non-Federal Expenditures	2008 Subrecipient Expenditures
Shelter Plus Care (cont.)					
Shelter Plus Care	14.238	IL01C610139	\$ 136,160	\$ -	\$ 49,761
Shelter Plus Care	14.238	IL01C610140	121,176	-	134,403
Shelter Plus Care	14.238	IL01C610141	136,813	-	-
Shelter Plus Care	14.238	IL01C610143	72,677	-	40,551
Shelter Plus Care	14.238	IL01C610144	421,240	-	61,036
Shelter Plus Care	14.238	IL01C610145	112,548	-	99,009
Shelter Plus Care	14.238	IL01C610146	56,284	-	-
Shelter Plus Care	14.238	IL01C610147	200,510	-	-
Shelter Plus Care	14.238	IL01C610148	113,504	-	66,743
Shelter Plus Care	14.238	IL01C610149	53,601	-	78,904
Shelter Plus Care	14.238	IL01C610150	237,332	-	141,065
Shelter Plus Care	14.238	IL01C610151	8,412	-	156,097
Shelter Plus Care	14.238	IL01C610152	62,142	-	286,530
Shelter Plus Care	14.238	IL01C610153	27,331	-	36,665
Shelter Plus Care	14.238	IL01C610154	153,284	-	42,176
Shelter Plus Care	14.238	IL01C610155	43,018	-	-
Shelter Plus Care	14.238	IL01C610156	40,551	-	144,940
Shelter Plus Care	14.238	IL01C610157	61,036	-	298,432
Shelter Plus Care	14.238	IL01C610158	53,613	-	2,499
Shelter Plus Care	14.238	IL01C610159	150,602	-	18,768
Shelter Plus Care	14.238	IL01C610160	221,818	-	-
Shelter Plus Care	14.238	IL01C710116	2,499	-	-
Shelter Plus Care	14.238	IL01C710123	18,768	-	-
Shelter Plus Care	14.238	IL01C710124	269,967	-	41,544
Shelter Plus Care	14.238	IL01C710125	166,737	-	71,190
Shelter Plus Care	14.238	IL01C710126	186,846	-	173,271
Shelter Plus Care	14.238	IL01C710127	41,544	-	68,331
Shelter Plus Care	14.238	IL01C710128	71,190	-	18,997
Shelter Plus Care	14.238	IL01C710131	173,271	-	94,053
Shelter Plus Care	14.238	IL01C710132	68,331	-	180,080
Shelter Plus Care	14.238	IL01C710133	18,997	-	242,763
Shelter Plus Care	14.238	IL01C710134	94,053	-	369,113
Shelter Plus Care	14.238	IL01C710135	180,080	-	5,960
Shelter Plus Care	14.238	IL01C710136	242,763	-	13,500
Shelter Plus Care	14.238	IL01C710137	22,028	-	20,438
Shelter Plus Care	14.238	IL01C710138	369,113	-	382,652
Shelter Plus Care	14.238	IL01C710139	5,960	-	30,360
Shelter Plus Care	14.238	IL01C710140	13,500	-	179,585
Shelter Plus Care	14.238	IL01C710141	20,438	-	31,035
Shelter Plus Care	14.238	IL01C710142	382,652	-	359,490
Shelter Plus Care	14.238	IL01C710143	30,360	-	229,823
Shelter Plus Care	14.238	IL01C710145	179,585	-	115,559
Shelter Plus Care	14.238	IL01C710146	31,035	-	125,898
Shelter Plus Care	14.238	IL01C710147	359,490	-	19,342
Shelter Plus Care	14.238	IL01C710148	229,823	-	22,028
Shelter Plus Care	14.238	IL01C710149	115,559	-	110,287
Shelter Plus Care	14.238	IL01C710150	125,898	-	239,019
Shelter Plus Care	14.238	IL01C710151	19,342	-	131,299
Shelter Plus Care	14.238	IL01C910001	286,530	-	77,865
Shelter Plus Care	14.238	IL01C910002	36,665	-	80,450
Shelter Plus Care	14.238	IL01C910002	217,907	-	95,584
Shelter Plus Care	14.238	IL01XC31060	155	-	23,625
Shelter Plus Care	14.238	IL01XC31060	302,009	-	217,907
			9,083,989	-	7,764,125
HOME Investment Partnerships Program					
HOME02	14.239	M02MC170201	29,955	-	-
HOME04	14.239	M04MC170201	398,295	-	-
HOME03	14.239	M03MC170201	733,437	-	-
HOME97	14.239	M97MC170201	128	-	-
HOME01	14.239	M01MC170006	16,260	-	-
HOME05	14.239	M05MC170201	586,866	-	-
HOME99	14.239	M99MC170201	220,714	-	-
HOME06	14.239	M06MC170201	16,025,364	5,059,272	-
HOME07	14.239	M07MC170201	16,352,008	-	-
HOME08	14.239	M08MC170201	3,617,988	-	-
			37,981,016	5,059,272	-

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2008

Agency/ Program/ Grant Title	Federal CFDA Number	Federal Grant/ State Pass-Through Number	2008 Federal Expenditures	2008 Non-Federal Expenditures	2008 Subrecipient Expenditures
Housing Opportunities for Persons with AIDS					
HOPWA 05	14.241	ILH05F001	\$ -	\$ -	\$ 14,170
HOPWA 06	14.241	ILH06F001	377,665	-	384,996
HOPWA 07	14.241	ILH07F001	625,862	-	628,220
HOPWA 08	14.241	ILH08F001	4,751,527	-	4,463,340
HOPWA SPNS	14.241	ILH060032	459,959	-	448,032
			<u>6,215,013</u>	-	<u>5,938,757</u>
Community Development Block Grants/ Brownfields Economic Development Initiative					
Calumet redevelopment Initiative - EDI Special Projects	14.246	B-03-SP-IL-0790	62,244	-	-
Domes Restoration Project - EDI	14.246	B-04-SP-IL-0239	271,749	-	-
			<u>333,994</u>	-	<u>-</u>
Community Development Block Grants--Section 108 Loan Guarantees					
HUD Section 108 Loan Program - West Pullman	14.248	B96MC170006A	1,813	-	-
			<u>1,813</u>	-	<u>-</u>
Total Community Planning and Development			<u>156,282,711</u>	<u>8,410,610</u>	<u>41,879,833</u>
C. Public and Indian Housing					
Public and Indian Housing					
(passed through the Chicago Housing Authority)					
Service Connector 2004	14.850	0688	(3,130)	-	(3,130)
Service Connector 2006	14.850	0688	(3,247)	-	-
Service Connector 2007	14.850	0688	60,419	-	112,920
Service Connector 2008	14.850	0688	1,411,479	-	1,411,479
Family Works Program 2008	14.850		9,762,102	-	8,243,782
			<u>11,227,622</u>	-	<u>9,765,050</u>
Resident Opportunity and Supportive Services - Service Coordinators					
(passed through the Chicago Housing Authority)					
Resident Service Coordination Pg - Aging/CHA	14.870	0634-3	12,218	-	-
			<u>12,218</u>	-	<u>-</u>
Section 8 Housing Choice Vouchers					
(passed through the Chicago Housing Authority)					
Substance Abuse Assessment/CHA	14.871	A3	178,460	-	178,460
CHA - Summer Nutrition & Youth Development	14.871	8056	254,084	-	254,084
			<u>432,544</u>	-	<u>432,544</u>
Public Housing Capital Fund					
Violence Prevention & Intervention	14.872		10,016	-	-
			<u>10,016</u>	-	<u>-</u>
Total Public and Indian Housing			<u>11,682,399</u>	<u>-</u>	<u>10,197,594</u>
D. Office of Healthy Homes and Lead Hazard Control					
Lead-Based Paint Hazard Control in Privately-Owned Housing					
Chicago Lead Safe Home Initiative	14.900	ILLHB0136-05	252,236	-	114,425
Lead Control HUD 2007	14.900	ILLHB0347-07	968,598	-	561,642
			<u>1,220,834</u>	-	<u>676,067</u>
Lead Hazard Reduction Demonstration Grant Program					
Lead Hazard Reduction Demonstration	14.905	ILLHD0140-05	536,656	-	368,056
			<u>536,656</u>	-	<u>368,056</u>
Total Office of Healthy Homes and Lead Hazard Control			<u>1,757,490</u>	<u>-</u>	<u>1,044,123</u>
Total Department of Housing and Urban Development			<u>172,608,445</u>	<u>8,410,610</u>	<u>53,121,551</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2008

Agency/ Program/ Grant Title	Federal CFDA Number	Federal Grant/ State Pass-Through Number	2008 Federal Expenditures	2008 Non-Federal Expenditures	2008 Subrecipient Expenditures
IV. Department of the Interior					
A. Fish and Wildlife Service					
Fish and Wildlife Management Assistance					
Chicago Wilderness Region Birding Trail	15.608	FWS0412	\$ 1,370	\$ -	\$ -
Northpark Village Wetlands Restoration	15.608	20070085004	33,243	-	-
			<u>34,613</u>	-	-
Coastal Wetlands Planning, Protections and Restoration Act					
IGA-Hegewisch Marsh Restoration Project-Lake Calumet	15.614		183,063	-	-
Hegewisch Marsh National Coastline Wetlands Project	15.614		73,416	-	-
			<u>256,480</u>	-	-
Total Fish and Wildlife Service			<u>291,092</u>	-	-
Total Department of the Interior			<u>291,092</u>	-	-
V. Department of Justice					
A. Office on Violence Against Women					
Supervised Visitation, Safe Havens for Children					
Safe Haven Supplement	16.527	2007CWAX0002	149,712	-	134,506
Safe Haven Supplement	16.527	2003CWBXK004	385	-	-
			<u>150,097</u>	-	<u>134,506</u>
Enhanced Training and Services to End Violence and Abuse of Women Later in Life					
Training Grant to Stop Abuse & Sexual Assault of Older Individuals	16.528	2006-WAX-K007	49,358	-	10,000
			<u>49,358</u>	-	<u>10,000</u>
Violence Against Women Formula Grants (passed through the Illinois Criminal Justice Information Authority)					
Domestic Violence Law Enforcement Yr. 10	16.588	603007	120,315	-	-
Domestic Violence Law Enforcement Yr. 11	16.588	604007	66,710	-	-
Domestic Violence Brochures	16.588	603107	28,615	-	-
			<u>215,640</u>	-	-
Total Office on Violence Against Women			<u>415,094</u>	-	<u>144,506</u>
B. Office of Juvenile Justice and Delinquency Prevention - Office of Justice Programs					
Juvenile Accountability Incentive Block Grants (passed through Illinois Criminal Justice Information Authority)					
Juvenile Accountability Incentive Block Grants	16.523	503026	-	25,225	-
Juvenile Intervention & Support Center	16.523	505026	40,279	7,037	47,316
Juvenile Intervention & Support Center	16.523	504026	1,125	-	-
Juvenile Intervention & Support Center	16.523	505026	141,312	-	-
Juvenile Intervention & Support Center II	16.523	506026	4,272	-	-
			<u>186,988</u>	<u>32,262</u>	<u>47,316</u>
Juvenile Mentoring Program					
Mentoring Initiative for System Involved Youth	16.726	2006JUFXX012	177,867	-	122,830
			<u>177,867</u>	-	<u>122,830</u>
Enforcing Under Age Drinking Laws Program (passed through Illinois Department of Human Services)					
Stop Alcohol to Minors Grant YR-VIII	16.727	11G8480000	30,873	-	-
Stop Alcohol to Minors Grant YR-IX	16.727	K11GK480565	15,046	-	-
			<u>45,919</u>	-	-
Total Office of Juvenile Justice and Delinquency Prevention - Office of Justice Programs			<u>410,773</u>	<u>32,262</u>	<u>170,146</u>
C. Bureau of Justice Assistance - Office of Justice Assistance					
Edward Byrne Memorial Formula Grant Program (passed through the Illinois Criminal Justice Information Authority)					
CPD Paper/Electronic Records Conversion Program	16.579	404774	104,845	-	-
			<u>104,845</u>	-	-

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Agency/ Program/ Grant Title	Federal CFDA Number	Federal Grant/ State Pass-Through Number	2008 Federal Expenditures	2008 Non-Federal Expenditures	2008 Subrecipient Expenditures
Community Prosecution and Project Safe Neighborhoods					
(passed through the Illinois Criminal Justice Information Authority)					
Project Safe Neighborhoods Program	16.609	106052	\$ 307,735	\$ -	-
Project Safe Neighborhoods Program	16.609	107552	48,938	-	-
			356,672	-	-
Gang Resistance Education & Training					
Gang Resistance Education & Training	16.737	2004JVFX0169	75,669	-	-
Gang Resistance Education & Training	16.737	2007JVFX0166	64,965	-	-
			140,634	-	-
Edward Byrne Memorial Justice Assistance Grant Program					
Edward Byrne Memorial Justice Assistance Grant	16.738	2005DJBX1256	59,877	-	26,759
Edward Byrne Memorial Justice Assistance Grant	16.738	2006DJBX0689	92,315	-	-
Edward Byrne Memorial Justice Assistance Grant 2007	16.738		1,304,382	-	-
			1,456,573	-	26,759
Total Bureau of Justice Assistance - Office of Justice Programs			2,058,724	-	26,759
D. Office of Justice Programs - Office of Victims of Crime					
Services for Trafficking Victims					
Human Trafficking Task Force & Victim Services Program					
Services for Trafficking Victims	16.320	2005-VT-BX-1161	118,402	-	-
			118,402	-	-
Crime Victim Assistance					
(passed through the Illinois Criminal Justice Information Authority)					
Services to Victims of Domestic Violence 2007	16.575	206289	16,646	4,504	-
Child Visitation Program Interagency Agreement	16.575	205389	49,089	-	49,089
Services to Victims of Domestic Violence 2008	16.575	206389	94,996	28,708	-
Service to Victims of Domestic Violence	16.575	208289	81,546	-	-
Domestic Violence Helpline Program	16.575	207115	569,708	-	-
Service to Victims of Domestic Violence	16.575	205489	112,501	-	-
Domestic Violence Helpline Program	16.575	605115	140,958	-	-
			1,065,443	33,212	49,089
Crime Victim Assistance/Discretionary Grants					
Public Awareness of Elder Abuse in Underserved Communities	16.582	2006VFGX-K017	22,090	-	19,638
			22,090	-	19,638
Total Office of Victims of Crime - Office of Justice Programs			1,205,935	33,212	68,727
E. Office of Justice Programs - National Institute of Justice					
National Institute of Justice Research, Evaluation and Development					
Project Grants					
Evolution of Gang Hot Spots Policing in Chicago	16.560	2006-IJ-CX-0023	72,796	-	-
Solving Cold Cases with DNA	16.560	2007-DN-BX-K025	21,585	-	-
			94,381	-	-
Total Office of Justice Programs - National Institute of Justice			94,381	-	-
F. Office of Community Oriented Policing Services					
Public Safety Partnership and Community Policing Grants					
Creating A Culture of Integrity	16.710	2002-HS-WX-0010	(1,762)	-	-
COPS 2007 Technology Program	16.710	2007-CK-WX-0034	1,646,305	-	-
			1,644,543	-	-
Total Office of Community Oriented Policing Services			1,644,543	-	-
Total Department of Justice			5,829,451	65,474	410,137

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YEAR ENDED DECEMBER 31, 2008

Agency/ Program/ Grant Title	Federal CFDA Number	Federal Grant/ State Pass-Through Number	2008 Federal Expenditures	2008 Non-Federal Expenditures	2008 Subrecipient Expenditures
VI. Department of Labor					
A. Employment Training Administration					
Senior Community Service Employment Program					
(passed through the Illinois Department on Aging/ National Council for Senior Citizens)					
Senior Community Service Employment Program (Title V) 2008	17.235	V-12-08	\$ 387,345	\$ -	\$ 203,443
Senior Community Service Employment Program (Title V) 2009	17.235	V-12-09	350,672	-	137,413
Total Senior Community Service Employment Program			738,017	-	340,856
WIA Cluster					
WIA Adult Program					
(passed through the Illinois Department on Commerce and Economic Opportunity):					
WIA Workforce Investment Act	17.258	0468109	(1,805)	-	(1,805)
WIA Adult Training	17.258	0568109	(29)	-	(29)
WIA Adult Training	17.258	06681009	1,046,840	-	(59,882)
WIA Adult Training	17.258	07681009	6,509,929	-	3,690,946
WIA Adult Training	17.258	0268109	(3,681)	-	-
WIA Adult Training	17.258	0368109	(125)	-	(125)
Critical Skills Shortage Initiative in Healthcare	17.258	Subgrant #218	10,330	-	10,330
WIA PY'07 Incentive Grant	17.258	06-672009	95,021	-	-
WIA PY'08 Adult	17.258	08-681009	4,626,406	-	3,065,936
			12,282,887	-	6,705,372
WIA Youth Activities					
(passed through the Illinois Department on Commerce and Economic Opportunity):					
WIA Youth Training	17.259	0468109	72,537	-	72,537
WIA Youth Training	17.259	0568109	(132)	-	(132)
WIA Youth Training	17.259	0268109	(1,925)	-	-
High Speed Internet	17.259	07630209	83,291	-	83,291
WIA Youth Training	17.259	06681009	731,675	-	(9,357)
WIA Youth Training	17.259	07681009	6,282,884	-	4,646,189
WIA Youth Grant Statewide Activities Incentives	17.259	06672009	224,078	-	-
WIA Youth Training	17.259	08681009	4,810,989	-	3,931,975
WIA High Speed Internet	17.259	07630209	8,846	-	8,846
WIA Youth Grant Statewide Activities Incentives	17.259	07632009	231,086	-	-
			12,443,330	-	8,733,349
WIA Dislocated Workers					
(passed through the Illinois Department on Commerce and Economic Opportunity):					
WIA Workforce Investment Act	17.260	0468109	(2,522)	-	(2,522)
WIA Dislocated Workers	17.260	06681009	1,428,029	-	-
WIA Dislocated Workers	17.260	07681009	3,842,104	-	2,663,455
WIA Dislocated Workers - IDCEO	17.260	0368109	(5,791)	-	(5,791)
WIA State Reserve	17.260	0365109	(711)	-	(711)
WIA State Reserve	17.260	04651009	(2,057)	-	(2,057)
WIA Discretionary	17.260	06673009	405,859	-	386,143
WIA Dislocated Workers PY'08	17.260	08681009	2,957,412	-	2,202,294
			8,622,324	-	5,240,812
WIA Pilots, Demonstrations and Research Projects					
Preparing Ex-Offenders Via Beneficiary Choice	17.261	YF165020760A	541,968	-	477,208
			541,968	-	477,208
Total WIA Cluster			33,890,509	-	21,156,741
Total Department of Labor			34,628,526	-	21,497,597

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Agency/ Program/ Grant Title	Federal CFDA Number	Federal Grant/ State Pass-Through Number	2008 Federal Expenditures	2008 Non-Federal Expenditures	2008 Subrecipient Expenditures
VII. Department of Transportation					
A. Federal Aviation Administration					
Airport Improvement Program					
(passed through the Illinois Department of Transportation)					
Federal Airport Midway Field Development 2006	20.106		\$ 6,777,269	\$ -	\$ -
Federal Airport O'Hare Field Development 2006	20.106		40,642,009	-	-
			47,419,278	-	-
Total Federal Aviation Administration			47,419,278	-	-
B. Federal Highway Administration					
Highway Planning and Construction Cluster					
Highway Planning and Construction					
(passed through the Illinois Department of Transportation)					
CMAQ Safe Routes	20.205	Various	10,543	3,149	-
I-Go Car Sharing Program	20.205	Various	385,000	115,000	-
Pedway Signage Phase I and II	20.205	Various	5,059	1,511	-
Pedway Signage	20.205	Various	131,329	39,228	-
Vert Cl Imp @ 2200 W. 43rd Street	20.205	Various	218,911	65,389	-
Jackson Street Viaduct	20.205	Various	(11,088)	(3,312)	-
2006 Bridge & Viaduct Painting Citywide	20.205	Various	410,191	122,525	-
75th Street Viaduct Imp. Over I-94	20.205	Various	410,455	122,603	-
33rd St. Viaduct	20.205	Various	370,563	110,688	-
Halsted Street Bridge over North Branch	20.205	Various	214,104	63,953	-
Taylor Street over SB of Chicago River	20.205	Various	11,930	3,564	-
CSAC Advance Traffic Mgmt System 63rd Street to I-55	20.205	Various	281,531	84,094	-
Chicago Avenue(650 W to 850 W) & Halsted St (725 N to 850 N)	20.205	Various	162,160	48,438	-
Bridge & Viaduct Painting - Contract A	20.205	Various	306	91	-
Bridge & Viaduct Painting - Contract B	20.205	Various	560	167	-
Bridge & Viaduct Painting - Contract C	20.205	Various	367	110	-
North Avenue Bridge Over Chgo River Phase III	20.205	Various	2,750,360	821,536	-
Grand Avenue Improv (Narragansett to Central	20.205	Various	47,081	14,063	-
Grand Avenue Improv: Central Avenue to Lamom Ave	20.205	Various	1,043,713	311,759	-
63rd Street/Morgan-Wallace & Halsted	20.205	Various	165,055	49,302	-
Expressway Overpass Construction Engineering	20.205	Various	139,369	41,630	-
Halsted Street: 59th St to 63rd Parkway	20.205	Various	284,699	85,040	-
Bike Rack Install @ Various Loc	20.205	Various	2	1	-
Commuter Bicycle Parking and Promotion	20.205	Various	71,151	21,253	-
Valley Line Bicycle Path	20.205	Various	83,919	25,067	-
Bike to Transit Phase I & II	20.205	Various	2,392	715	-
Commuter Bicycle Parking - Various Locations	20.205	Various	24,372	7,280	-
Bikeways Signage Series V - Phase III Construction	20.205	Various	4,408	1,317	-
Bike to Transit Connections	20.205	Various	606,553	181,178	-
Valley Line Bicycle Path	20.205	Various	302,021	90,214	-
71st St over I-94 Dan Ryan Expressway	20.205	Various	845,120	252,438	-
Installation of Bicycle Lane Pavement Marking and Signs	20.205	Various	2,115	632	-
Installation of Bicycle Race @ Various Locations	20.205	Various	88,005	26,287	-
Solidarity Drive Pedestrian Underpass & Traffic Circle Museum Campus	20.205	Various	5,102,946	1,524,257	-
Lake Front/Navy Pier Flyover	20.205	Various	64,407	19,238	-
Millennium Park Access Study	20.205	Various	59,410	17,746	-
Streets for Cycling	20.205	Various	153,987	45,996	-
35th St Bicycle & Pedestrian Bridge Over South LSD	20.205	Various	94,951	28,362	-
43rd Street Pedestrian Bridge Ph 1	20.205	Various	170,774	51,010	-
41st Street Bicycle and Pedestrian Bridge	20.205	Various	203,294	60,724	-
LSD Viaduct Over Lawrence Avenue & Wilson	20.205	Various	157,630	47,084	-
Lakeshore Drive Viaduct Over LaSalle Drive	20.205	Various	126,264	37,715	-
Madison Street Viaduct Over Union Station	20.205	Various	94,976	28,370	-
S. LSD Burnham Park	20.205	Various	674	201	-
Canal St. Viaduct @ 16th Street	20.205	Various	1,260,279	376,447	-
Lake St. Union Avenue to Canal Street	20.205	Various	126,582	37,810	-
Pulaski Road Traffic Signal - 87th St. to I-55	20.205	Various	341,541	102,019	-
Ashland Avenue Traffic Interconnect PR - 95th	20.205	Various	261,140	78,003	-
91st St Viaduct Over Dan Ryan Expressway	20.205	Various	156,598	46,776	-
Lake Street: Western to Damen	20.205	Various	3,237,775	967,128	-
Wacker Dr. Randolph St./Adams St.	20.205	Various	22,030	6,580	-

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Highway Planning and Construction (cont.)					
Burley Avenue: 106th to 126th Place	20.205	Various	\$ 162,444	\$ 48,522	\$ -
Traffic Control Signals At Various Locations	20.205	Various	2,497	746	-
95th St From Western Avenue to Ewing Avenue	20.205	Various	16,330	4,878	-
Cicero Ave/Peterson Avenue to Lexington Avenue Traffic Control	20.205	Various	11,879	3,548	-
87th St Eastern Avenue To Dan Ryan Exp. Way	20.205	Various	7,316	2,185	-
Traffic Control Signals @ Various Locations	20.205	Various	3,557	1,062	-
Wacker Dr. Randolph St./Adams St.	20.205	Various	6,648	1,986	-
CDOT Railroad Atlas Phase II	20.205	Various	8,940	2,671	-
CDOT (CBD) Truck Trip Survey	20.205	Various	939	281	-
Preliminary Planning 2005	20.205	Various	7	2	-
Airport Express Market Analysis	20.205	Various	1,089	325	-
Rail Action Plan - Phase III	20.205	Various	26,391	7,883	-
Pedestrian Plan	20.205	Various	41,724	12,463	-
Pedestrian Safety Plan	20.205	Various	34,650	10,350	-
Chicago City Wide Average Daily Traffic	20.205	Various	342,611	102,338	-
Preliminary Planning 2005	20.205	Various	1,459	436	-
O'Hare Midway Express Guideway & Terminal LP	20.205	Various	156,574	46,769	-
Create (2007 Transportation Planning Grant)	20.205	Various	45,991	13,738	-
TIP Development (2007 Transportation Planning Grant)	20.205	Various	24,510	7,321	-
Chicago Railroad economic Opportunities	20.205	Various	115,646	34,544	-
Create Area Pedestrian Count	20.205	Various	30,041	8,973	-
West Loop Transportation Center - Phase 2	20.205	Various	13,594	4,061	-
Preliminary Planning	20.205	Various	61,603	18,401	-
Central Area bus Rapid Transit - East/West Transit Corridor	20.205	Various	11,732	3,504	-
Preliminary Planning	20.205	Various	12,443	3,717	-
Preliminary Planning	20.205	Various	125,207	37,400	-
Development and Monitoring	20.205	Various	79,864	23,856	-
Chicago Avenue Improvement - Grand to Milwaukee	20.205	Various	36,306	10,845	-
LSD 79th St. to Harbor Avenue	20.205	Various	420,917	125,729	-
2005/2006 Structural Bridge Inspection	20.205	Various	1,232,312	368,093	-
Grand Avenue: Fullerton - Narragansett	20.205	Various	14,630	4,370	-
STP-2007 Traffic Signal Modernization	20.205	Various	1,911,534	570,978	-
Grand Avenue: Fullerton - Jefferson	20.205	Various	412,569	123,235	-
Milwaukee Avenue Improvements - Montrose Avenue to Gale Street	20.205	Various	1,590,725	475,152	-
Laramie Avenue Viaduct At Polk St	20.205	Various	356,125	106,375	-
Milwaukee Avenue: Lawrence to Erie	20.205	Various	256,718	76,682	-
63rd St: Western to Wallace	20.205	Various	7,889	2,357	-
City Wide Traffic Studies	20.205	Various	175,953	52,557	-
P.E. Traffic Signal Mod/GRPIII	20.205	Various	33,447	9,991	-
Lake St. from Canal to Western Avenue	20.205	Various	158,084	47,220	-
Chicago Ave: Laramie/Kennedy Exp.	20.205	Various	5,238	1,565	-
Traffic Control Signals At Various Locations	20.205	Various	195,359	58,354	-
Create Program - Program P-5 Archer & Western	20.205	Various	622,092	185,820	-
Bike Rack Purchase/Installation Phase V	20.205	Various	9,488	2,834	-
Consult PH I - Design	20.205	Various	737,852	220,397	-
Division Street: Cleveland to Orleans	20.205	Various	8,354	2,495	-
Nearwest Traffic Signal Interconnection	20.205	Various	4,288	1,281	-
Racine Avenue: 35th to 39th St/37th St: Morgan St. to Racine Avenue	20.205	Various	2,456,089	733,637	-
STP 2006 Traffic Signal Modernization Construction	20.205	Various	258,317	77,160	-
122nd St: Stony Island Avenue to Torrence	20.205	Various	12,375	3,697	-
Central Avenue Viaduct over Soo Line RR & Grand	20.205	Various	72,093	21,534	-
56th St. to 67th Street	20.205	Various	183,892	54,929	-
Burham Park, Gateway Landscaping (31st St to Oak)	20.205	Various	10,870	3,247	-
Burham Park, Gateway Landscaping (23rd St to)	20.205	Various	20,906	6,245	-
Sleepy Hollow - HPP-II/WPA-New Str Construction	20.205	Various	4	1	-
Midway Airport ITS Project HAR & Enhanced Traveler Information	20.205	Various	68,759	20,539	-
Montrose Harbor Bridges and Underpass	20.205	Various	29,425	8,789	-
Ashland Avenue Viaduct over Pershing Road	20.205	Various	135,615	40,508	-
Vertical Clearance IMP. Cermak Rd @ Kenton	20.205	Various	106,147	31,706	-
63rd St. Western Avenue/Ashland Avenue	20.205	Various	264,913	79,130	-
Wells Street Bridge over Main Branch of Chicago River	20.205	Various	19,861	5,933	-
Western Avenue Viaduct over Belmont Avenue	20.205	Various	102,199	30,527	-
Chicago Avenue Bridge Over the North Branch of Chicago River	20.205	Various	239,088	71,416	-
East Jackson Drive Over Metra Railroad Reconstruction	20.205	Various	7,895,516	2,358,401	-
CMAQ - Alternative Fueling Station	20.205	Various	906,683	37,778	-
Wacker Dr: LSD to Congress Parkway	20.205	Various	127	38	-
47th St Pedestrian Bridge Over North Bound LSD	20.205	Various	55,682	16,632	-

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Highway Planning and Construction (cont.)					
2007 Bridge & Viaduct Painting	20.205	Various	\$ 389,050	\$ 116,210	\$ -
2007 Bridge & Viaduct Painting Contract B	20.205	Various	394,316	117,783	-
35th Over I-90/94	20.205	Various	2,450	732	-
59th St. over I-90/94	20.205	Various	675,853	201,878	-
Western Avenue Signal Interconnect Congress	20.205	Various	133,663	39,925	-
Monroe & Washington over I-90/94	20.205	Various	348,217	104,013	-
Michigan Avenue Viaduct over Bishop Ford Exp.	20.205	Various	613,643	183,296	-
Torrence Avenue Bridge Rehab	20.205	Various	231,582	69,174	-
Wacker Drive Riverwalk - Wabash Plaza	20.205	Various	163,798	48,927	-
INTRMODL FTGHT ACES STUDY PHS II	20.205	Various	457	137	-
Total Highway Planning and Construction Cluster			46,024,674	13,514,581	-
Total Federal Highway Administration			46,024,674	13,514,581	-
C. Federal Transit Administration					
Federal Transit Cluster					
Federal Transit – Capital Investment Grants					
Clark/Division Subway Station	20.500	Various	396,779	44,087	-
Grand/State Station Rehab	20.500	Various	21,201,279	2,355,698	-
Conrail Bikeway -PHS III	20.500	Various	505,889	56,210	-
DRBRN/JCKSN-STA-PLTFRM/MEZZ	20.500	Various	3,575,533	397,281	-
Jackson Platform & Trans Tun	20.500	Various	3,569	397	-
Mid-City Transitway PHSNG STDY	20.500	Various	13,327	1,481	-
Dan Ryan EXT MJR INV ANALYSIS	20.500	Various	650	72	-
Southwest Transit Ext Row	20.500	Various	9,567	1,063	-
La Salle/Congress Intermodal Transfer	20.500	Various	259,535	28,837	-
State St. Subway Lake/Ran Mezz/PI	20.500	Various	121,861	13,540	-
Total Federal Transit Cluster			26,087,988	2,898,665	-
Federal Transit - Metropolitan Planning Grants (passed through the Illinois Department of Transportation)					
Senior Alternative Transportation	20.505		(47,222)	-	-
			(47,222)	-	-
Total Federal Transit Administration			26,040,766	2,898,665	-
D. National Highway Traffic Safety Administration					
Highway Safety Cluster					
State and Community Highway Safety (passed through the Illinois Department of Transportation)					
Mayor Daley's Bicycling Ambassador Program	20.600	Various	812	-	-
Mayor Daley's Bicycling Ambassador Program	20.600	Various	362,815	-	-
Chicago Pedestrian Safety Project	20.600	Various	2,616	-	-
Protector's Grant - Year 10	20.600	0P51051097	122,567	-	-
Local Alcohol Program	20.600	AL6-1051-117	(471)	-	-
Roadside Safety Check Grant - Year 15	20.600	AL61051074	(5,061)	-	-
Local Alcohol Program	20.600	AL7-1051-169	(58)	-	-
Protector's Grant - Year 12	20.600	OP71051171	640	-	-
Local Alcohol Program	20.600	AL81051177	164,410	-	-
Protector's Grant Year 13	20.600	0P81051176	17,122	-	-
Holiday Mobilization Grant FY'08	20.600	AL91051540	123,927	-	-
			789,320	-	-

CITY OF CHICAGO, ILLINOIS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED DECEMBER 31, 2008

Agency/ Program/ Grant Title	Federal CFDA Number	Federal Grant/ State Pass-Through Number	2008 Federal Expenditures	2008 Non-Federal Expenditures	2008 Subrecipient Expenditures
Alcohol Impaired Driving Countermeasures Incentive Grants I					
(passed through Illinois Department of Transportation)					
Roadside Safety Checks YR 16	20.601	AL7-1051-170	\$ 2,886	\$ -	\$ -
Roadside Safety Checks YR 17	20.601	AL8-1051-175	146,081	-	-
Local Alcohol Program/DUI Strike FY'08	20.601	AL9-1051-142	42,152	-	-
			<u>191,119</u>	-	-
Occupant Protection Incentive Grants					
(passed through Illinois Department of Transportation)					
Local Alcohol Program	20.602	AL8-1051-177	156,624	-	-
Holiday Mobilization Grant	20.602	0P81051458	266,564	-	-
			<u>423,188</u>	-	-
Total Highway Safety Cluster			<u>1,403,626</u>	-	-
Total National Highway Traffic Safety Administration			<u>1,403,626</u>	-	-
E. Pipeline and Hazardous Materials Safety Administration					
Interagency Hazardous Materials Public Sector Training and Planning Grants					
Hazardous Materials Emergency Preparedness Planning Grant (HEMP)	20.703		40,000	-	-
Total Pipeline and Hazardous Materials Safety Administration Inter-Agency Hazardous Materials Public Sector Training and Planning Grants			<u>40,000</u>	-	-
Total Department of Transportation			<u>120,928,344</u>	<u>16,413,246</u>	-
VIII. Institute of Museum and Library Services					
A. Office of Library Services					
Grants to States Program					
Delivery Ramp Up	45.310	LSTA08010710	4,900	-	-
			<u>4,900</u>	-	-
Total Institute of Museum and Library Services			<u>4,900</u>	-	-
IX. Environmental Protection Agency					
A. Office of Air and Radiation					
Air Pollution Control Program Support					
(passed through the Illinois Environmental Protection Agency)					
Air Pollution Control Grant 03-04	66.001		1,461	-	-
Air Pollution Control Grant 04-05	66.001		1,250	-	-
Air Pollution Control Grant 05-06	66.001		3,139	-	-
Air Pollution Control Grant 06-07	66.001		(7,720)	-	-
Air Pollution Control Grant 07-08	66.001		317,682	317,681	-
Air Pollution Control Grant 08-09	66.001		119,896	119,895	-
			<u>435,708</u>	<u>437,576</u>	-
Survey, Studies, Investigations, Demonstrations and Special					
Purpose Activities Relating to the Clean Air Act					
Chicago Refuse Truck Retrofit Project	66.034	XA-965419-01-0	4,389	-	-
Chicago Fleet Idling Reduction Grant	66.034	XA-00E47701	12,960	-	-
			<u>17,349</u>	-	-
Total Office of Air and Radiation			<u>453,058</u>	<u>437,576</u>	-

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2008

Agency/ Program/ Grant Title	Federal CFDA Number	Federal Grant/ State Pass-Through Number	2008 Federal Expenditures	2008 Non-Federal Expenditures	2008 Subrecipient Expenditures
B. Office of Water					
Surveys, Studies, Investigations, Demonstrations and Training Grants and Cooperative Agreements Section 104(B)(3) of the Clean Water Act					
Great Cities - Implementing Stormwater BMPs	66.436	X7-00E01501-0	\$ 49,012	\$ -	\$ -
			49,012	-	-
Non-Point Source Implementation Grants					
North Park Village Rain Garden	66.460		32,369	-	-
Calumet Region Green Infrastructure NPS Demonstration Project	66.460	3190307	97	-	-
			32,465	-	-
Great Lakes Program					
Unwanted Household electronics and Medicines	66.469	GL00E540010	80	-	-
			80	-	-
Total Office of Water			81,557	-	-
C. Office of Prevention, Pesticides and Toxic Substances					
Source Reduction Assistance					
Green Schools Challenge - Chicago Conservation Clubs	66.717	X9-00E193010	53,640	-	-
			53,640	-	-
Total Office of Prevention, Pesticides and Toxic Substances			53,640	-	-
D. Office of Solid Waste and Emergency Response - Office of Solid Waste					
Solid Waste Management Assistance Grants					
Multi-Unit Recycling Project	66.808	X1-00E314010	40,000	-	-
			40,000	-	-
Brownfields Pilots Cooperative Agreements					
Brownfields Superfund Redevelopment	66.811	SR975493010	18,100	-	-
			18,100	-	-
Total Office of Solid Waste and Emergency Response - Office of Solid Waste			58,100	-	-
E. Office of Solid Waste and Emergency Response - Office of Brownfields and Land Revitalization					
Brownfields Assessment and Cleanup Cooperative Agreements (Brownfields Assessment) Petroleum Substances Assessment					
	66.818	BF003017010	55,688	-	-
			55,688	-	-
Total Office of Solid Waste and Emergency Response - Office of Brownfields and Land Revitalization			55,688	-	-
Total Environmental Protection Agency			702,044	437,576	-
X. Department of Health and Human Services					
A. Office of Minority Health					
Bilingual/Bicultural Service Demonstration Grants					
Bilingual Bicultural Demonstration	93.105	BBCMP051000-03	142,065	-	42,581
			142,065	-	42,581
Total Office of Minority Health			142,065	-	42,581

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2008

Agency/ Program/ Grant Title	Federal CFDA Number	Federal Grant/ State Pass-Through Number	2008 Federal Expenditures	2008 Non-Federal Expenditures	2008 Subrecipient Expenditures
B. Office of Population Affairs					
Family Planning - Services					
(passed through the Illinois Department of Human Services)					
Family Planning Services 2007	93.217	811G7087350	\$ 320,098	\$ 45,014	\$ -
Family Planning Services 2008	93.217	K11G9087350	237,819	33,443	-
			<u>557,917</u>	<u>78,457</u>	<u>-</u>
Total Office of Population Affairs			<u>557,917</u>	<u>78,457</u>	<u>-</u>
C. Administration on Aging					
Aging Cluster					
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers (passed through the Illinois Department on Aging)					
Senior Citizen Nutrition and Social Services Program 2006	93.044		693,795	173,345	(2,022)
Senior Citizen Nutrition and Social Services Program 2007	93.044		3,143,433	2,909,906	2,781,318
Senior Citizen Nutrition and Social Services Program 2008	93.044		864,969	1,381,199	584,440
			<u>4,702,197</u>	<u>4,464,450</u>	<u>3,363,736</u>
Special Programs for the Aging - Title III, Part C - Nutrition Services (passed through the Illinois Department on Aging)					
Senior Citizen Nutrition and Social Services Program 2006	93.045		434,382	-	(1,266)
Senior Citizen Nutrition and Social Services Program 2007	93.045		5,289,103	-	4,676,879
Senior Citizen Nutrition and Social Services Program 2008	93.045		1,417,497	-	1,196,126
			<u>7,140,982</u>	<u>-</u>	<u>5,871,739</u>
Nutrition Services Incentive Program (passed through the Illinois Department on Aging)					
Senior Citizen Nutrition and Social Services Program 2006	93.053		1,000	-	(3)
Senior Citizen Nutrition and Social Services Program 2007	93.053		1,455,404	-	1,287,745
Senior Citizen Nutrition and Social Services Program 2008	93.053		1,090,601	-	920,556
			<u>2,547,005</u>	<u>-</u>	<u>2,208,298</u>
Total Aging Cluster			<u>14,390,184</u>	<u>4,464,450</u>	<u>11,443,773</u>
Special Programs for the Aging - Title VII, Chapter 3 - Program for Prevention of Elder Abuse, Neglect and Exploitation (passed through the Illinois Department on Aging)					
Senior Citizen Program 2006	93.041		10,072	-	(29)
Senior Citizen Program 2007	93.041		31,529	-	25,131
Senior Citizen Program 2008	93.041		2,828	-	2,386
			<u>44,429</u>	<u>-</u>	<u>27,488</u>
Special Programs for the Aging - Title VII, Chapter 2 - Long- term Care Ombudsman Services for Older Individuals (passed through the Illinois Department on Aging)					
Senior Citizen Nutrition Program 2006	93.042		6,364	-	(19)
Senior Citizen Nutrition Program 2007	93.042		63,533	-	50,643
Senior Citizen Nutrition Program 2008	93.042		-	-	-
			<u>69,897</u>	<u>-</u>	<u>50,624</u>
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services (passed through the Illinois Department on Aging)					
Senior Citizen Nutrition Program 2006	93.043		-	-	-
Senior Citizen Nutrition Program 2007	93.043		245,134	-	195,400
Senior Citizen Nutrition Program 2008	93.043		48,585	-	40,997
			<u>293,719</u>	<u>-</u>	<u>236,397</u>
National Family Caregiver Support, Title III, Part E (passed through the Illinois Department on Aging)					
Senior Citizen Nutrition Program 2006	93.052		32,321	-	(95)
Senior Citizen Nutrition Program 2007	93.052		1,134,100	-	823,972
Senior Citizen Nutrition Program 2008	93.052		354,978	-	299,540
			<u>1,521,399</u>	<u>-</u>	<u>1,123,417</u>

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YEAR ENDED DECEMBER 31, 2008

Agency/ Program/ Grant Title	Federal CFDA Number	Federal Grant/ State Pass-Through Number	2008 Federal Expenditures	2008 Non-Federal Expenditures	2008 Subrecipient Expenditures
Special Programs for the Aging - Title II and Title IV					
Discretionary Projects and Programs					
(passed through the Illinois Department of Public Health)					
Chronic Disease Self Management Program 2007	93.048	8328801	\$ 48,886	\$ -	\$ 34,000
Chronic Disease Self Management Program 2008	93.048	93288003	4,101	-	-
(passed through the Area Agency on Aging of Suburban Cook County)					
Senior Medicare Patrol Program 2007	93.048	FY2008SMP	18,483	-	-
Senior Medicare Patrol Program 2008	93.048	FY2009SMP	8,521	-	-
			<u>79,991</u>	<u>-</u>	<u>34,000</u>
Total Administration on Aging			16,399,620	4,464,450	12,915,699
D. Administration for Children and Families					
Healthy Marriage Promotion and Responsible Fatherhood Grants					
Promoting Responsible Fatherhood					
	93.086	90FR0009/01	882	-	-
Promoting Responsible Fatherhood					
	93.086	90FR0009/02	427,687	-	123,939
			<u>428,569</u>	<u>-</u>	<u>123,939</u>
Temporary Assistance for Needy Families					
(passed through the Illinois Department of Human Services)					
Healthy Families of Illinois 2007					
	93.558	811G8087400	91,374	43,000	94,129
Healthy Families of Illinois 2008					
	93.558	K1198087400	72,176	33,965	59,890
Prevention of Domestic Violence 2006					
	93.558	711G7087000	2,386	19,300	-
			<u>165,936</u>	<u>96,265</u>	<u>154,018</u>
Refugee and Entrant Assistance-State Administered Programs					
(passed through the Illinois Department of Public Health)					
Refugee Program					
	93.566	80180010	280,420	-	-
Refugee Program					
	93.566	90180025	198,794	-	-
			<u>479,214</u>	<u>-</u>	<u>-</u>
Community Services Block Grant					
(passed through the Illinois Department of Commerce and Economic Opportunity)					
C.S.B.G. 2007					
	93.569	0723136	(15,589)	1,850	(13,470)
C.S.B.G. 2008					
	93.569	0823136	11,632,515	561,035	1,612,991
			<u>11,616,926</u>	<u>562,885</u>	<u>1,599,521</u>
CCDF Cluster					
Child Care and Development Block Grant					
(passed through Illinois Department of Human Services)					
Healthy Child of Illinois 2007					
	93.575	811G8087420	104,702	-	-
Healthy Child of Illinois 2008					
	93.575	K11G9087420	78,452	-	-
			<u>183,154</u>	<u>-</u>	<u>-</u>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund					
(passed through the Illinois Department of Human Services)					
Child Care 2006					
	93.596	81X5104CON	-	-	(5,824)
Child Care 2007					
	93.596	81X7552000	-	-	(18,126)
Child Care 2008					
	93.596	81X8552000	18,126,649	5,959,984	19,577,060
Child Care 2009					
	93.596	81XK55200	8,744,512	10,367,264	16,785,087
			<u>26,871,161</u>	<u>16,327,248</u>	<u>36,338,197</u>
Total CCDF Cluster			27,054,315	16,327,248	36,338,197

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Agency/ Program/ Grant Title	Federal CFDA Number	Federal Grant/ State Pass-Through Number	2008 Federal Expenditures	2008 Non-Federal Expenditures	2008 Subrecipient Expenditures
Head Start					
Early Headstart 2006	93.600	05CH010142	\$ -	\$ 115,992	\$ 115,992
Early Headstart 2007	93.600	05CH010143	(6,736)	10,928	(9,911)
Early Headstart 2008	93.600	05CH010144	2,700,322	494,527	2,575,503
Early Headstart 2009	93.600	05CH010145	280,619	132	258,278
Headstart 2005	93.600	05CH010141	(40)	-	-
Headstart 2006	93.600	05CH010142	7,850	-	(4,887)
Headstart 2007	93.600	05CH010143	6,276	-	3,178,339
Headstart 2008	93.600	05CH010144	105,168,306	-	89,401,441
Headstart 2009	93.600	05CH010145	6,098,468	-	5,255,962
			<u>114,255,065</u>	<u>621,579</u>	<u>100,770,717</u>
Social Services Block Grant (passed through the Illinois Department of Human Services)					
MCH 2007	93.667	811G8087280	325,065	-	-
MCH 2008	93.667	K11G9087280	287,934	-	-
Donated Funds Initiative	93.667	81X8025000	359,124	-	317,268
Donated Funds Initiative	93.667	81X09025000	278,305	-	259,208
Donated Funds Initiative	93.667	81X8025000	518,449	-	423,197
Donated Funds Initiative	93.667	81X9025000	483,058	-	438,794
Empowerment Zone	93.667	93-585	1,763,813	-	-
Prevention Domestic Violence	93.667	811G8087671	8,473	160,984	-
Prevention Domestic Violence	93.667	K11G9087671	1,638	31,116	-
Family Planning Services 2007	93.667	811G8087350	135,041	-	-
Family Planning Services 2008	93.667	K11G9087350	100,330	-	-
			<u>4,261,231</u>	<u>192,100</u>	<u>1,438,467</u>
Total Administration for Children and Families			<u>158,261,256</u>	<u>17,800,077</u>	<u>140,424,859</u>
E. Centers for Medicare and Medicaid Services					
Medicaid Cluster					
Medical Assistance Program (Medicaid; Title XIX) (passed through the Illinois Department of Healthcare and Family Services)					
Chicago Family Case Management - Medicaid	93.778	40C70G1111	683,679	-	-
Chicago Family Case Management - Medicaid	93.778	40C70G1111	1,219,166	-	-
			<u>1,902,844</u>	-	-
Total Centers for Medicare and Medicaid Services			<u>1,902,844</u>	-	-
F. Centers for Disease Control and Prevention (CDC)					
Public Health Emergency Preparedness (PHEP)					
Public Health Preparedness and Response for Bioterrorism	93.069	5U90TP517008-08	11,013,878	-	1,394,935
Public Health Preparedness and Response for Bioterrorism	93.069	5U90TP517008-09	2,507,126	-	-
			<u>13,521,004</u>	-	<u>1,394,935</u>
Project Grants and Cooperative Agreements for Tuberculosis Control Programs					
TB Elimination and Laboratory	93.116	CCU500444-26	(114)	-	-
TB Elimination and Laboratory	93.116	CCU500444-27	1,945,381	-	172,021
			<u>1,945,267</u>	-	<u>172,021</u>
Childhood Lead Poisoning Prevention Projects - State and Local					
Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children					
Childhood Lead Poisoning Prevention Program	93.197	5H64EH000157-02	646,370	-	157,171
Childhood Lead Poisoning Prevention Program	93.197	5H64EH000157-03	462,674	-	30,363
			<u>1,109,044</u>	-	<u>187,534</u>
Immunization Grants					
Immunization and Vaccines for Children	93.268	H23CCH522565-03	4,132	-	(159)
Immunization and Vaccines for Children	93.268	H23CCH522565-05	553	-	-
Immunization and Vaccines for Children	93.268	H23CCH522565-06	5,133,077	-	732,144
			<u>5,137,762</u>	-	<u>731,986</u>

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YEAR ENDED DECEMBER 31, 2008

Agency/ Program/ Grant Title	Federal CFDA Number	Federal Grant/ State Pass-Through Number	2008 Federal Expenditures	2008 Non-Federal Expenditures	2008 Subrecipient Expenditures
Centers for Disease Control and Prevention - Investigations and Technical Assistance					
Heart Disease and Stroke	93.283	83285013	\$ 8,976	\$ -	\$ -
Breast and Cervical Cancer	93.283	66180076	(19,693)	-	-
Breast and Cervical Cancer	93.283	76180008	300	-	-
Breast and Cervical Cancer	93.283	86180079	461,096	-	-
Breast and Cervical Cancer	93.283	96180077	372,617	-	-
Epidemiology & Lab Grant	93.283	U50/C1000490-01	10,683	-	-
Adult Viral Hepatitis	93.283	U50/PS000906-01	64,620	-	-
Epidemiology & Lab Grant	93.283	U50/C1000490-02	456,621	-	-
Reach Us Action Community	93.283	IU58DP000968-01	330,966	-	73,618
Reach Us Action Community	93.283	5U58DP000968-02	56,129	-	-
Public Health Preparedness and Response for Bioterrorism	93.283	U90/CCU517008-07	377,374	-	-
			<u>2,119,689</u>	<u>-</u>	<u>73,618</u>
HIV Prevention Activities - Health Department Based					
HIV Prevention Project	93.940	CCU523481-02	(96,543)	-	-
HIV Prevention Project	93.940	CCU523481-03	173,957	-	-
HIV Prevention Project	93.940	CCU523481-04	13,908	-	-
Multisite Opt-Out Rapid HIV Testing	93.940	1U62PS000769-01	1,676,672	-	1,438,714
HIV Prevention Project	93.940	5U62PS523481-05	4,828,583	-	681,391
HIV Behavioral Surveillance	93.940	1U62PS000976-01	403,420	-	112,468
Multisite Opt-Out Rapid HIV Testing	93.940	1U62PS000769-02	342,934	-	342,378
			<u>7,342,931</u>	<u>-</u>	<u>2,574,951</u>
HIV Demonstration, Research, Public and Professional Education Projects					
AIDS Surveillance and Seroprevalence Project	93.941	1U62PS001042-01	939,248	-	27,399
			<u>939,248</u>	<u>-</u>	<u>27,399</u>
Human Immunodeficiency Virus (HIV) / Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance					
HIV/AIDS Surveillance	93.944	CCU52358402	861	-	17,629
HIV/AIDS Surveillance/ Seroprevalence Project	93.944	U62CCU523584-03	32,984	-	-
Morbidity/Risk Behavior Surveillance	93.944	U62CCU524458-04	442,076	-	71,999
Monitoring Atypical HIV Strains using Bloodspots	93.944	5UA1PS000058-04	60,046	-	-
AIDS Surveillance Perinatal Prevention	93.944	5U62PS000273-03	131,640	-	58,319
Monitoring Atypical HIV Strains using Bloodspots	93.944	5UA1PS000058-05	19,531	-	-
			<u>687,139</u>	<u>-</u>	<u>147,947</u>
Prevention Health Services - Sexually Transmitted Diseases Control Grants					
Comprehensive STD Prevention System	93.977	CCH504338-16	44,273	-	-
Comprehensive STD Prevention System	93.977	CCH504338-17	2,370,557	-	289,783
			<u>2,414,830</u>	<u>-</u>	<u>289,783</u>
Total Centers for Disease Control and Prevention			<u>35,216,913</u>	<u>-</u>	<u>5,600,173</u>
G. Office of the Secretary					
National Bioterrorism Hospital Preparedness Program					
Bioterrorism Hospital Preparedness Program	93.889	U3RHS07591-01	1,006,236	-	190,908
Bioterrorism Hospital Preparedness Program	93.889	U3REP070004-01	2,034,888	-	1,716,693
Bioterrorism Hospital Preparedness Program	93.889	U3REP08009-01	143,514	-	26,505
			<u>3,184,638</u>	<u>-</u>	<u>1,934,107</u>
H. Health Resources and Service Administration					
HIV Emergency Relief Project Grants					
HIV Emergency Relief Project	93.914	5H89HA00008-17	7,925,099	-	6,560,876
Minority AIDS Initiative	93.914	5H3MHA08490-01	1,637,537	-	1,594,926
HIV Emergency Relief Project	93.914	5H89HA00008-18	16,842,404	-	14,329,670
Minority AIDS Initiative	93.914	5H3MHA08490-02	449,641	-	409,683
HIV Emergency Relief Project	93.914	5H89HA00008-11	(2,247)	-	-
			<u>26,852,434</u>	<u>-</u>	<u>22,895,155</u>

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Agency/ Program/ Grant Title	Federal CFDA Number	Federal Grant/ State Pass-Through Number	2008 Federal Expenditures	2008 Non-Federal Expenditures	2008 Subrecipient Expenditures
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease					
Ryan White Part C Out Patient EIS	93.918	5H76HA00114-15	\$ 27,677	\$ -	-
Ryan White Part C Out Patient EIS	93.918	5H76HA00114-16	413,854	-	-
			<u>441,531</u>	-	-
Healthy Start Initiative					
Healthy Start	93.926	5H49MC00103-07	442,992	-	-
Healthy Start	93.926	5H49MC00103-08	432,656	-	-
			<u>875,647</u>	-	-
Maternal and Child Health Services Block Grant to the States (passed through the Illinois Department of Human Services)					
Maternal and Child Health 2006	93.994	711G7087280	119,996	-	62,166
Maternal and Child Health 2007	93.994	811G8087280	2,383,809	-	172,025
Maternal and Child Health 2008 (passed through Illinois Department of Public Health)	93.994	K11G9087280	2,111,519	-	-
Dental Sealant	93.994	83480137	14,326	-	-
Healthy Child Care	93.994	811G8087420	34,380	-	-
Healthy Child Care	93.994	K11G9087420	25,760	-	-
			<u>4,689,790</u>	-	234,191
Total Health Resources and Services Administration			<u>36,044,040</u>	-	25,063,452
I. Substance Abuse and Mental Health Services Administration					
Substance Abuse and Mental Health Services Projects of Regional and National Significance					
HIV Strategic Prevention Project	93.243	5U79SP13343-03	206,201	-	178,642
HIV Strategic Prevention Project	93.243	5U79SP13343-04	38,138	-	38,138
Crisis Intervention Team Project	93.243	40C6002087	4,650	-	-
			<u>248,989</u>	-	216,780
Block Grants for Community Mental Health Services (passed through Illinois Department of Human Services)					
Mental Health	93.958	40CK001111	52,000	-	-
			<u>52,000</u>	-	-
Block Grants for Prevention and Treatment of Substance Abuse (passed through the Illinois Department of Alcoholism and Substance Abuse)					
IDASA	93.959	40C8001111C	617,689	-	617,689
IDASA	93.959	40C8001111C	351,199	-	351,199
SAAPPHI 2007	93.959	11G8097000	83,321	-	-
SAAPPHI 2008	93.959	11G9097000	74,310	-	-
			<u>1,126,520</u>	-	968,888
Total Substance Abuse and Mental Health Services Administration			<u>1,427,509</u>	-	1,185,669
J. National Institutes of Health					
Microbiology and Infectious Diseases Research					
STD Research Indiana University Program	93.856	NIHROIA14964	43,117	-	-
			<u>43,117</u>	-	-
Total National Institutes of Health			<u>43,117</u>	-	-
Total Department of Health and Human Services			<u>249,995,281</u>	<u>22,342,984</u>	<u>185,232,434</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2008

Agency/ Program/ Grant Title	Federal CFDA Number	Federal Grant/ State Pass-Through Number	2008 Federal Expenditures	2008 Non-Federal Expenditures	2008 Subrecipient Expenditures
XI. Corporation for National and Community Service					
A. National Senior Service Corps					
Foster Grandparent/ Senior Companion Cluster					
Foster Grandparent Program					
Foster Grandparent Program 2007	94.011	06SFNIL003	\$ 363,092	\$ -	\$ -
Foster Grandparent Program 2008	94.011	065FNIL03	268,864	-	-
			<u>631,956</u>	-	-
Senior Companion Program					
Senior Companion Program	94.016	06SCNIL001	153,067	-	-
Senior Companion Program - Year 3	94.016	06SCNIL001	155,817	-	-
			<u>308,884</u>	-	-
Total Foster Grandparent/ Senior Companion Cluster			<u>940,840</u>	-	-
Total Corporation for National and Community Service			<u>940,840</u>	-	-
XII. Social Security Administration					
A. Office of Employment Support Programs					
Social Security – Work Incentives Planning and Assistance Program					
Work Incentives Planning & Assistance Program	96.008	14W50030502	62,708	-	-
Work Incentives Planning & Assistance Program	96.008		171,657	-	-
			<u>234,364</u>	-	-
Total Social Security Administration			<u>234,364</u>	-	-
XIII. Department of Homeland Security					
Urban Areas Security Initiative					
(passed through the Illinois Emergency Management Authority)					
UASI Part 3 Grant	97.008		(40,352)	-	-
2007 Urban Areas Security Initiative and Communications (CPD)	97.008		8,777,441	-	-
			<u>8,737,089</u>	-	-
Law Enforcement Officer Reimbursement Agreement Prog.					
Enforcement Officers)					
LEO - O'Hare 2008	97.090		2,176,555	-	-
LEO - Midway 2008	97.090		607,105	-	-
			<u>2,783,660</u>	-	-
Emergency Management Performance Grant					
Emergency Management Agency Grant 2008	97.042		469,014	-	-
			<u>469,014</u>	-	-
Citizen's Corps					
FY06 Citizen's Corp Program (CCP)	97.053		4,851	-	-
			<u>4,851</u>	-	-
Port Security Grant Program					
Port Security Grant FY'06	97.056		3,748,386	281,738	2,903,173
			<u>3,748,386</u>	<u>281,738</u>	<u>2,903,173</u>
Homeland Security Cluster					
Homeland Security Grant Program					
2005 Urban Areas Security Initiative and Communications	97.067		1,305,235	-	-
2006 Urban Areas Security Initiative and Communications	97.067		9,374,243	-	-
			<u>10,679,478</u>	-	-
Total Homeland Security Cluster			<u>10,679,478</u>	-	-
Metropolitan Medical Response System					
Metropolitan Medical Response System FY 2001	97.071		67,387	-	-
Metropolitan Medical Response System FY 2006	97.071		55,804	-	-
Metropolitan Medical Response System FY 2007	97.071		26,378	-	-
			<u>149,569</u>	-	-

CITY OF CHICAGO

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended December 31, 2008

NOTE 1 – REPORTING ENTITY

The City of Chicago (the “City”) is a governmental entity established by laws of the State of Illinois and has the powers of a body corporate, as defined in the statutes. All significant operations of the City are included in the scope of the Office of Management and Budget (“OMB”) Circular A-133 audit (the “Single Audit”). The U.S. Department of Housing and Urban Development (“HUD”) has been designated as the City’s cognizant agency for the Single Audit. The reporting entity for the City is based upon criteria established by the Governmental Accounting Standards Board.

Programs Subject to Single Audit – A Schedule of Expenditures of Federal Awards (“SEFA”) is presented for each federal program and a summary of expenditures by federal agency is as follows:

U.S. Department of Agriculture	\$ 7,836,013
U.S. Department of Commerce	60,860
U.S. Department of Housing and Urban Development	172,608,445
U.S. Department of the Interior	291,092
U.S. Department of Justice	5,829,451
U.S. Department of Labor	34,628,526
U.S. Department of Transportation	120,928,344
U.S. Institute of Museum and Library Services	4,900
U.S. Environmental Protection Agency	702,044
U.S. Department of Health and Human Services	249,995,281
U.S. Corporation for National and Community Services	940,840
U.S. Social Security Administration	234,364
U.S. Department of Homeland Security	33,722,391
Rounding	(1)
Total Expenditures of Federal Awards	<u>\$ 627,782,550</u>

Passenger Facility Charges collected and expended, as prescribed by Sections 9110 and 9111 of the Aviation Safety and Capacity Expansion Act of 1990 issued by the Federal Aviation Administration of the United States Department of Transportation, are not included in this Single Audit report and are audited separately.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The accounting records for some grant programs are maintained on the modified accrual basis of accounting. Under the modified accrual basis, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred. The accounting records for other grant programs are maintained on the accrual basis, i.e., when the revenue has been earned and the liability is incurred.

CITY OF CHICAGO

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended December 31, 2008

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

BASIS OF ACCOUNTING (cont.)

Certain financial awards were received by the City in the form of noncash awards. These noncash awards are discussed in Note 3. The schedule of expenditures of federal awards includes a column titled Non-Federal Expenditures. Amounts reported in this column include the City's required match for federal programs.

The City has a cost allocation plan for allocation of common and indirect costs related to grant programs. The amounts allocated to 2008 grant programs are based primarily on 2007 budgeted amounts. Variances between actual costs and budgeted amounts are adjusted on a prospective basis. A copy of the cost allocation plan is kept on file at the City. Individual City departments' indirect cost rates for 2008 have been prepared on a consistent basis, certified by responsible City officials, and retained in City files for use in charging federal and other programs in accordance with OMB Circular A-87.

NOTE 3 – NONCASH AWARDS

Certain federal financial assistance programs do not involve cash awards to the City. These programs include providing the City with loan guarantees, vaccines, personnel, travel, and vouchers. Such noncash awards applicable to the year ended December 31, 2008, are as follows:

U.S. Department of Housing and Urban Development—Loan Guarantees;

CFDA No. 14.221: Balance of loans is: \$10,204,788. Section 119 of the Housing and Community Development Act of 1974 established the Urban Development Action Grant Program (UDAG). This program was created to assist cities and urban counties experiencing severe economic stress. Grants were made to local governments who used the funds to make loans to private developers for commercial, residential, or industrial projects in order to stimulate economic development necessary for local economic recovery. The federal program no longer exists; however, revenue from repayment of the UDAG loans can currently be used to fund CDBG-eligible activities, including economic development loans. At December 31, 2008, the outstanding balance of the loans made by the City totals \$10,204,788.

U.S. Department of Housing and Urban Development—Section 108 Loans;

CFDA No. 14.248: Balance of loans for which the federal government is at risk: \$17,720,000.

U.S. Department of Health and Human Services;

CFDA No. 93.116: Personnel valued at \$172,966.

CFDA No. 93.268: Vaccines valued at \$40,609,618; and personnel valued at \$324,582.

CFDA No. 93.977: Personnel valued at \$1,558,747.

U.S. Department of Agriculture;

CFDA No. 10.557: The Illinois Department of Public Health provides vouchers to WIC program participants for the purchase of nutritional commodities: Fiscal year 2008 vouchers totaled \$12,437,811.

The City of Chicago had no noncash federally-funded insurance in effect during 2008.

CITY OF CHICAGO

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended December 31, 2008

NOTE 4 – PRIOR PERIOD FEDERAL EXPENDITURES

The former Chicago Department of Human Services (“CDHS”), now the Chicago Department of Family and Support Services (CDFSS), was awarded a Child Care Quality Enhancement grant (CFDA No. 93.575) for 1998 and 1999 by the U.S. Department of HHS through the Illinois Department of Human Services. The full amount of the grant was paid in advance. The funding was in turn advanced to various delegate agencies serving the program.

Historically, the expenditures for the program have been recorded at the end of the program period. The City would record the costs against the grant and concurrently reduced the advance due from the agency. The process was supported by documented evidence for the related costs. Prior to 2006, this action was not performed for both FY 1998 and FY 1999. The City compiled information in 2006 and 2007 to process a portion of the grant expenditures as reflected in the City’s Schedule of Expenditures and Federal Awards (“SEFA”) under CFDA No. 93.575. The expenditures that remain to be recorded are \$395,917 and \$119,298 for FY 1998 and 1999, respectively. The City expects to process the remaining expenditures in 2009.

The Chicago Police Department was the recipient of two USDHS grants, the first received in 2005 and the second in 2006. Both grant awards were passed through the Illinois Department of Human Services. These funds were for the Crisis Intervention Team Projects I and II.

The City began receiving funds in 2006 for grant I. However, the City was unaware that there was a federal source to these funds and as a result did not record 2006 expenditures on the City’s 2006 SEFA. There were no funds expended in 2005. The amounts expended on grant I in 2006 and 2007 were \$19,610 and \$1,073, respectively. These amounts should have been reported on the 2006 and 2007 SEFA under CFDA No. 93.243. The balance of expenditures for grant I was expended in 2008 and is reflected in the SEFA under CFDA No. 93.243 in the amount of \$4,650.

As with grant I, the City was unaware that grant II also had a federal source and as a result 2006 expenditures totaling \$8,938 were recorded as non federal and were not included in the 2006 or 2007 SEFA. Grant II 2007 expenditures totaling \$14,446 were reported in the 2007 SEFA under CFDA No. 93.243. The unexpended balance of grant II funding in the amount of \$105.73 was refunded to the grantor on April 3, 2009.

The Chicago Department of Public Health received funds in 2006 related to the Healthy Families of Illinois grant program funded through the Illinois Department of Human Services, a portion of which were pass through funds from the U.S. Department of Health and Human Services. The corresponding 2006 federal expenditures totaling \$184,791 which should have been reported under CFDA No. 93.558 were inadvertently recorded as non federal and excluded from the 2006 SEFA and were also not included in the 2007 Single Audit, Note 4- Prior Period Federal Expenditures. The 2007 and 2008 federal expenditure portions of the Healthy Families of Illinois grants were included on the 2007 and 2008 SEFA under CFDA No. 93.558.

The Chicago Department of Public Health received funds in 2006 related to the Illinois Division of Alcohol and Substance Abuse (IDASA) grant program, funded through the Illinois Department of Human Services, a portion of which were pass through funding from the U.S. Department of Health and Human Services. The corresponding 2006 federal expenditures totaling \$755,531 were inadvertently recorded as \$207,164 and reported under CFDA No. 93.959 on the 2006 SEFA, with the balance of \$548,367 recorded as non federal and excluded from the 2006 SEFA. The 2006 omission was also not referenced in the 2007 Single Audit Footnote 4. The 2007 and 2008 expenditures were properly reported on the 2007 and 2008 SEFA under CFDA No. 93.959.

CITY OF CHICAGO

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended December 31, 2008

NOTE 4 – PRIOR PERIOD FEDERAL EXPENDITURES (cont.)

The Chicago Department of Public Health was the recipient of various federal pass through grant funded programs during the years of 2006 and 2007, from the Illinois Department of Human Services. Expenditures for certain of these programs were recorded as non federal and should have been recorded as federal expenditures or were allocable to multiple CFDA programs. The recognition of the appropriate classification of expenditure was attributable to allocation over (under) estimates and subsequent confirmations of federal funds received from the pass through agency.

Federal expenditures not reported in prior year schedules of expenditures of federal awards include the following: Healthy Families program expenditures (CFDA 93.558) for \$113,480 in 2006, Refugee program expenditures (CFDA 93.566) for \$122,681 in 2006 and \$137,206 in 2007, and Maternal and Child Health program expenditures (CFDA 93.667) for \$291,699 in 2007.

Subrecipient expenditures in the 2008 schedule of expenditures of federal awards (SEFA) include certain 2007 subrecipient expenditure amounts not previously reported in 2007. This omission is the result of expenditures from 2007 paid in 2008 being adjusted in the City's general ledger to reflect appropriate program costs in 2007. However, the corresponding subrecipient costs were not transferred from 2008 to 2007 and are included in the 2008 SEFA.

The Chicago Department of Aviation was the recipient of a Homeland Security/TSA Cooperative Agreement entitled TSA National Explosives Detection Canine Team (NEDCTP) (CFDA 97.072) for the period of January 24, 2002 through March 31, 2008. Expenditures for the entire project period totaled \$3,672,411 and have not been previously reported in prior year schedules of expenditures of federal awards.

Continuation funding for this program was received from TSA through a similar Cooperative Agreement for the period April 1, 2008 through March 31, 2013 and expenditures are reflected in 2008 under CFDA 97.072 for this agreement in the amount of \$853,500.



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the City of Chicago, Illinois with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2008. The City of Chicago's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Chicago's management. Our responsibility is to express an opinion on the City of Chicago's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Chicago's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Chicago's compliance with those requirements.

In our opinion, the City of Chicago complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2008-4 through 2008-16.

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

Internal Control Over Compliance

The management of the City of Chicago is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Chicago's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Chicago's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2008-4, 2008-5, 2008-8, and 2008-11 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider item 2008-11 to be a material weakness.

The City of Chicago's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City of Chicago's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the mayor, members of the city council, management of the City, federal awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Baker Tilly Virchow Krause, LLP

Chicago, Illinois
September 15, 2009

CITY OF CHICAGO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2008

SECTION I – SUMMARY OF AUDITORS’ RESULTS

FINANCIAL STATEMENTS (Information obtained from separate report audited by other auditors)

Type of auditors’ report issued: *unqualified*

Internal control over financial reporting:

- > Material weakness(es) identified? X yes no
- > Significant deficiencies identified that are
not considered to be material weaknesses? yes X none reported

Noncompliance material to basic financial statements noted? yes X no

FEDERAL AWARDS

Internal control over major programs:

- > Material weakness(es) identified? X yes no
- > Significant deficiencies identified that are
not considered to be material weakness(es)? X yes none reported

Type of auditor’s report issued on compliance for major programs: *unqualified*

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? X yes no

Auditee qualified as low-risk auditee? yes X no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.559	Summer Food Service Program for Children
14.218	Community Development Block Grants/Entitlement Grants
17.258	WIA Cluster – WIA Adult Program
17.259	WIA Cluster – WIA Youth Activities
17.260	WIA Cluster – WIA Dislocated Workers
17.261	WIA Pilots, Demonstrations, and Research Projects
20.205	Highway Planning and Construction

CITY OF CHICAGO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2008

SECTION I – SUMMARY OF AUDITORS’ RESULTS (cont.)

FEDERAL AWARDS (cont.)

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
93.069	Public Health Emergency Preparedness
93.268	Immunization Grants
93.283	Centers for Disease Control and Prevention – Investigations and Technical Assistance
93.569	Community Services Block Grant
93.575	CCDF Cluster – Child Care and Development Block Grant
93.596	CCDF Cluster – Child Care Mandatory and Matching Funds of the Child Care and Development Fund
93.600	Head Start
97.056	Port Security Grant Program
97.090	Law Enforcement Officer Reimbursement Agreement Program

Dollar threshold used to distinguish between
type A and type B programs: \$ 3,000,000

SECTION II – FINANCIAL STATEMENT FINDINGS

See findings 2008-1, 2008-2, and 2008-3 in the separate bound report titled “Basic Financial Statements for the Year Ended December 31, 2008, Independent Auditors’ Report and Independent Auditors’ Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* for the Year Ended December 31, 2008.”

CITY OF CHICAGO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2008

SECTION III – FEDERAL FINDINGS AND QUESTIONED COSTS

***Finding 2008-04 U.S. Department of Agriculture
Summer Food Service Program for Children 10.559
Chicago Department of Family and Support Services***

Repeat of prior year finding 2007-11.

Criteria: Federal regulations [45 CFR 92.40(a)] stipulate that grantees are responsible for managing the day-to-day operations of grant and sub-grant supported activities to assure compliance with applicable federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function, or activity.

Condition: In 2006 and 2007, a finding was reported noting that the City's monitoring of summer food program sites was not meeting the standards as required by the City and granting agency. Monitoring requirements of the City include providing training to the personnel at the summer food program site prior to opening and completing a monitoring site visit within the first four weeks after opening. One of the monitoring requirements is that the City provide training to the personnel at the summer food program site prior to opening. For the 2008 audit, we tested a sample of 25 summer food program sites and noted that the City had no documentation available supporting the training requirement for seven of those sites, first on-site visit for three of the sites was not conducted within the first week of operations, and the monitoring visit for nine of the sites was not completed within the four-week timeframe.

Effect: Failure to adequately monitor program sites and train personnel at those sites increases the likelihood of noncompliance with program requirements.

Questioned Costs: None.

Recommendation: The City should complete the required training and monitoring of the summer food program sites and maintain appropriate supporting documentation.

Views of Responsible Officials: See Corrective Action Plan.

***Finding 2008-05 U.S. Department of Health and Human Services
Community Service Block Grant 93.569
Chicago Department of Family and Support Services***

Criteria: The requirements for subrecipient monitoring are contained in 31 USC 7502(f)(2)(B) and state that the pass-through entity (City) shall monitor the subrecipient's use of Federal awards through site visits, limited scope audits, or other means.

Condition: The Chicago Department of Family and Support Services has a policy in place for monitoring subrecipients of the Community Service Block Grant program. During our audit, we tested the City's monitoring activities and noted that program monitoring was not performed for one of the subrecipients in our sample.

Effect: Failure to adequately monitor program subrecipients increases the likelihood of noncompliance with program requirements.

CITY OF CHICAGO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2008

SECTION III – FEDERAL FINDINGS AND QUESTIONED COSTS (cont.)

***Finding 2008-05 U.S. Department of Health and Human Services
Community Service Block Grant 93.569
Chicago Department of Family and Support Services (cont.)***

Questioned Costs: None

Recommendation: The City should perform appropriate monitoring of subrecipients and timely follow up on any findings noted during program monitoring.

Views of Responsible Officials: See Corrective Action Plan.

***Finding 2008-06 U.S. Department of Health and Human Services
Immunization Grants 93.268
Chicago Department of Public Health***

Criteria: The City receives immunization vaccines under the Immunization Grants program which are passed through to various providers throughout the City of Chicago. According to the program requirements, the vaccinations given to providers remain the responsibility of the City, and these vaccines are reported as non-cash expenditures on the Schedule of Expenditures of Federal Awards. It is, therefore, the duty of the City of Chicago to ensure that these vaccinations are being administered properly.

Condition: The City conducts annual site visits to approximately one third of its Immunization Grant providers each year. It is the City's policy to view 30 charts at each location to determine that program participants were eligible to receive vaccinations. In a sample of 25 provider site visits, we found that one visit did not include a review of any participant charts, and in thirteen cases the City viewed less than 30 charts. In addition, occasionally the City would select the charts to view based on those that were readily available rather than obtaining a complete population from which to select the sample.

Effect: Failure to adequately monitor program providers increases the likelihood of noncompliance with program requirements.

Questioned Costs: None

Recommendation: We recommend that the City review the site visit policy to determine if it contains the appropriate level of monitoring of vaccine administration. The City should then ensure that the site visit policy is followed and training is provided to staff on the types of activities to perform during the site visit, including the number of patient charts to review and how to select them. We also recommend that the City document all of the monitoring activities performed during the site visit.

Views of Responsible Officials: See Corrective Action Plan.

CITY OF CHICAGO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2008

SECTION III – FEDERAL FINDINGS AND QUESTIONED COSTS (cont.)

***Finding 2008-07 U.S. Department of Homeland Security
Port Security Program 97.056
Chicago Department of Finance – Comptroller’s Office (Special Accounting
Division)***

Criteria: The Port Security Grant agreement requires the submission of Financial Status Reports SF269a. The information in these reports should agree to the information in the City’s accounting records.

Condition: We reviewed the accuracy of the Financial Status Reports SF269a and noted two errors in these reports. In one case, an incorrect formula was used to calculate the total outlays and the recipient share of outlays. In another case, we noted expenditures from the City’s accounting records that were not included in the Financial Status Reports SF269a.

Effect: The formula error resulted in the underreporting of the total outlays by \$241,932. The omitted expenditures were an additional \$9,650.

Questioned Costs: None.

Recommendation: We recommend the City review the internal controls surrounding the review and approval of the Financial Status Reports SF269a to ensure the accuracy of the reports before they are submitted to the Department of Homeland Security.

Views of Responsible Officials: See Corrective Action Plan.

***Finding 2008-08 U.S. Department of Labor
Youth Offender Beneficiary Choice Grant 17.261
Chicago Department of Family and Support Services***

Criteria: The requirements for subrecipient monitoring are contained in 31 USC 7502(f)(2)(B) and state that the pass-through entity (City) shall monitor the subrecipient’s use of Federal awards through site visits, limited scope audits, or other means.

Condition: During 2008, Youth Offender Beneficiary Grant was administered by the Mayor’s Office of Workforce Development (MOWD). It is MOWD’s policy to monitor subrecipients on an “as-needed” basis. The factors that are considered in the selection of the subrecipients to be reviewed include date of past review, results of past review, dollar amount of the subrecipient’s contract, and information that a subrecipient might not be performing in accordance with its contract. The Youth Offender Beneficiary Grant is a fairly new program at the City, and in 2008, it was reviewed by the U.S. Department of Labor, Employment and Training Administration (ETA). The monitoring report issued by ETA on September 3, 2008 identified a number of findings related to the major subrecipient of this program. However, during our review of the Department’s subrecipient monitoring activities, we noted that monitoring procedures had not been performed for any subrecipients of this program during 2008.

Effect: Failure to adequately monitor program subrecipients increases the likelihood of noncompliance with program requirements.

Questioned Costs: None

CITY OF CHICAGO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2008

SECTION III – FEDERAL FINDINGS AND QUESTIONED COSTS (cont.)

***Finding 2008-08 U.S. Department of Labor
Youth Offender Beneficiary Choice Grant 17.261
Chicago Department of Family and Support Services (cont.)***

Recommendation: The City should perform appropriate monitoring of subrecipients and timely follow up on any findings noted during program monitoring.

Views of Responsible Officials: See Corrective Action Plan.

***Finding 2008-09 U.S. Department of Homeland Security
Law Enforcement Officer Reimbursement Program 97.090
Chicago Department of Aviation***

Repeat of prior year finding 2007-13.

Criteria: According to the grant agreements with the Transportation Security Administration, the City is required to submit the SF 269 Financial Status Report to the awarding office within 30 days after the conclusion of each federal fiscal year ended September 30.

Condition: The Department of Aviation submitted SF269 Financial Status Report for Midway airport for the federal fiscal year ended September 30, 2008 on May 9, 2009.

Effect: The awarding office did not receive the requested financial information within the prescribed deadlines.

Questioned Costs: None.

Recommendation: We recommend the City review its procedures and controls regarding the preparation of financial reports to ensure they are completed on a timely basis.

Views of Responsible Officials: See Corrective Action Plan.

***Finding 2008-10 U.S. Department of Health and Human Services
Centers for Disease Control and Prevention – Investigations and Technical
Assistance 93.283
Chicago Department of Public Health***

Criteria: Under the Breast and Cervical cancer subprogram, the City receives funding to provide at-risk women with screenings for breast and cervical cancer. As part of the process of admitting and serving the patient, the City must abide by certain programmatic requirements to ensure the proper documentation for the patient is maintained in the patient file.

CITY OF CHICAGO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2008

SECTION III – FEDERAL FINDINGS AND QUESTIONED COSTS (cont.)

***Finding 2008-10 U.S. Department of Health and Human Services
Centers for Disease Control and Prevention – Investigations and Technical
Assistance 93.283
Chicago Department of Public Health (cont.)***

Condition: As part of our review of a sample of 25 patient files, the following conditions were noted:

1. The City is required to provide breast and cervical educational materials to the patients that they serve. In a sample of 25 patient files, it was found that one patient file did not have documentation demonstrating that the patient received the cervical educational materials.
2. The City is required to determine eligibility to receive services under the program annually. In the sample of files, it was found that one file did not contain an eligibility determination for 2008.
3. The program requires that the City send reminders to the enrolled women for their annual appointments. In the sample of files reviewed, it was found that four files had no evidence of the annual reminder.
4. The City is required to receive a signed participation and release form from the patient. This form needs only to be completed once and then should be reviewed and updated each year afterwards. In the sample of files reviewed, a current or reviewed form could not be found for one participant.

Effect: The City did not have all of the documentation required by the program in the patient files. As a result, it is possible that ineligible women could have been served by the program.

Questioned Costs: Not able to be determined.

Recommendation: We are aware that the City transitioned to an electronic records system during 2009 which aims to reduce errors in patient file documentation. However, we also recommend that the City ensure that all staff are aware of the patient file maintenance requirements. We also recommend that the City consider performing internal chart audits to ensure that staff members are adhering to the programmatic documentation requirements.

Views of Responsible Officials: See Corrective Action Plan.

***Finding 2008-11 Internal Control over Financial Reporting – Controls over
Schedule of Expenditures of Federal Awards (SEFA) Preparation***

Criteria: Sufficient internal controls should be in place and operating effectively to ensure transactions are recorded in the proper accounting period. The SEFA should include only federal expenditures related to the City's fiscal year ended December 31, 2008.

Condition: During our audit of major programs, we identified costs that were initially reported as expenditures in the SEFA that were not actually federal expenditures. These costs included expenditures that were not reimbursable by the federal grantor, exceeded grant agreements, or represented the nonfederal match component.

CITY OF CHICAGO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2008

SECTION III – FEDERAL FINDINGS AND QUESTIONED COSTS (cont.)

Finding 2008-11 Internal Control over Financial Reporting – Controls over Schedule of Expenditures of Federal Awards (SEFA) Preparation (cont.)

Effect: The SEFA may not properly reflect federal award expenditures for the City's year ended December 31, 2008.

Questioned Costs: None

Recommendation: The City should review the internal controls over accounting and reporting of expenditures on the SEFA to ensure they are proper federal grant expenditures.

Views of Responsible Officials: See Corrective Action Plan.

Finding 2008-12 U.S. Department of Housing and Urban Development Community Development Block Grant 14.218 Chicago Department of Community Development

Criteria: OMB Circular A-102 requires that program income be used to fund eligible program activities, finance the non-federal share of the program, or offset total program costs.

Condition: The Heat Receiver activity under the CDBG program generated approximately \$270,000 in program income. This program income was not used in accordance with OMB Circular A-102 as described above.

Effect: The City has not appropriately used program income generated by the Heat Receiver activity. Program income should have been used to offset program costs or supplement program activities.

Questioned Costs: None

Recommendation: The City should develop procedures to identify the program income generated by the Heat Receiver activity and controls to ensure that program income is used in accordance with OMB Circular A-102.

Views of Responsible Officials: See Corrective Action Plan.

Finding 2008-13 General Cross-Cut Testing Maintenance of Supporting Documentation for Payment Vouchers

Criteria: OMB Circular A-87 Section 225 Appendix A, General Principles for Determining Allowable Costs, Basic Guidelines states that to be allowable under federal awards, costs must be adequately documented.

Condition: The City was unable to provide the supporting payment voucher for two expenditures selected in our sample.

CITY OF CHICAGO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2008

SECTION III – FEDERAL FINDINGS AND QUESTIONED COSTS (cont.)

Finding 2008-13 General Cross-Cut Testing Maintenance of Supporting Documentation for Payment Vouchers (cont.)

Effect: Auditor is unable to verify the payment voucher was appropriate to be charged to federal awards.

Questioned Costs: One payment was charged to CFDA No. 14.231 in the amount of \$775. The second voucher was charged to CFDA No. 93.569 in the amount of \$700.

Recommendation: The City should maintain all supporting payment vouchers.

Views of Responsible Officials: See Corrective Action Plan.

Finding 2008-14 General Cross-Cut Testing Maintenance of Supporting Documentation for Contract Files

Criteria: OMB's Grant Management Common Rules and 29 CFR Subtitle A Section 97.36 Procurement, Procurement Standards, indicates that grantees and sub-grantees will maintain records sufficient to detail the significant history of procurement. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection and the basis for the contract price.

Condition: One contract file selected did not contain all the necessary elements to verify the procurement standards had been met. The missing information included the award checklist for contracts, bid proposal tabulation summary, evaluation committee summary, legal advertisement request form, and specification take out list.

Effect: Lack of documentation limits the City's ability to demonstrate compliance with federal procurement requirements. The contract file selected for testing was originally awarded in 1998.

Questioned Costs: None

Recommendation: The City should maintain procurement documentation, including support for the original bidding process, until after the contract is complete and appropriate record retention policies have expired.

Views of Responsible Officials: See Corrective Action Plan.

Finding 2008-15 General Cross-Cut Testing Maintenance of Salary Certification Forms

Criteria: OMB Circular A-87 Section 225, Appendix B, Selected Items of Cost, Section 8 Compensation for Personal Services, subsection h (3) states where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

CITY OF CHICAGO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2008

SECTION III – FEDERAL FINDINGS AND QUESTIONED COSTS (cont.)

Finding 2008-15 General Cross-Cut Testing Maintenance of Salary Certification Forms (cont.)

Condition: Six out of 25 positions selected in our cross-cut test of salaries did not have a Salary Certification Form on file. One form was not available throughout our fieldwork and five forms were prepared after our request.

Effect: The City is not in compliance with federal requirements.

Questioned Costs: None

Recommendation: The City should implement procedures to monitor for the completeness of all salary certification forms.

Views of Responsible Officials: See Corrective Action Plan.

Finding 2008-16 U.S. Department of Justice Edward Byrne Justice Assistance Grant Program 16.738 Chicago Police Department

Repeat of prior year finding 2007-10.

Criteria: The Memorandum of Understanding (MOU) entered into between the City and its subgrantees of the Edward Byrne Justice Assistance Grant Program requires each subgrantee to submit quarterly fiscal reports and an annual performance report to the City to enable the City to report the status of JAG funds to the U.S. Department of Justice.

Condition: In 2007, we selected a sample of subgrantees and reviewed their quarterly fiscal reports submitted to the Chicago Police Department (CPD). We noted that 22 out of 30 quarterly reports tested were not submitted to CPD during the applicable reporting period. The City has not established corrective action in 2008.

Effect: Failure to collect fiscal reports from subgrantees on a timely basis could impact the City's ability to accurately report the status of JAG funds to the U.S. Department of Justice.

Questioned Costs: None

Recommendation: We recommend the CPD work with subgrantees to obtain quarterly fiscal reports on a timely basis.

Views of Responsible Officials: See Summary Schedule of Prior Audit Findings for current status of this finding.

**CITY OF CHICAGO, ILLINOIS
CORRECTIVE ACTION PLAN
YEAR ENDED DECEMBER 31, 2008**



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CITY OF CHICAGO

CORRECTIVE ACTION PLAN Year Ended December 31, 2008

See the views of responsible officials for findings 2008-1, 2008-2, and 2008-3 in the separate bound report titled "Basic Financial Statements for the Year Ended December 31, 2008, Independent Auditors' Report and Independent Auditors' Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* for the Year Ended December 31, 2008."

FINDING 2008-4

The Department of Family and Support Services' MIS staff along with the Children Services Division has developed the CASPIO web based data management system in order to ensure that all information pertaining to compliance with ISBE regulations are implemented. All training dates and site monitoring information are maintained in this data system. This database is used to schedule and record the outcomes of each visit by type of visit. Reports are generated to determine the dates of each type of monitoring visit. Monitoring staff will be scheduled by the Program Manager on a priority basis to any site without the appropriate monitoring visit.

In addition, sites are trained prior to delivery of meals. DFSS maintains for its records a roster of signatures for all site personnel receiving training along with the copy of the NCR certificate verifying that the site has been trained. This information is being entered into CASPIO and the report will be shared with the vendor. No site will receive meals unless training has been certified by DFSS. All documentation is maintained in the site files and the signature roster will be maintained in a training binder. The Program Manager of the Summer Nutrition program will ensure compliance with these items beginning in FY 2009.

FINDING 2008-5

The Chicago Department of Family and Support Services has established procedures for monitoring its subrecipients. The Director of the Department's Monitoring Unit will ensure that it follows the monitoring protocol for all programs funded through the Community Service Block Grant program for 2009. This will be completed through the development of a schedule of monitoring visits, which will be overseen by the Director of Monitoring.

FINDING 2008-6

The CDPH Immunization Program management will review and revise site visit policy to adjust for practices with small numbers of VFC eligible patients and to set standards for chart selection based on clinic practice population.

The revised policies will be implemented in 2010 and Immunization staff will receive training at the beginning of the calendar year under the direction of the VFC Program Manager.



CITY OF CHICAGO

CORRECTIVE ACTION PLAN Year Ended December 31, 2008

FINDING 2008-7

The City of Chicago Comptroller's Office-Special Accounting Division concurs with the observation of two errors relating to the accuracy of Financial Status Reports SF269a.

The first error was an incorrect formula used in calculating total outlays and the recipient's share of outlays. The second error was the result of unreported expenditures for the reporting period.

To ensure these errors do not occur in the future, staff will be retrained on the proper procedures for accuracy on the reports before they are submitted to the Department of Homeland Security. Additionally, staff will reconcile the reports to the City's official financial system.

To further ensure that errors do not reoccur, staff will submit the Financial Status Report two weeks before the due date, to the supervisor and the director of accounting, so staff and management can review in a timely manner.

FINDING 2008-8

The Department of Family and Support Services began administration of the Youth Offender Beneficiary Grant during 2009. As such, the Director of the Department's Monitoring Unit will incorporate this program in its established monitoring protocol in 2010, which will ensure timely monitoring and follow-up with this program. In addition, as the program is continuing in its transition to the DFSS, the Director of Monitoring and the appropriate program personnel will continue to collaborate with staff from the former Mayor's Office of Workforce Development.

FINDING 2008-9

The Department of Aviation has taken additional measures to assure reporting requirements are met in a timely manner. These additional measures include a notification procedure that will be implemented beginning October 1, 2009 by the Administrator of Grants. Also, more than one individual will be directed in the preparation process to assure that timely reporting requirements are met.

FINDING 2008-10

On August 26, 2009 the Chicago Department of Public Health, under the direction of the Public Health Nurse IV, held a staff meeting with its Illinois Breast and Cervical Cancer Program public health aides, mammography nurses and clinic nurse supervisors to review and discuss IBCCP chart documentation requirements. The public health aides were shown examples of how to correctly assemble patient file forms for preparation and completion by program clients. The mammography nurses and nurse supervisors will monitor documentation processes to insure that the correct file forms are utilized.

CITY OF CHICAGO

CORRECTIVE ACTION PLAN Year Ended December 31, 2008

FINDING 2008-10 (cont.)

The PHN II or the PHN IV will conduct monthly audits at the five mammography sites utilizing the Illinois Department of Public Health-Office of Women's Health audit tool. After each visit they will provide the findings to the clinic nurse supervisor and/or her designee with the requirement that they submit a corrective action plan in writing within 30 days if there are findings.

The implementation and on-going compliance monitoring of these procedures will ensure that programmatic requirements for proper documentation for patients is maintained in the patient file.

FINDING 2008-11

The City is in the process of implementing procedures that will ensure federal expenditures are properly accounted for and in accordance with OMB Circular A-133. The Department of Finance Management Team-SAD will increase fiscal monitoring and review of its cost reporting efforts. The appropriate Fiscal Managers at the Lead Departments and the Office of Budget and Management will have direct access to reports so they may accurately allocate charges to the proper funding source. Necessary accounting adjustments will be made timely to avoid overstating or understating expenditures to the SEFA.

FINDING 2008-12

The City of Chicago Department of Community Development Finance Division is in the process of reviewing and modifying the current process of recording and tracking Program Income for the Heat Receivership Liens under the CDBG program. The modified procedure will include, but is not limited to, reconciling all receipts to the City's financial system and ensuring all appropriate costs are recorded timely and applied to the accurate accounts.

FINDING 2008-13

The City of Chicago Comptroller's Office-Disbursement Division effective September 18, 2009, under the direction of the Managing Deputy Comptroller, implemented procedures that provided staff with retraining on the process involving vouchers submitted via the AP Import process and flow of paperwork associated with these types of transactions. The process will continually be monitored by management to ensure compliance with federal regulations.

CITY OF CHICAGO

CORRECTIVE ACTION PLAN Year Ended December 31, 2008

FINDING 2008-14

The City of Chicago Department of Procurement Services' (DPS) contract file selected for testing was originally awarded in 1998. Since that time and in recent years DPS has taken steps to update its Records Retention Policy as well as increase the awareness and oversight of the contract file retention. DPS conducted workshops (May, 2009) with the Law Department regarding current documentation requirements and guidelines to meet local, state and federal ordinances and regulations regarding records retention.

Additionally, DPS will be implementing a contract checklist, effective September 30, 2009, that will accompany all contracts to ensure that all of the required contents for a contract file are present at award of the contract and stay with the file when stored as well as standardize the overall contract process. All staff involved with contract file maintenance will have this checklist to assist them in identifying missing or incomplete contract file components, thereby adding a higher level of consistency to the contents of the contract file inventory as a whole.

The First Deputy Procurement Officer and the Deputy Procurement Officer for Finance and Administration will be responsible for the implementation and continued oversight of this process and unit. DPS will continue to evaluate processes and add safeguards and controls to ensure the completeness and accuracy of this and related processes and ensure compliance with OMB's Grant Management Common Rules and 29CFR Subtitle A Section 97.36.

FINDING 2008-15

The City of Chicago is in the process of enhancing its existing payroll system (CHIPPS) which will ensure that personnel expenditures are allocated to the appropriate grant according to the requirement of A-87. This implementation should begin during the last quarter of 2010. In the interim, the City will continue to require that appropriate City departments submit semi annual salary certification forms to the Department of Finance-Special Accounting Division. Additionally, each department's Financial Manager will be required to increase their monitoring efforts by ensuring timely completion and the accuracy of payroll charges reported for personnel either paid directly from a grant program or where the personnel served as the match to the grant. The City, as part of implementing administrative procedures will ensure that the documentation and fiscal reporting of salaries and wages are in accordance with OMB Circular A-87.

FINDING 2008-16

See City response provided in the Summary Schedule of Prior Audit Findings for Finding 2007-10.

**CITY OF CHICAGO, ILLINOIS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2008**



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**CITY OF CHICAGO, ILLINOIS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2008**

**FINDING 2007-1
BASIC FINANCIAL STATEMENT FINDINGS
OFFICE OF THE COMPTROLLER
ADEQUACY OF STAFFED AND TRAINED FINANCIAL PERSONNEL**

The Office of the Comptroller is not adequately staffed and/or trained at either the management or staff levels thereby creating competing demands of their time and priorities.

2008 STATUS

The City, like many other state and local governments are faced with the nation's most significant recession in decades while attempting to maintain appropriate levels of staff to manage core functions such as public safety, health, etc. The City will reassess additional requests for staffing as justified by responsibilities and available resources. Managerial staff assignments and organizational structure are being reviewed concerning responsibilities on a yearly basis.

Staff and management will continue to devote time in accommodating the development, testing, training, and implementation of the City's financial systems, and report writing capabilities. Additionally, technical accounting needs will be addressed by utilizing both internal and external training programs for staff and managers.

The City has also implemented and taken proactive steps toward making sure that employees are ready and able to handle the technological and environmental changes that are likely to impact the City.

This finding is repeated in 2008.

**FINDING 2007-2
BASIC FINANCIAL STATEMENT FINDINGS
OFFICE OF THE COMPTROLLER – SPECIAL ACCOUNTING DIVISION
LAND HELD FOR RESALE**

The City does not currently maintain a single comprehensive inventory listing of land held for resale.



**CITY OF CHICAGO, ILLINOIS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2008**

**FINDING 2007-2
BASIC FINANCIAL STATEMENT FINDINGS
OFFICE OF THE COMPTROLLER – SPECIAL ACCOUNTING DIVISION
LAND HELD FOR RESALE (cont.)**

2008 STATUS

City departments that acquire land held for resale have begun to implement revised policies to ensure account balances are properly stated and classified. These policies include confirming account balances and land inventory (including monitoring) annually, and revising operational procedures to ensure that SAD is notified timely of land inventory changes, purchases, and sales. Additionally, the lead departments, such as Community Development, will be required to monitor the inventory listings for current year acquisition and disposition activity to ensure accurate and timely financial reporting along with providing appropriate supporting documentation as required.

SAD will continue to work with the Office of Budget and Management and the lead departments that utilize grant funds for land resale to ensure accurate and timely financial reporting. In addition, the assets and liabilities net to zero as does the revenue and expense.

This finding is repeated in 2008.

**FINDING 2007-3
BASIC FINANCIAL STATEMENT FINDINGS
OFFICE OF THE COMPTROLLER – SPECIAL ACCOUNTING DIVISION
COLLECTION OF CERTAIN RECEIVABLES**

Certain significant receivable balances, such as due from other governments or due from delegate agencies, appear uncollectible and significantly aged.

2008 STATUS

The City recently implemented the Oracle accounts receivable module and based on that implementation, the SAD has developed and implemented an aged receivable process that requires obtaining a quarterly detailed receivables report for both current and aged receivables for review and analysis. Once the analysis is complete, all aged receivables will be further addressed and reviewed for those that have aged greater than 90 days to determine their means of collection. We will work with the various grantors to address any open receivables that are significantly aged and develop an appropriate allowance for doubtful accounts. Finally, this process will improve the controls over account receivables and ensure the accuracy of our receivable reports and fiscal reporting.

This finding is repeated in 2008.

**CITY OF CHICAGO, ILLINOIS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2008**

**FINDING 2007-4
BASIC FINANCIAL STATEMENT FINDINGS
OFFICE OF THE COMPTROLLER
INVENTORY MANAGEMENT**

All departments do not adhere to the City's standardized inventory management policies and procedures, such as utilization of existing systems and/or software, timely performance of physical inventories, reviews for obsolescence, and proper warehouse management techniques.

2008 STATUS

The Finance Department will continue to advise the departments of the proper procedures relating to the processing of inventory transactions, cycle counting, and valuation to ensure the proper safeguarding and valuation of the City inventory.

This finding is not repeated in 2008.

**FINDING 2007-5
BASIC FINANCIAL STATEMENT FINDINGS
OFFICE OF THE COMPTROLLER
CAPITAL ASSET MANAGEMENT**

The City does not maintain formal policies and procedures for capital assets and utilizes decentralized systems and departmental tools to identify, account for, monitor and report capital asset activity. The City does not utilize system functionality to centralize capital asset processes.

2008 STATUS

The City concurs with the observation. Future implementation of the Oracle Fixed Asset module, with proper policies and procedures to update additions, disposals, and transfers will enhance the City's ability to properly safeguard and report the City's fixed assets.

This finding is repeated in 2008.

**CITY OF CHICAGO, ILLINOIS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2008**

**FINDING 2007-6
INTERNAL CONTROL OVER FINANCIAL REPORTING – CONTROLS
OVER SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(SEFA) PREPARATION
CHICAGO DEPARTMENT OF FINANCE – COMPTROLLER’S OFFICE
(OPERATIONS DIVISION)**

The expenditure samples tested for various major programs contained transactions from an accounting period other than January 1, 2007 to December 31, 2007. We identified six invoices for services in 2008 which were recorded in the year ended December 31, 2007.

2008 STATUS

Multiple communications went out to staff explaining proper procedure for recording transactions in the proper accounting period. In addition, training classes were held. A system enhancement was implemented that prevents changing the GL date once the transaction has gone through the first approval. The system also checks to make sure that the GL date year matches the payment voucher year. If an incorrect GL date was enter, the user has to cancel the invoice and re-enter the transaction.

This finding is repeated in 2008.

**FINDING 2007-7
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES
HEAD START 93.600
CHICAGO DEPARTMENT OF FINANCE – COMPTROLLER’S OFFICE
(OPERATIONS DIVISION)**

The audit sample for the Head Start program included four invoices that were related to 2008 services and charged to the year ended December 31, 2007.

2008 STATUS

See 2007-6 above. This finding is not repeated in 2008.

**CITY OF CHICAGO, ILLINOIS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2008**

FINDING 2007-8

**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD CARE AND DEVELOPMENT FUND (CCDF) CLUSTER
93.575/93.596**

**CHICAGO DEPARTMENT OF FINANCE – COMPTROLLER’S OFFICE
(OPERATIONS DIVISION)**

The audit sample for the CCDF cluster included an invoice that was related to 2008 services and charged to the year ended December 31, 2007.

2008 STATUS

See 2007-6 above. This finding is not repeated in 2008.

FINDING 2007-9

**U.S. DEPARTMENT OF LABOR
WORKFORCE INVESTMENT ACT CLUSTER 17.258/17.259/17.260
MAYOR’S OFFICE OF WORKFORCE DEVELOPMENT**

The Mayor’s Office of Workforce Development (“MOWD”) did not maintain complete property records nor reconcile physical inventory of federally purchased property and equipment in accordance with federal regulations. The previous auditors’ tests of property and equipment purchased for this cluster determined that MOWD did not complete a current or timely physical inventory of property and equipment. Not all property records contained all required information in accordance with federal regulations.

2008 STATUS

The Mayor’s Office of Workforce Development (which as of January, 2009 became a part of the Department of Community Development) has completed the review of its inventory of property and equipment for 2008. The inventory records have been updated and reconciled against the existing inventory records. Documentation for the inventory records is available for review.

This finding is not repeated in 2008.

**CITY OF CHICAGO, ILLINOIS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2008**

FINDING 2007-10

**U.S. DEPARTMENT OF JUSTICE
EDWARD BYRNE JUSTICE ASSISTANCE GRANT PROGRAM 16.738
CHICAGO POLICE DEPARTMENT**

The auditors selected a sample of subgrantees and reviewed their quarterly fiscal reports submitted to the Chicago Police Department (CPD). The auditors noted that 22 out of 30 quarterly reports tested were not submitted to CPD during the applicable reporting period.

2008 STATUS

Effective October 1, 2009 the Chicago Police Department's JAG grants research specialist will send an annual letter to each JAG Disparate Partner outlining the special conditions and reporting requirements of JAG funds. JAG Disparate Partners will be required to acknowledge receipt by signing the letter itself and returning it to CPD by scanning or faxing, no later than November 1st of each year. The acknowledgements will be maintained in the JAG file in the CPD grants unit.

Beginning October 1 through December 31, the grants research specialist will conduct annual on-site visits with each JAG Disparate Partner to review JAG programmatic and financial operations. Issues or Concerns will be documented, as needed. Corrective measures will be identified, as needed.

Follow up visits will be scheduled, as needed. Acknowledgement of the on-site reviews will be documented and maintained in the JAG file in CPD's grants unit.

Each year beginning October 1, 2009 JAG Disparate Partners will be notified of the requirement to submit an annual copy of their single audit reports to the CPD JAG grants research specialist, and this requirement will be included in the letter for Step #1 above. The audit reports will be maintained in the JAG file in CPD's grants unit.

This finding is repeated in 2008.

FINDING 2007-11

**U.S. DEPARTMENT OF AGRICULTURE
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN 10.559
CHICAGO DEPARTMENT OF CHILDREN AND YOUTH SERVICES**

In 2006, a finding was reported noting that the City's monitoring of summer food program sites was not meeting the standards as required by the City and granting agency. Monitoring requirements of the City include providing training to the personnel at the summer food program site prior to opening and completing a monitoring site visit within the first four weeks after opening. One of the monitoring requirements is that the City provide training to the personnel at the summer food program site prior to opening. For the 2007 audit, the auditors tested a sample of 20 summer food program sites and noted that the City had no documentation available supporting the training requirement for one of those sites, and the monitoring visit for one of the sites was not completed within the four-week timeframe.

**CITY OF CHICAGO, ILLINOIS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2008**

**FINDING 2007-11
U.S. DEPARTMENT OF AGRICULTURE
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN 10.559
CHICAGO DEPARTMENT OF CHILDREN AND YOUTH SERVICES (cont.)**

2008 STATUS

The Department of Family and Support Services' original corrective action response to the 2007 finding will be reflected in 2009 programming. This is attributed to the Single Audit's timeline, where as the conclusion and subsequent discussion regarding any findings occurs after the start of Summer Nutrition Program.

This finding is repeated in 2008.

**FINDING 2007-12
NON-FEDERAL EXPENDITURES IN THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS
CHICAGO DEPARTMENT OF FINANCE – COMPTROLLER'S OFFICE
(SPECIAL ACCOUNTING DIVISION)**

The auditors' testing identified that the City had been including required local match expenditures as federal expenditures in the SEFA. Local match dollars are from non-federal sources and should not be reported as federal awards.

2008 STATUS

The City is in the process of implementing procedures that will ensure federal expenditures are properly accounted for and in accordance with OMB Circular A-133. The Department of Finance Management Team- SAD will increase fiscal monitoring and review of its cost reporting efforts. The appropriate Fiscal Managers at the Lead Departments and the Office of Budget and Management will have direct access to reports so they may accurately allocate changes to the proper funding source. Necessary accounting adjustments will be made timely to avoid overstating or understating expenditures to the SEFA.

This finding is repeated in 2008.

**CITY OF CHICAGO, ILLINOIS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2008**

**FINDING 2007-13
U.S. DEPARTMENT OF HOMELAND SECURITY
LAW ENFORCEMENT OFFICER REIMBURSEMENT PROGRAM 97.090
CHICAGO DEPARTMENT OF AVIATION**

Financial Status Reports for the period of October 1, 2007 through December 31, 2007 were not submitted to the awarding office within the prescribed deadlines. The reports were submitted during audit fieldwork.

2008 STATUS

The Department of Aviation continues to develop and implement procedures established to ensure that financial information is provided to the Transportation Security Administration in a timely manner.

This finding is repeated in 2008.