

# City of Chicago, Illinois

Basic Financial Statements as of and for the Year Ended  
December 31, 2010, 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, 2010

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# CITY OF CHICAGO, ILLINOIS

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## INDEPENDENT AUDITORS' REPORT

To the Honorable Rahm Emanuel, 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, 2010, 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 opinions 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 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 opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to previously present fairly, in all material respects, the respective net assets or financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2010, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, effective January 1, 2010, the City adopted Statement No. 53 of the Government Accounting Standards Board (GASB), *Accounting and Financial Reporting for Derivative Instruments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2011, on our consideration of the City's internal control over financial reporting and on 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 table of contents, are not a required part of the basic financial statements, but are supplementary information required by the GASB. 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 29, 2011

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**CITY OF CHICAGO, ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2010**

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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 Basic Financial Statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2010. We encourage the readers to consider the information presented here in conjunction with other information contained within this report.

**Fiscal 2010 Financial Highlights**

- Liabilities and Deferred Inflows of the City, in the government-wide financial statements, exceeded its assets and deferred outflows at the close of the most recent fiscal year by \$1,570.8 million (*net deficit*). Of this amount, \$8,014.3 million is an unrestricted deficit, while \$2,041.2 million is invested in capital assets, net of related debt and \$4,402.3 million is restricted for specific purposes.
- The City's total assets and deferred outflows increased by \$1,695.6 million. The increase relates to \$453.1 million increase in capital assets as a result of the City's capital improvement program and \$812.8 million increase in restricted cash and cash equivalents and investments primarily as a result of the City's financing of its business activities capital programs.
- Revenues and Other Financing Sources, in the fund financial statements, available for general governmental operations during 2010 were \$7,467.1 million, a decrease of \$1,123.6 million (13.1 percent) from 2009. The reduction was a result of the 2009 transfers in of \$1,702.5 million when the service concession agreements fund was established.
- The General Fund, also in the fund financial statements, ended 2010 with a total Fund Balance of \$135.5 million. Total Fund Balance increased from 2009 primarily because Revenues and Other Financing Sources were more than Expenditures and Other Financing Uses by \$82.3 million. Fund Balance at December 31, 2010 of \$36.2 million was reserved for commitments. Unreserved Fund Balance was \$81.2 million at December 31, 2010, compared to a balance of \$2.7 million at the end of 2009.
- The City's general obligation bonds and notes outstanding increased by \$641.3 million during the current fiscal year. The proceeds from the increase in bonds were used to finance the City's capital plan and certain operating expenses.

**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, deferred outflows, liabilities, and deferred inflows with the difference 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,

**CITY OF CHICAGO, ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2010 - Continued**

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*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 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 20 individual governmental funds. Information for the seven 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 seven major governmental funds are as follows: the General Fund, the Federal, State and Local Grants Fund, the Special Taxing Areas Fund, Service Concession Agreement 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

**CITY OF CHICAGO, ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2010 - Continued**

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.

**Fiduciary funds.** Fiduciary funds are used primarily 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.

**Financial Analysis of the City as a Whole**

**Net assets (deficit).** 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, liabilities and deferred inflows exceeded assets by \$1,570.8 million at December 31, 2010.

A large portion of the City's net deficit, \$2,041.2 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 and deferred inflows.

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

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets .....	\$ 6,109.4	\$ 6,106.2	\$ 3,939.1	\$ 2,772.6	\$ 10,048.5	\$ 8,878.8
Capital assets .....	7,288.3	7,311.5	11,393.8	10,917.5	18,682.1	18,229.0
Deferred outflows .....	92.5	75.4	141.4	85.7	233.9	161.1
Total .....	13,490.2	13,493.1	15,474.3	13,775.8	28,964.5	27,268.9
Long-term liabilities outstanding .....	13,656.4	12,217.4	11,176.8	9,688.6	24,833.2	21,906.0
Other liabilities .....	1,468.7	1,448.0	853.9	782.1	2,322.6	2,230.1
Total Liabilities .....	15,125.1	13,665.4	12,030.7	10,470.7	27,155.8	24,136.1
Deferred inflows .....	1,660.4	1,681.5	1,719.1	1,737.6	3,379.5	3,419.1
Net assets:						
Invested in capital assets,						
net of related debt .....	(324.3)	251.1	2,365.5	2,286.7	2,041.2	2,537.8
Restricted .....	3,611.5	3,735.1	790.8	821.9	4,402.3	4,557.0
Unrestricted .....	(6,582.5)	(5,840.0)	(1,431.8)	(1,541.1)	(8,014.3)	(7,381.1)
Total net assets (deficit) .....	\$ (3,295.3)	\$ (1,853.8)	\$ 1,724.5	\$ 1,567.5	\$ (1,570.8)	\$ (286.3)

**CITY OF CHICAGO, ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2010 - Continued**

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An additional portion of the City's net assets (\$4,402.3 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 \$1,441.5 million to a deficit of \$3,295.3 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 \$6,582.5 million deficit at the end of this year. This deficit does not mean that the City does not have the resources available to pay its bills next year. Rather, it is the result of having long-term commitments that are greater than currently available resources. Specifically, the City did not include in past annual budgets the full amounts needed to finance future liabilities arising from personnel, property, pollution and casualty claims (\$656.0 million), Municipal employees, Policemen's and Firemen's net pension obligation (\$4,144.5 million) and post-employment benefits (\$380.9 million). The City will include these amounts in future years' budgets as they come due. In addition, the remaining deferred inflow of \$1,660.4 million will be amortized into income over the life of the concession service agreements.

Over half of the City's revenue comes from taxes. Total taxes increased slightly. Total taxes include a decrease in property taxes of \$.1 million (.01 percent). Other taxes increased by \$.3 million (.01 percent) as a result of increases in sales and transaction taxes. 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 2010 were \$6,664.5 million. This reflects an increase of \$447.3 million (7.2 percent) over 2009. Public Safety was the largest component of current expenses, accounting for 42.4 percent of total expenses. Expenses increased as a result of contractual wage increases and related benefits.

The cost of all governmental activities was \$6,664.5 million.

- The amount that taxpayers paid for these activities through City taxes was only \$2,918.8 million.
  - ◆ Some of the cost was paid by those who directly benefited from the programs (\$610.4 million), or
  - ◆ By other governments and organizations that subsidized certain programs with grants and contributions (\$789.6 million).

The City paid \$904.2 million for the "public benefit" portion with other revenues such as state aid, interest and miscellaneous income.

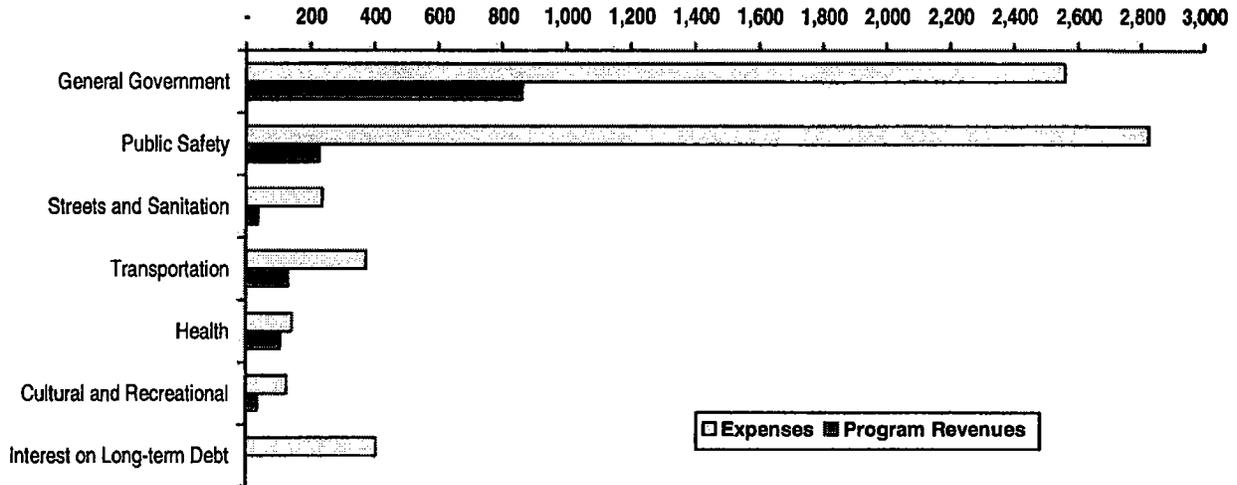
Although total net assets of business-types activities were \$1,724.5 million, these resources cannot be used to make up for the net asset deficit in governmental activities. The City generally can only use these net assets to finance the continuing operations of the water, sewer, tollway, and airports activities.

**CITY OF CHICAGO, ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2010 - Continued**

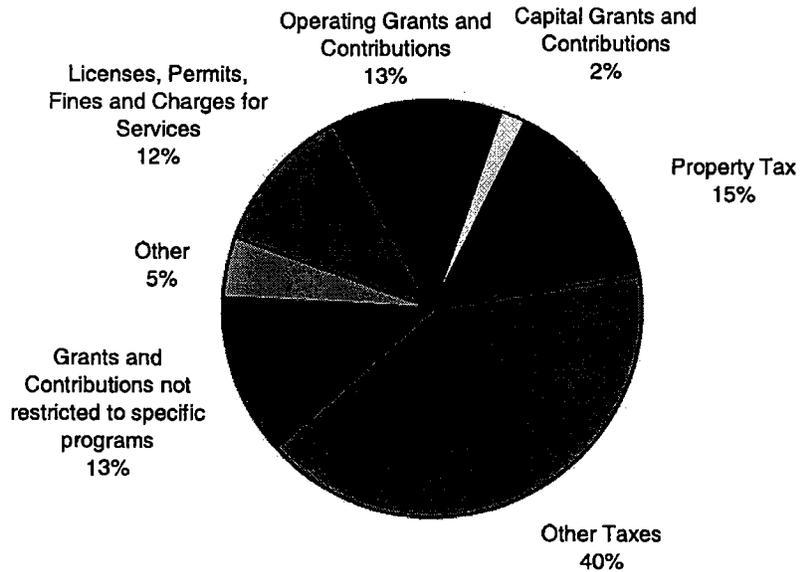
(In millions of dollars)

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Licenses, Permits, Fines and						
Charges for Services .....	\$ 610.4	\$ 621.9	\$ 1,508.3	\$ 1,332.1	\$ 2,118.7	\$ 1,954.0
Operating Grants and Contributions .....	674.7	611.3	-	-	674.7	611.3
Capital Grants and Contributions .....	114.9	115.3	246.3	211.2	361.2	326.5
<b>General Revenues:</b>						
Property Taxes .....	796.9	797.0	-	-	796.9	797.0
Other Taxes .....	2,121.9	2,121.6	-	-	2,121.9	2,121.6
Grants and Contributions not						
Restricted to Specific Programs .....	654.0	601.2	57.0	-	711.0	601.2
Other .....	250.2	250.4	-	21.3	250.2	271.7
<b>Total Revenues .....</b>	<b>5,223.0</b>	<b>5,118.7</b>	<b>1,811.6</b>	<b>1,564.6</b>	<b>7,034.6</b>	<b>6,683.3</b>
<b>Expenses:</b>						
General Government .....	2,557.7	2,364.8	-	-	2,557.7	2,364.8
Public Safety .....	2,824.0	2,521.1	-	-	2,824.0	2,521.1
Streets and Sanitation .....	235.9	297.2	-	-	235.9	297.2
Transportation .....	373.4	351.1	-	-	373.4	351.1
Health .....	142.4	166.9	-	-	142.4	166.9
Cultural and Recreational .....	126.9	130.0	-	-	126.9	130.0
Interest on Long-term Debt .....	404.2	386.1	-	-	404.2	386.1
Water .....	-	-	399.3	382.5	399.3	382.5
Sewer .....	-	-	184.9	170.0	184.9	170.0
Midway International Airport .....	-	-	224.5	206.6	224.5	206.6
Chicago-O'Hare International Airport .....	-	-	834.5	811.7	834.5	811.7
Chicago Skyway .....	-	-	11.3	11.8	11.3	11.8
<b>Total Expenses .....</b>	<b>6,664.5</b>	<b>6,217.2</b>	<b>1,654.5</b>	<b>1,582.6</b>	<b>8,319.0</b>	<b>7,799.8</b>
Change in Net Assets Before Transfers .....	(1,441.5)	(1,098.5)	157.1	(18.0)	(1,284.4)	(1,116.5)
Transfers .....	-	-	-	-	-	-
Change in Net Assets .....	(1,441.5)	(1,098.5)	157.1	(18.0)	(1,284.4)	(1,116.5)
Net Assets, Beginning of Year .....	(1,853.8)	(755.3)	1,567.4	1,585.4	(286.4)	830.1
Net Assets, End of Year .....	\$ (3,295.3)	\$ (1,853.8)	\$ 1,724.5	\$ 1,567.4	\$ (1,570.8)	\$ (286.4)

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



**Revenues by Source - Governmental Activities**



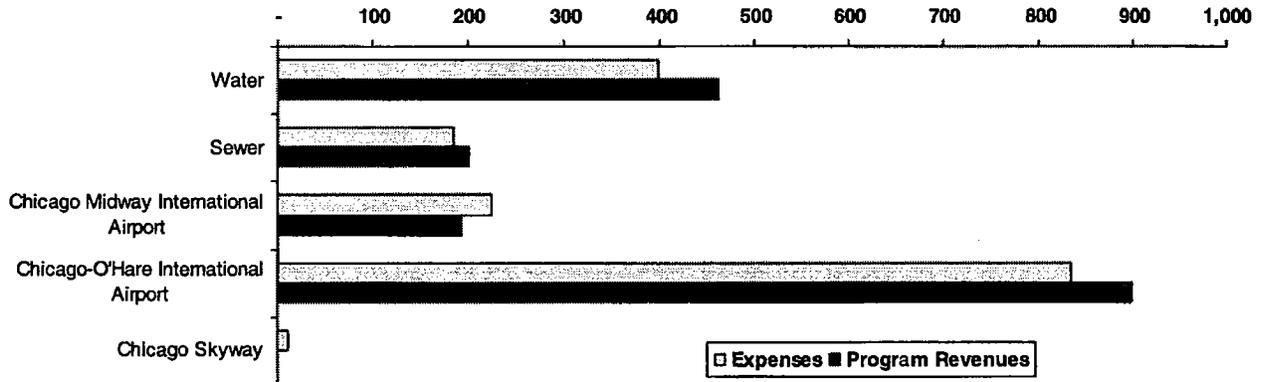
**CITY OF CHICAGO, ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2010 - Continued**

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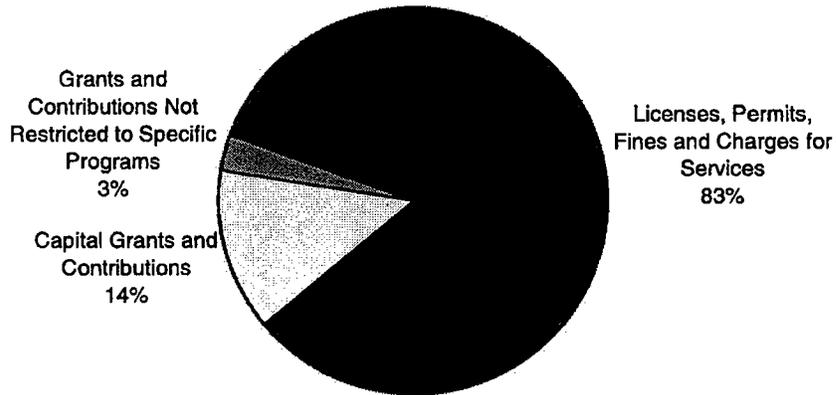
***Business-type Activities.*** Revenues of the City's business-type activities increased by \$247.0 million in 2010 due primarily to increases in charges for services, rent and investment earnings. All Funds met debt service coverage ratios set forth in the applicable bond indentures.

- The Water Fund's operating revenues for 2010 increased by 11.8 percent from 2009 due to an increase in water rates. Operating expenses in 2010 increased by 3.4 percent primarily due to an increase in personnel and contractual services, as well as depreciation and amortization.
- The Sewer Fund's operating revenues increased 13.2 percent during fiscal year 2010, as the result of an increase in water and sewer rates. Operating expenses increased 4.7% as a result of increased personnel services, depreciation and amortization, and general fund reimbursements.
- Chicago Midway International Airport Fund's operating revenues for 2010 increased by \$26.8 million compared to prior year operating revenues. Operating expenses increased by \$13.8 million primarily due to an increase in personnel services, contractual services, and depreciation and amortization.
- Chicago-O'Hare International Airport Fund's operating revenues for 2010 increased by \$78.2 million (12.5 percent) compared to prior year operating revenues as a result of increased fund deposit requirements. Operating expenses increased by \$12.7 million as a result of an increase in contractual services, repair and maintenance, and depreciation and amortization.
- 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, 2010 - Continued**

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**Financial Analysis of the City's Funds**

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

**Governmental funds.** The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At December 31, 2010, the City's governmental funds reported combined ending fund balances of \$1,878.5 million, an increase of \$71.6 million in comparison with the prior year. Of this total amount (\$77.6 million) constitutes *undesignated fund balance*. 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 (\$286.1 million), 2) to pay debt service (\$423.1 million), 3) to provide a long-term reserve (\$739.2 million), 4) for future appropriations (\$326.7 million), and 5) for a variety of other restricted purposes (\$25.8 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 \$81.2 million with a total fund balance of \$135.5 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 4.5 percent of total General Fund expenditures. The fund balance of the City's General Fund increased by \$80.8 million during the current fiscal year. Revenues and Other Financing Sources exceeded Expenditures and Other Financing Uses by \$82.3 million. As a result of increased economically sensitive taxes and lower than expected personnel and benefit expenses.

The Federal, State and Local Grants Fund has a total fund balance of \$13.1 million, \$7.7 million of which is reserved for the resale of property, while there is an unreserved, undesignated fund balance of \$5.4 million.

The Special Taxing Areas Fund has a total fund balance of \$1,400.3 million, of which \$191.2 million is reserved for encumbrances, \$188.0 million is designated for future appropriations and the remaining \$1,021.1 million is unreserved, undesignated. Increase in fund balance is a result of Special Area tax exceeding expenditure.

The Service Concession Agreement Fund accounts for deferred inflows from non business type long-term concession and lease transactions and has an unreserved, undesignated fund deficit of \$1,660.4 million.

The Reserve Fund has a total fund balance of \$877.9 million, of which \$739.1 million is reserved as a long-term trust. The remaining is designated for future appropriations. Fund balance decreased as a result of transfers out.

The Bond, Note Redemption and Interest Fund have a total fund balance of \$264.6 million. Fund balance was consistent with prior year.

The Community Development and Improvement Projects Fund has a total fund balance of \$478.6 million, of which \$37.1 million is reserved for encumbrances and the remaining \$441.5 million is unreserved, undesignated. The increase in fund balance during the current year in the Community Development and Improvement Projects Fund was \$137.7 million, as a result of the timing of the capital program financing.

**Changes in fund balance.** The City's governmental fund revenues (excluding other financing sources) increased by .9 percent or \$49.4 million.

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

**CITY OF CHICAGO, ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2010 - Continued**

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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 \$1,431.8 million. The total increase in unrestricted net assets related to changes in the \$2,365.5 million of net assets invested in capital assets, net of related debt and the \$790.8 million of net assets restricted is primarily due to assets being reserved for debt service, construction, and rehabilitation. Other factors concerning the finances of these five funds have already been addressed in the discussion of the City's business-type activities.

**General Fund Budgetary Highlights**

The City's 2010 Original General Fund Budget is \$3,179.7 million. This budget reflects a decrease of \$6.8 million (.2 percent) over the 2009 Budget. The City's 2010 General Fund Budget was approved by the City Council on December 2, 2009. The General Fund revenues on a budgetary basis were \$49.9 million less than the final budget as a result of higher than expected taxes, offset by lower transfers in. In addition, unfavorable results occurred in internal services revenue, licenses and permits, and fines. Expenditures were \$135.6 million less than budgeted as a result of favorable variances in general government, primarily as a result of lower than expected health care and personnel related expenses. Additional information on the City's budget can be found in Note #3 under Stewardship, Compliance and Accountability within this report.

The General Fund revenues and expenditures in 2010 ended the current fiscal year with an available unreserved fund balance of \$81.2 million, which is a \$78.5 million increase over 2009.

**Capital Asset and Debt Administration**

**Capital assets.** The City's capital assets for its governmental and business-type activities as of December 31, 2010 amount to \$18,682.1 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 the construction of three new district police stations, the 8<sup>th</sup>, the 9<sup>th</sup>, and 23<sup>rd</sup>, all totaling \$78.2 million in construction cost.
- The City also completed the new LEED silver certified Vehicle Maintenance Facility with construction costs totaling \$20.0 million.
- During 2010 the City completed \$52.8 million in bridge and viaduct reconstruction projects, \$102.1 million in street construction and resurfacing projects, and \$4.2 million in street lighting and transit projects.
- During 2010 the Water Fund expended \$139.7 million for capital activities. This included \$4.5 million for structures and improvements, \$10.3 million for equipment, \$46.8 million for construction in progress, and \$78.1 million for distribution plant, of which \$20.4 million was for water mains; \$37.3 million for in-house construction costs; \$16.3 million for engineering fees; \$2.5 million for capitalized interest; and \$1.6 million for completed meter projects. Net completed projects totaling \$96.1 million were transferred from construction in progress to applicable capital accounts. The major completed projects relate to South Water Purification Plant chlorine improvement projects (\$53.3 million), CCTV, card access, camera upgrades (\$4.2 million), 68<sup>th</sup> Street Pumping Station roof rehab (\$4.1 million), and installation and replacements of water mains (\$30.9 million). The 2010 Water Main Replacement Program completed 30 miles of water mains.
- The 2010 Sewer Main Replacement Program completed 8.6 miles of sewer mains and 37.7 miles of relining of existing sewer mains at a cost of \$133.0 million.
- Chicago Midway International Airport had capital asset additions in 2010 of \$28.0 million principally due to land acquisition, terminal improvements, security enhancements, parking, and runway improvements.
- Chicago-O'Hare International Airport had capital asset additions in 2010 of \$475.5 million principally due to land acquisition, terminal improvements, security enhancements, runway and taxiway improvements along with heating and refrigeration, and apron improvements.

**CITY OF CHICAGO, ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2010 - Continued**

City of Chicago, Illinois Capital Assets (net of depreciation) (in millions of dollars)						
	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land .....	\$ 1,382.2	\$ 1,372.7	\$ 864.0	\$ 839.5	\$ 2,246.2	\$ 2,212.2
Works of Art and Historical Collections .....	13.1	13.1	-	-	13.1	13.1
Construction in Progress .....	164.6	225.3	1,419.6	1,502.5	1,584.2	1,727.8
Buildings and Other Improvements ...	1,677.7	1,589.8	8,767.5	8,286.6	10,445.2	9,876.4
Machinery and Equipment .....	320.2	335.9	342.7	288.9	662.9	624.8
Infrastructure .....	<u>3,730.5</u>	<u>3,774.7</u>	<u>-</u>	<u>-</u>	<u>3,730.5</u>	<u>3,774.7</u>
Total .....	<u>\$ 7,288.3</u>	<u>\$ 7,311.5</u>	<u>\$ 11,393.8</u>	<u>\$ 10,917.5</u>	<u>\$ 18,682.1</u>	<u>\$ 18,229.0</u>

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

**Debt.** At the end of the current fiscal year, the City had \$6,660.0 million in General Obligation Bonds and Notes and \$844.8 million in General Obligation Certificates and Other Obligations outstanding. Other outstanding long-term debt is as follows: \$203.9 million in Motor Fuel Tax Revenue Bonds; \$355.5 million of Sales Tax Revenue Bonds; \$163.6 million in Tax Increment Financing Bonds; \$1.2 million in Installment Purchase Agreements; and \$10,923.7 million in Enterprise Fund Bonds and long-term obligations. For more detail, refer to Note No. 10 Long-term Obligations in the Basic Financial Statements.

City of Chicago, Illinois General Obligation and Revenue Bonds (in millions of dollars)						
	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
General Obligation .....	\$ 7,504.7	\$ 6,863.4	\$ -	\$ -	\$ 7,504.7	\$ 6,863.4
Installment Purchase Agreement .....	1.2	3.5	-	-	1.2	3.5
Tax Increment .....	163.6	186.2	-	-	163.6	186.2
Revenue Bonds .....	<u>559.4</u>	<u>564.8</u>	<u>10,923.7</u>	<u>9,532.3</u>	<u>11,483.1</u>	<u>10,097.1</u>
Total .....	<u>\$ 8,228.9</u>	<u>\$ 7,617.9</u>	<u>\$ 10,923.7</u>	<u>\$ 9,532.3</u>	<u>\$ 19,152.6</u>	<u>\$ 17,150.2</u>

During 2010, the City issued the following:

**General Obligation Bonds and Notes:**

- General Obligation Bonds, Refunding Series 2009A, Taxable Project and Refunding Series 2009B, Taxable Project Series 2009C (Build America Bonds) and Taxable Project Series 2009D (Recovery Zone Economic Development Bonds) (\$793.3 million)
- General Obligation Modern Schools Across Chicago Bonds, Series 2010A and Taxable Series 2010B (\$150.1 million)
- General Obligation Bonds Taxable Series 2010B (Build America Bonds) (\$213.6 million)
- General Obligation Short Term Notes Series 2010 (\$70.4 million)
- General Obligation Commercial Paper Notes (\$170.7 million)

**CITY OF CHICAGO, ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2010 - Continued**

Enterprise Fund Revenue Bonds and Notes:

- Second Lien Water Revenue Bonds, Project and Refunding Series 2010A, Taxable Project Series 2010B (Build America Bonds) and Taxable Project Series 2010C (Qualified Energy Conservation Bonds) (\$313.6 million)
- Second Lien Wastewater Transmission Bonds, Revenue Refunding Series 2010A and Taxable Revenue Project Taxable Series 2010B (Build America Bonds) (\$275.9 million)
- Water Commercial Paper Notes (\$51.5 million)
- Chicago-O'Hare International Airport Passenger Facility Charge Revenue Bonds, Series 2010A (Non-AMT), Series 2010B (Non-AMT), Taxable Series 2010C and Refunding Series 2010D (Non-AMT) (\$137.7 million)
- Chicago-O'Hare International Airport General Airport Third Lien Revenue Bonds, Series 2010A (Non-AMT), Taxable Series 2010B (Build America Bonds), Series 2010C (Non-AMT), Refunding Series 2010D (AMT), Refunding Series 2010E (AMT) and Series 2010F (Non-AMT) (\$1.04 billion)
- Chicago Midway Airport Second Lien Revenue Bonds, Taxable Series 2010 A-1 and Taxable Series 2010 A-2 (\$80.5 million)
- Chicago Midway Airport Second Lien Revenue Bonds, Series 2010B (Non-AMT), Taxable Series 2010C and Taxable Series 2010 D-2 (\$246.5 million)
- Chicago-O'Hare International Airport General Commercial Paper Notes (\$.5 million)
- Chicago Midway International Airport General Commercial Paper Notes (\$35.5 million)

At December 31, 2010 the City had credit ratings with each of the three major rating agencies as follows:

<u>Rating Agency</u>	<u>Moody's</u>	<u>Standard &amp; Poors</u>	<u>Fitch</u>
General Obligation:			
City	Aa3	A+	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)	A2	A-	A+
Midway Airport:			
First Lien	A2	A	A
Second Lien	A3	A-	A-
Water:			
First Lien	Aa2	AA	AA+
Second Lien	Aa3	AA-	AA
Wastewater:			
First Lien	Aa2	AA-	n/a
Junior Lien	Aa3	A+	AA
Sales Tax	Aa2	AAA	AA-
Motor Fuel Tax	Aa3	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.

**CITY OF CHICAGO, ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2010 - Concluded**

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

The City's finances are closely tied with the global and national economies. Nationally, in 2010 new housing unit starts experienced a slight increase of 5.5 percent above 2009 levels. Additionally, in Chicago year to date average home prices increased 1.6 percent in 2010 over 2009 levels and real estate transaction tax collections increased by 23.8 percent from 2009 collections as a result of the Federal Homeowner Affordability and Stimulus Plan.

Additionally, 2010 sales tax collections saw a slight increase of 1.8 percent. Amusement tax collections increased by 7.72 percent in 2010 as a result of post season sporting events.

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. Hotel projects completed in 2010 included the JW Marriott with 610 rooms and Hotel Palomar with 261 rooms. Hotel occupancy increased to 70 percent in 2010 and the average daily room rate increased by 1.84 percent.

The 2010 national unemployment rate reached 9.63 percent up from 9.275 percent in 2009. The City saw minimal change in 2010 as its unemployment rate increased to 10.1 percent in 2010 up from 10.0 percent in 2009.

The City's 2011 Corporate Fund budget was approved by the City Council on November 17, 2010. The City's budget totals \$3,263.7 million, reflecting an increase of \$84.0 million or approximately 2.6 percent of the 2010 Corporate Fund budget. The 2011 budget balances a preliminary shortfall of \$654.7 million by reducing costs, better managing resources and utilizing strategic financial options, including the reduction of 277 full time budgeted positions. Due to severe economic conditions over recent years, the City has needed to utilize nonrecurring revenue sources for budgetary purposes. This has taken the form of expending asset concession reserves and intends to utilize tax increment funds by declaring a surplus in twenty-six tax increment financing districts.

**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, 2010**  
**(Amounts are in Thousands of Dollars)**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS AND DEFERRED OUTFLOWS</b>			
Cash and Cash Equivalents .....	\$ 1,594,798	\$ 225,325	\$ 1,820,123
Investments .....	950,161	132,890	1,083,051
Cash and Investments with Escrow Agent .....	457,748	-	457,748
Receivables (Net of Allowances):			
Property Tax .....	1,423,922	-	1,423,922
Accounts .....	735,807	281,101	1,016,908
Internal Balances .....	(16,851)	16,851	-
Inventories .....	18,180	15,502	33,682
Restricted Assets:			
Cash and Cash Equivalents .....	137,363	1,376,006	1,513,369
Investments .....	560,246	1,396,955	1,957,201
Other Assets .....	247,931	494,562	742,493
Capital Assets:			
Land, Art, and Construction in Progress .....	1,559,949	2,283,645	3,843,594
Other Capital Assets, Net of Accumulated Depreciation .....	5,728,394	9,110,105	14,838,499
Total Capital Assets .....	7,288,343	11,393,750	18,682,093
Deferred Outflows .....	92,589	141,379	233,968
Total Assets and Deferred Outflows .....	<u>\$ 13,490,237</u>	<u>\$ 15,474,321</u>	<u>\$ 28,964,558</u>
<b>LIABILITIES AND DEFERRED INFLOWS</b>			
Voucher Warrants Payable .....	\$ 479,047	\$ 278,138	\$ 757,185
Short-term Debt .....	672	-	672
Accrued Interest .....	145,788	212,366	358,154
Accrued and Other Liabilities .....	733,300	146,729	880,029
Unearned Revenue .....	109,836	216,619	326,455
Long-term Liabilities:			
Due Within One Year .....	275,186	186,925	462,111
Other Long-term liabilities .....	-	17,937	17,937
Derivative Instrument Liability .....	115,269	146,560	261,829
Due in More Than One Year .....	13,266,026	10,825,412	24,091,438
Total Liabilities .....	15,125,124	12,030,686	27,155,810
Deferred Inflows .....	1,660,426	1,719,091	3,379,517
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt .....	(324,284)	2,365,522	2,041,238
Restricted for:			
Capital Projects .....	99,646	174,035	273,681
Long-term Reserve .....	877,890	-	877,890
Debt Service .....	1,132,545	11,860	1,144,405
Federal, State and Local Grants .....	13,050	-	13,050
Special Taxing Areas .....	1,488,402	-	1,488,402
Passenger Facility Charges .....	-	179,571	179,571
Noise Mitigation Program .....	-	206,838	206,838
Other Purposes .....	-	218,577	218,577
Unrestricted (Deficit) .....	(6,582,562)	(1,431,859)	(8,014,421)
Total Net Assets (Deficit) .....	<u>\$ (3,295,313)</u>	<u>\$ 1,724,544</u>	<u>\$ (1,570,769)</u>

See notes to basic financial statements.

**Exhibit 2**  
**CITY OF CHICAGO, ILLINOIS**  
**STATEMENT OF ACTIVITIES**  
**Year Ended December 31, 2010**  
**(Amounts are in Thousands of Dollars)**

Functions/Programs	Expenses	Licenses, Permits, Fines and Charges for Services
<b>Primary Government</b>		
<b>Governmental Activities:</b>		
General Government .....	\$ 2,557,681	\$ 370,028
Public Safety .....	2,824,028	150,710
Streets and Sanitation .....	235,863	38,092
Transportation .....	373,437	21,640
Health .....	142,352	8,332
Cultural and Recreational .....	126,939	21,635
Interest on Long-term Debt .....	404,218	-
<b>Total Governmental Activities .....</b>	<b>6,664,518</b>	<b>610,437</b>
<b>Business-type Activities:</b>		
Water .....	399,347	458,395
Sewer .....	184,888	198,229
Chicago Midway International Airport .....	224,465	149,056
Chicago-O'Hare International Airport .....	834,487	702,603
Chicago Skyway .....	11,312	-
<b>Total Business-type Activities .....</b>	<b>1,654,499</b>	<b>1,508,283</b>
<b>Total Primary Government .....</b>	<b>\$ 8,319,017</b>	<b>\$ 2,118,720</b>

See notes to basic financial statements.

Program Revenues		Net (Expense) Revenue and Changes in Net Assets Primary Government		
Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
\$ 487,373	\$ 4,903	\$ (1,695,377)	\$ -	\$ (1,695,377)
75,131	-	(2,598,187)	-	(2,598,187)
-	-	(197,771)	-	(197,771)
-	109,968	(241,829)	-	(241,829)
98,287	-	(35,733)	-	(35,733)
13,886	-	(91,418)	-	(91,418)
-	-	(404,218)	-	(404,218)
<u>674,677</u>	<u>114,871</u>	<u>(5,264,533)</u>	<u>-</u>	<u>(5,264,533)</u>
-	3,414	-	62,462	62,462
-	3,136	-	16,477	16,477
-	43,226	-	(32,183)	(32,183)
-	196,533	-	64,649	64,649
-	-	-	(11,312)	(11,312)
-	<u>246,309</u>	<u>-</u>	<u>100,093</u>	<u>100,093</u>
<u>\$ 674,677</u>	<u>\$ 361,180</u>	<u>(5,264,533)</u>	<u>100,093</u>	<u>(5,164,440)</u>
<b>General Revenues</b>				
<b>Taxes:</b>				
Property Tax .....		796,928	-	796,928
Utility Tax .....		561,936	-	561,936
Sales Tax .....		260,364	-	260,364
Transportation Tax .....		335,235	-	335,235
Transaction Tax .....		227,772	-	227,772
Special Area Tax .....		477,241	-	477,241
Recreation Tax .....		158,390	-	158,390
Other Taxes .....		100,935	-	100,935
<b>Grants and Contributions not Restricted to</b>				
Specific Programs .....		654,043	-	654,043
Unrestricted Investment Earnings .....		100,269	6,831	107,100
Miscellaneous .....		149,902	50,190	200,092
<b>Total General Revenues .....</b>		<u>3,823,015</u>	<u>57,021</u>	<u>3,880,036</u>
<b>Transfers .....</b>				
Change in Net Assets .....		(1,441,518)	157,114	(1,284,404)
Net Assets - Beginning (Deficit) .....		(1,853,795)	1,567,430	(286,365)
Net Assets - Ending (Deficit) .....		<u>\$ (3,295,313)</u>	<u>\$ 1,724,544</u>	<u>\$ (1,570,769)</u>

**Exhibit 3**  
**CITY OF CHICAGO, ILLINOIS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**December 31, 2010**  
**(Amounts are in Thousands of Dollars)**

	General	Federal, State and Local Grants	Special Taxing Areas
<b>ASSETS</b>			
Cash and Cash Equivalents .....	\$ 10,003	\$ 32,990	\$ 1,185,968
Investments .....	13,065	16,251	199,320
Cash and Investments with Escrow Agent .....	-	-	-
Receivables (Net of Allowances):			
Property Tax .....	-	-	394,374
Accounts .....	220,183	28,038	1,417
Due From Other Funds .....	254,124	29,707	6,378
Due From Other Governments .....	231,987	145,497	-
Inventories .....	18,180	-	-
Restricted Cash and Cash Equivalents .....	-	-	-
Restricted Investments .....	-	-	-
Other Assets .....	-	7,632	-
<b>Total Assets .....</b>	<b>\$ 747,542</b>	<b>\$ 260,115</b>	<b>\$ 1,787,457</b>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE</b>			
<b>Liabilities:</b>			
Voucher Warrants Payable .....	\$ 159,608	\$ 134,898	\$ 39,884
Bonds, Notes and Other Obligations Payable - Current .....	-	-	-
Accrued Interest .....	-	-	-
Due To Other Funds .....	295,566	40,850	10,657
Accrued and Other Liabilities .....	117,443	11,068	3,387
Claims Payable .....	36,505	-	-
Deferred Revenue .....	2,879	60,249	333,198
<b>Total Liabilities .....</b>	<b>612,001</b>	<b>247,065</b>	<b>387,126</b>
Deferred Inflows .....	-	-	-
<b>Fund Balance:</b>			
Reserved for Encumbrances .....	36,210	-	191,230
Reserved for Resale Property .....	-	7,632	-
Reserved for Inventory .....	18,180	-	-
Reserved for Debt Service .....	-	-	-
Reserved for Long-term Trust Fund .....	-	-	-
Unreserved, Designated for Future Appropriations .....	-	-	188,000
Unreserved, Undesignated - Major Funds .....	81,151	5,418	1,021,101
Unreserved, Undesignated - Special Revenue Funds .....	-	-	-
Unreserved, Undesignated - Capital Projects Funds .....	-	-	-
<b>Total Fund Balance .....</b>	<b>135,541</b>	<b>13,050</b>	<b>1,400,331</b>
<b>Total Liabilities, Deferred Inflows and Fund Balance .....</b>	<b>\$ 747,542</b>	<b>\$ 260,115</b>	<b>\$ 1,787,457</b>

See notes to basic financial statements.

Service Concession Agreements	Reserve	Bond, Note Redemption and Interest	Community Development and Improvement Projects	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 29,649	\$ 50,713	\$ 71,647	\$ 213,828	\$ 1,594,798
-	98,659	110,230	473,690	38,946	950,161
-	-	325,455	-	132,293	457,748
-	-	526,556	-	502,992	1,423,922
-	1,973	41,525	2,832	22,363	318,331
-	50,000	1,512	68,131	94,373	504,225
-	-	1,511	-	38,481	417,476
-	-	-	-	-	18,180
-	137,363	-	-	-	137,363
-	560,246	-	-	-	560,246
-	-	-	-	-	7,632
<u>\$ -</u>	<u>\$ 877,890</u>	<u>\$ 1,057,502</u>	<u>\$ 616,300</u>	<u>\$ 1,043,276</u>	<u>\$ 6,390,082</u>
\$ -	\$ -	\$ -	\$ 39,566	\$ 80,206	\$ 454,162
-	-	140,248	-	6,695	146,943
-	-	142,160	-	2,775	144,935
-	-	-	97,910	81,010	525,993
-	-	-	198	67,228	199,324
-	-	-	-	-	36,505
-	-	510,492	-	436,501	1,343,319
-	-	792,900	137,674	674,415	2,851,181
<u>1,660,426</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,660,426</u>
-	-	-	37,148	21,486	286,074
-	-	-	-	-	7,632
-	-	-	-	-	18,180
-	-	264,602	-	158,450	423,052
-	739,166	-	-	-	739,166
-	138,724	-	-	-	326,724
(1,660,426)	-	-	441,478	-	(111,278)
-	-	-	-	96,390	96,390
-	-	-	-	92,535	92,535
<u>(1,660,426)</u>	<u>877,890</u>	<u>264,602</u>	<u>478,626</u>	<u>368,861</u>	<u>1,878,475</u>
<u>\$ -</u>	<u>\$ 877,890</u>	<u>\$ 1,057,502</u>	<u>\$ 616,300</u>	<u>\$ 1,043,276</u>	<u>\$ 6,390,082</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 .....	7,288,343
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds ...	1,378,564
Certain liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds .....	(13,840,695)
Net assets of governmental activities	<u>\$ (3,295,313)</u>

**Exhibit 4**  
**CITY OF CHICAGO, ILLINOIS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended December 31, 2010**  
**(Amounts are in Thousands of Dollars)**

	General	Federal, State and Local Grants	Special Taxing Areas
<b>Revenues:</b>			
Property Tax .....	\$ -	\$ -	\$ -
Utility Tax .....	467,411	-	-
Sales Tax .....	495,842	-	-
Transportation Tax .....	150,706	-	-
State Income Tax .....	282,011	-	-
Transaction Tax .....	195,085	-	-
Special Area Tax .....	-	-	372,577
Recreation Tax .....	158,390	-	-
Other Taxes .....	86,394	-	-
Federal/State Grants .....	1,735	814,144	-
Internal Service .....	274,574	-	-
Licenses and Permits .....	96,240	-	-
Fines .....	258,802	-	-
Investment Income (Loss) .....	4,200	-	2,323
Charges for Services .....	84,002	-	2
Miscellaneous .....	55,460	-	274
<b>Total Revenues .....</b>	<b>2,610,852</b>	<b>814,144</b>	<b>375,176</b>
<b>Expenditures:</b>			
<b>Current:</b>			
General Government .....	903,890	467,299	182,027
Health .....	35,593	112,521	59
Public Safety .....	1,828,984	77,180	406
Streets and Sanitation .....	177,950	-	3,071
Transportation .....	70,032	119,294	54,994
Cultural and Recreational .....	544	14,760	4,569
Employee Pensions .....	-	-	-
Other .....	11,944	17,187	-
Capital Outlay .....	-	4,903	-
<b>Debt Service:</b>			
Principal Retirement .....	3,785	-	-
Interest and Other Fiscal Charges .....	1,219	-	-
<b>Total Expenditures .....</b>	<b>3,033,941</b>	<b>813,144</b>	<b>245,126</b>
<b>Revenues Over (Under) Expenditures ...</b>	<b>(423,089)</b>	<b>1,000</b>	<b>130,050</b>

Continued on following pages.

Service Concession Agreements	Reserve	Bond, Note Redemption and Interest	Community Development and Improvement Projects	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 437,463	\$ -	\$ 316,618	\$ 754,081
-	-	22,324	-	72,201	561,936
-	-	29,753	-	1,409	527,004
-	-	15,617	-	168,912	335,235
-	-	-	-	103,657	385,668
-	-	-	-	32,687	227,772
-	-	-	-	113,949	486,526
-	-	-	-	-	158,390
-	-	-	-	14,541	100,935
-	-	-	-	-	815,879
-	-	-	-	21,191	295,765
-	-	-	-	-	96,240
-	-	-	-	13,865	272,667
-	33,430	54,265	4,311	5,196	103,725
-	-	-	-	29,561	113,565
21,033	-	6,057	36,147	30,931	149,902
<u>21,033</u>	<u>33,430</u>	<u>565,479</u>	<u>40,458</u>	<u>924,718</u>	<u>5,385,290</u>
-	7	-	-	233,227	1,786,450
-	-	-	-	5,704	153,877
-	-	-	-	3,158	1,909,728
-	-	-	-	51,405	232,426
-	-	-	-	53,019	297,339
-	-	-	-	84,424	104,297
-	-	-	-	435,432	435,432
-	-	-	-	869	30,000
-	-	-	557,608	66,399	628,910
-	-	349,608	-	36,535	389,928
-	-	332,487	-	32,329	366,035
-	7	682,095	557,608	1,002,501	6,334,422
<u>21,033</u>	<u>33,423</u>	<u>(116,616)</u>	<u>(517,150)</u>	<u>(77,783)</u>	<u>(949,132)</u>

**Exhibit 4 - Concluded**  
**CITY OF CHICAGO, ILLINOIS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended December 31, 2010**  
**(Amounts are In Thousands of Dollars)**

	General	Federal, State and Local Grants	Special Taxing Areas
<b>Other Financing Sources (Uses):</b>			
Issuance of Debt .....	\$ 16,500	\$ -	\$ -
Premium .....	-	-	-
Payment to Refunded Bond Escrow Agent ...	-	-	-
Transfers In .....	502,502	-	80,824
Transfers Out .....	(13,600)	(1,000)	(43,307)
<b>Total Other Financing Sources (Uses) .....</b>	<b>505,402</b>	<b>(1,000)</b>	<b>37,517</b>
<b>Net Changes in Fund Balance .....</b>	<b>82,313</b>	<b>-</b>	<b>167,567</b>
<b>Fund Balance, Beginning of Year .....</b>	<b>54,706</b>	<b>13,050</b>	<b>1,232,764</b>
<b>Change in Inventory .....</b>	<b>(1,478)</b>	<b>-</b>	<b>-</b>
<b>Fund Balance, End of Year .....</b>	<b>\$ 135,541</b>	<b>\$ 13,050</b>	<b>\$ 1,400,331</b>

See notes to basic financial statements.

<u>Service Concession Agreements</u>	<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>
\$ -	\$ -	\$ 559,081	\$ 612,336	\$ 210,108	\$ 1,398,025
-	-	-	36,365	-	36,365
-	-	(412,184)	-	-	(412,184)
-	-	-	6,296	57,785	647,407
-	(457,852)	(22,150)	(99)	(109,399)	(647,407)
-	(457,852)	124,747	654,898	158,494	1,022,206
21,033	(424,429)	8,131	137,748	80,711	73,074
(1,681,459)	1,302,319	256,471	340,878	288,150	1,806,879
-	-	-	-	-	(1,478)
<u>\$ (1,660,426)</u>	<u>\$ 877,890</u>	<u>\$ 264,602</u>	<u>\$ 478,626</u>	<u>\$ 368,861</u>	<u>\$ 1,878,475</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, 2010**  
**(Amounts are in Thousands of Dollars)**

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

Net change in fund balances - total governmental funds .....	\$ 73,074
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 .....	(31,320)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds .....	30,106
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 .....	(657,809)
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>(855,569)</u>
Change in the net assets of governmental activities .....	<u>\$ (1,441,518)</u>

**Exhibit 6**  
**CITY OF CHICAGO, ILLINOIS**  
**STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
**GENERAL FUND (BUDGETARY BASIS)**  
**Year Ended December 31, 2010**  
**(Amounts are in Thousands of Dollars)**

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
<b>Revenues:</b>				
Utility Tax .....	\$ 479,809	\$ 479,809	\$ 467,411	\$ (12,398)
Sales Tax .....	215,312	215,312	229,202	13,890
Transportation Tax .....	155,661	155,661	150,706	(4,955)
Transaction Tax .....	172,713	172,713	195,085	22,372
Recreation Tax .....	154,757	154,757	158,390	3,633
Business Tax .....	78,146	78,146	82,960	4,814
State Income Tax .....	210,255	210,255	282,011	71,756
State Sales Tax .....	245,042	245,042	266,640	21,598
State Auto Rental .....	3,160	3,160	3,434	274
Federal/State Grants .....	2,500	2,500	1,735	(765)
Internal Service .....	289,328	289,328	274,574	(14,754)
Licenses and Permits .....	105,953	105,953	96,240	(9,713)
Fines .....	262,900	262,900	258,802	(4,098)
Investment Income .....	3,000	3,000	4,200	1,200
Charges for Services .....	77,543	77,543	77,694	151
Municipal Utilities .....	6,038	6,038	6,405	367
Leases, Rentals and Sales .....	19,284	19,284	17,604	(1,680)
Miscellaneous .....	11,150	11,150	37,759	26,609
Issuance of Debt, Net of Original Discount .....	16,500	16,500	16,500	-
Budgeted Prior Years' Surplus and Reappropriations .....	-	-	-	-
Transfers In/Out .....	670,694	670,694	502,502	(168,192)
<b>Total Revenues .....</b>	<b>3,179,745</b>	<b>3,179,745</b>	<b>3,129,854</b>	<b>(49,891)</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General Government .....	1,044,147	1,044,147	919,386	124,761
Health .....	38,470	38,470	35,942	2,528
Public Safety .....	1,826,846	1,826,846	1,832,942	(6,096)
Streets and Sanitation .....	185,471	185,471	178,074	7,397
Transportation .....	79,314	79,314	72,375	6,939
Cultural and Recreational .....	564	564	544	20
<b>Debt Service:</b>				
Principal Retirement .....	3,785	3,785	3,785	-
Interest and Other Fiscal Charges .....	1,148	1,148	1,138	10
<b>Total Expenditures .....</b>	<b>3,179,745</b>	<b>3,179,745</b>	<b>3,044,186</b>	<b>135,559</b>
<b>Revenues Over (Under) Expenditures ....</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 85,668</b>	<b>\$ 85,668</b>

See notes to basic financial statements.

**Exhibit 7**  
**CITY OF CHICAGO, ILLINOIS**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**December 31, 2010**  
**(Amounts are in Thousands of Dollars)**

	Business-type Activities - Enterprise Funds					
	Major Funds					Total
	Water	Sewer	Chicago Midway International Airport	Chicago- O'Hare International Airport	Chicago Skyway	
<b>ASSETS AND DEFERRED OUTFLOWS</b>						
<b>CURRENT ASSETS:</b>						
Unrestricted Assets:						
Cash and Cash Equivalents .....	\$ 32,871	\$ 17,999	\$ 21,552	\$ 150,789	\$ 2,114	\$ 225,325
Investments .....	3,840	4,803	44,917	79,177	153	132,890
Accounts Receivable (Net of Allowances) .....	108,154	58,831	10,660	86,067	56	263,768
Due from Other Funds .....	19,501	26,937	1,064	20,966	-	68,468
Due from Other Governments .....	-	-	1,857	15,476	-	17,333
Inventories .....	14,066	1,436	-	-	-	15,502
<b>Total Unrestricted Assets .....</b>	<b>178,432</b>	<b>110,006</b>	<b>80,050</b>	<b>352,475</b>	<b>2,323</b>	<b>723,286</b>
Restricted Assets:						
Cash and Cash Equivalents .....	146,981	137,780	228,236	863,009	-	1,376,006
Investments .....	186,011	112,971	189,161	908,812	-	1,396,955
<b>Total Restricted Assets .....</b>	<b>332,992</b>	<b>250,751</b>	<b>417,397</b>	<b>1,771,821</b>	<b>-</b>	<b>2,772,961</b>
<b>Total Current Assets .....</b>	<b>511,424</b>	<b>360,757</b>	<b>497,447</b>	<b>2,124,296</b>	<b>2,323</b>	<b>3,496,247</b>
<b>NONCURRENT ASSETS:</b>						
<b>OTHER ASSETS .....</b>	<b>15,285</b>	<b>11,896</b>	<b>114,097</b>	<b>342,873</b>	<b>10,411</b>	<b>494,562</b>
<b>PROPERTY, PLANT AND EQUIPMENT:</b>						
Land .....	5,083	560	107,287	738,472	12,609	864,011
Structures, Equipment and Improvements .....	3,142,354	1,737,335	1,362,200	6,389,283	490,755	13,121,927
Accumulated Depreciation .....	(778,115)	(387,276)	(338,401)	(2,316,486)	(191,544)	(4,011,822)
Construction Work in Progress .....	123,416	11,709	20,229	1,264,280	-	1,419,634
<b>Total Property, Plant and Equipment ...</b>	<b>2,492,738</b>	<b>1,362,328</b>	<b>1,151,315</b>	<b>6,075,549</b>	<b>311,820</b>	<b>11,393,750</b>
<b>Total Noncurrent Assets .....</b>	<b>2,508,023</b>	<b>1,374,224</b>	<b>1,265,412</b>	<b>6,418,422</b>	<b>322,231</b>	<b>11,888,312</b>
Deferred Outflows .....	77,367	49,116	14,896	-	-	141,379
<b>Total Assets and Deferred Outflows ....</b>	<b>\$ 3,096,814</b>	<b>\$ 1,784,097</b>	<b>\$ 1,777,755</b>	<b>\$ 8,542,718</b>	<b>\$ 324,554</b>	<b>\$ 15,525,938</b>

See notes to basic financial statements.

Business-type Activities - Enterprise Funds						
Major Funds						
	Water	Sewer	Chicago Midway International Airport	Chicago- O'Hare International Airport	Chicago Skyway	Total
<b>LIABILITIES</b>						
<b>CURRENT LIABILITIES:</b>						
Unrestricted Liabilities:						
Voucher Warrants Payable .....	\$ 16,173	\$ 22,611	\$ 16,645	\$ 65,988	\$ 262	\$ 121,679
Due to Other Funds .....	26,887	13,312	6,747	4,656	15	51,617
Accrued and Other Liabilities .....	74,729	40,414	2,214	14,595	146	132,098
Deferred Revenue .....	20,774	15,914	32,908	147,023	-	216,619
<b>Total Unrestricted Liabilities .....</b>	<b>138,563</b>	<b>92,251</b>	<b>58,514</b>	<b>232,262</b>	<b>423</b>	<b>522,013</b>
Restricted Liabilities:						
Current Liabilities Payable From						
Restricted Assets .....	68,486	39,939	60,163	401,793	-	570,381
<b>Total Current Liabilities .....</b>	<b>207,049</b>	<b>132,190</b>	<b>118,677</b>	<b>634,055</b>	<b>423</b>	<b>1,092,394</b>
<b>NONCURRENT LIABILITIES:</b>						
Revenue Bonds Payable .....	1,743,732	1,112,087	1,458,667	6,510,926	-	10,825,412
Derivative Instrument Liability .....	77,367	49,116	20,077	-	-	146,560
Capital Lease .....	-	-	9,408	-	-	9,408
Long-term Purchase Obligation .....	8,529	-	-	-	-	8,529
<b>Total Noncurrent Liabilities .....</b>	<b>1,829,628</b>	<b>1,161,203</b>	<b>1,488,152</b>	<b>6,510,926</b>	<b>-</b>	<b>10,989,909</b>
<b>Total Liabilities .....</b>	<b>2,036,677</b>	<b>1,293,393</b>	<b>1,606,829</b>	<b>7,144,981</b>	<b>423</b>	<b>12,082,303</b>
<b>DEFERRED INFLOWS .....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,719,091</b>	<b>1,719,091</b>
<b>NET ASSETS:</b>						
Invested in Capital Assets, Net of						
Related Debt .....	974,328	414,766	(39,755)	704,324	311,859	2,365,522
Restricted Net Assets:						
Debt Service .....	-	-	11,860	-	-	11,860
Capital Projects .....	447	11,110	11,438	151,040	-	174,035
Passenger Facility Charges .....	-	-	5,437	174,134	-	179,571
Contractual Use Agreement .....	-	-	24,744	107,842	-	132,586
Noise Mitigation Program .....	-	-	102,429	104,409	-	206,838
Other .....	-	-	34,733	51,258	-	85,991
<b>Unrestricted Net Assets .....</b>	<b>85,362</b>	<b>64,828</b>	<b>20,040</b>	<b>104,730</b>	<b>(1,706,819)</b>	<b>(1,431,859)</b>
<b>Total Net Assets .....</b>	<b>\$ 1,060,137</b>	<b>\$ 490,704</b>	<b>\$ 170,926</b>	<b>\$ 1,397,737</b>	<b>\$ (1,394,960)</b>	<b>\$ 1,724,544</b>

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, 2010**  
**(Amounts are in Thousands of Dollars)**

	Business-type Activities - Enterprise Funds					
	Major Funds					
	Water	Sewer	Chicago Midway International Airport	Chicago- O'Hare International Airport	Chicago Skyway	Total
<b>Operating Revenues:</b>						
Charges for Services .....	\$ 445,504	\$ 197,455	\$ 78,194	\$ 458,879	\$ -	\$ 1,180,032
Rent .....	-	-	70,862	243,724	-	314,586
Other .....	12,891	774	-	-	-	13,665
<b>Total Operating Revenues .....</b>	<b>458,395</b>	<b>198,229</b>	<b>149,056</b>	<b>702,603</b>	<b>-</b>	<b>1,508,283</b>
<b>Operating Expenses:</b>						
Personal Services .....	102,946	17,179	42,105	147,437	-	309,667
Contractual Services .....	49,276	3,053	15,832	57,981	-	126,142
Repairs and Maintenance .....	1,587	66,584	31,942	86,463	-	186,576
Commodities and Materials .....	24,126	-	-	-	-	24,126
Depreciation and Amortization .....	44,519	23,775	52,767	185,079	11,312	317,452
General Fund Reimbursements .....	60,648	27,065	-	-	-	87,713
Other .....	40,507	-	18,457	118,747	-	177,711
<b>Total Operating Expenses .....</b>	<b>323,609</b>	<b>137,656</b>	<b>161,103</b>	<b>595,707</b>	<b>11,312</b>	<b>1,229,387</b>
<b>Operating Income (Loss) .....</b>	<b>134,786</b>	<b>60,573</b>	<b>(12,047)</b>	<b>106,896</b>	<b>(11,312)</b>	<b>278,896</b>
<b>Nonoperating Revenues (Expenses):</b>						
Investment Income (Loss) .....	(362)	(922)	(2,682)	10,792	5	6,831
Interest Expense .....	(75,738)	(47,232)	(63,362)	(238,780)	-	(425,112)
Facility Charges .....	-	-	40,765	138,966	-	179,731
Other .....	530	21,448	777	8,954	18,481	50,190
<b>Total Nonoperating Revenues (Expenses) .....</b>	<b>(75,570)</b>	<b>(26,706)</b>	<b>(24,502)</b>	<b>(80,068)</b>	<b>18,486</b>	<b>(188,360)</b>
Transfers Out .....	-	-	-	-	-	-
Capital Grants .....	3,414	3,136	2,461	57,567	-	66,578
<b>Net Income (Loss) .....</b>	<b>62,630</b>	<b>37,003</b>	<b>(34,088)</b>	<b>84,395</b>	<b>7,174</b>	<b>157,114</b>
Net Assets (Deficit) - Beginning of Year .....	997,507	453,701	205,014	1,313,342	(1,402,134)	1,567,430
<b>Net Assets (Deficit) - End of Year .....</b>	<b>\$ 1,060,137</b>	<b>\$ 490,704</b>	<b>\$ 170,926</b>	<b>\$ 1,397,737</b>	<b>\$ (1,394,960)</b>	<b>\$ 1,724,544</b>

See notes to basic financial statements.

**Exhibit 9**  
**CITY OF CHICAGO, ILLINOIS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**Year Ended December 31, 2010**  
**(Amounts are in Thousands of Dollars)**

Business-type Activities - Enterprise Funds						
	Major Funds					Total
	Water	Sewer	Chicago Midway International Airport	Chicago- O'Hare International Airport	Chicago Skyway	
<b>Cash Flows from Operating Activities:</b>						
Received from Customers .....	\$ 433,161	\$ 190,357	\$ 150,038	\$ 785,799	\$ -	\$ 1,559,355
Payments to Vendors .....	(91,536)	(34,077)	(67,484)	(230,806)	-	(423,903)
Payments to Employees .....	(102,946)	(42,644)	(33,752)	(130,823)	-	(310,165)
Transactions with Other City Funds .....	(82,581)	(15,345)	(6,318)	(44,779)	-	(149,023)
<b>Cash Flows from Operating Activities .....</b>	<b>156,098</b>	<b>98,291</b>	<b>42,484</b>	<b>379,391</b>	<b>-</b>	<b>676,264</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>						
Proceeds from Issuance of Bonds .....	367,532	275,865	331,020	1,177,650	-	2,152,067
<b>Acquisition and Construction of Capital Assets .....</b>						
Capital Assets .....	(135,212)	(101,782)	(34,512)	(433,776)	-	(705,282)
Capital Grant Receipts .....	-	3,136	604	45,934	-	49,674
Bond Issuance Costs .....	(2,244)	(1,959)	(2,041)	(8,220)	-	(14,464)
Payment to Refund Bonds .....	(35,580)	(29,223)	(61,360)	(295,355)	-	(421,518)
Principal Paid on Debt .....	(44,554)	(24,030)	(55,073)	(196,727)	-	(320,384)
Interest Paid .....	(79,763)	(40,567)	(55,472)	(267,910)	-	(443,712)
Passenger Facility Charges .....	-	-	42,600	141,952	-	184,552
Noise Mitigation Program .....	-	-	(3,049)	(23,759)	-	(26,808)
Deposit .....	-	-	(1,420)	-	12	(1,408)
<b>Cash Flows from Capital and Related Financing Activities .....</b>	<b>70,179</b>	<b>81,440</b>	<b>161,297</b>	<b>139,789</b>	<b>12</b>	<b>452,717</b>
<b>Cash Flows from Investing Activities:</b>						
Sale (Purchases) of Investments, Net ....	(101,935)	(86,729)	(97,746)	(143,553)	(116)	(430,079)
Investment Interest .....	859	794	1,321	14,023	5	17,002
<b>Cash Flows from Investing Activities .....</b>	<b>(101,076)</b>	<b>(85,935)</b>	<b>(96,425)</b>	<b>(129,530)</b>	<b>(111)</b>	<b>(413,077)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents .....</b>	<b>125,201</b>	<b>93,796</b>	<b>107,356</b>	<b>389,650</b>	<b>(99)</b>	<b>715,904</b>
<b>Cash and Cash Equivalents, Beginning of Year .....</b>	<b>54,651</b>	<b>61,983</b>	<b>142,432</b>	<b>624,148</b>	<b>2,213</b>	<b>885,427</b>
<b>Cash and Cash Equivalents, End of Year .....</b>	<b>\$ 179,852</b>	<b>\$ 155,779</b>	<b>\$ 249,788</b>	<b>\$ 1,013,798</b>	<b>\$ 2,114</b>	<b>\$ 1,601,331</b>

See notes to basic financial statements.

**Exhibit 9 - Concluded**  
**CITY OF CHICAGO, ILLINOIS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**Year Ended December 31, 2010**  
**(Amounts are in Thousands of Dollars)**

	Business-type Activities - Enterprise Funds					
	Major Funds					Total
	Water	Sewer	Chicago Midway International Airport	Chicago- O'Hare International Airport	Chicago Skyway	
Reconciliation of Operating Income to Cash Flows from Operating Activities:						
Operating Income (Loss) .....	\$ 134,786	\$ 60,573	\$ (12,047)	\$ 106,896	\$ (11,312)	\$ 278,896
Adjustments to Reconcile:						
Depreciation and Amortization .....	44,519	23,775	52,767	185,079	11,312	317,452
Provision for Uncollectible Accounts .....	15,862	7,936	3,369	(1,747)	-	25,420
Change in Assets and Liabilities:						
(Increase) Decrease in Receivables .....	(24,839)	(8,296)	(1,950)	(13,511)	-	(48,596)
(Increase) Decrease in Due From Other Funds .....	(1,959)	8,503	2,513	(139)	-	8,918
Increase (Decrease) in Voucher Warrants Payable and Due to Other Funds .....	(25,708)	4,212	(1,453)	6,070	-	(16,879)
Increase (Decrease) in Deferred Revenue and Other Liabilities .....	13,686	1,729	(715)	96,743	-	111,443
(Increase) Decrease in Inventories and Other Assets .....	(249)	(141)	-	-	-	(390)
Cash Flows from Operating Activities .....	<u>\$ 156,098</u>	<u>\$ 98,291</u>	<u>\$ 42,484</u>	<u>\$ 379,391</u>	<u>\$ -</u>	<u>\$ 676,264</u>
<b>Supplemental Disclosure of Noncash Items:</b>						
Capital asset additions in 2010 included in accounts payable and accrued and other liabilities .....	<u>\$ 16,265</u>	<u>\$ 29,849</u>	<u>\$ 24,271</u>	<u>\$ 118,873</u>	<u>\$ -</u>	<u>\$ 189,258</u>

See notes to basic financial statements.

**Exhibit 10**  
**CITY OF CHICAGO, ILLINOIS**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**December 31, 2010**  
**(Amounts are in Thousands of Dollars)**

	Pension Trust	Agency
<b>ASSETS</b>		
Cash and Cash Equivalents .....	\$ 211,424	\$ 86,955
Investments .....	-	53,283
Investments, at Fair Value		
Bonds and U.S. Government		
Obligations .....	2,239,582	-
Stocks .....	6,558,369	-
Mortgages and Real Estate .....	440,241	-
Other .....	1,604,709	-
Cash and Investments with		
Escrow Agent .....	-	16,726
Property Tax Receivable .....	-	103,407
Accounts Receivable, Net .....	844,487	109,327
Due From City .....	4,917	-
Invested Securities Lending Collateral .....	1,238,353	-
Total Assets .....	<u>\$ 13,142,082</u>	<u>\$ 369,698</u>
<b>LIABILITIES</b>		
Voucher Warrants Payable .....	\$ 495,175	\$ 39,434
Accrued and Other Liabilities .....	-	330,264
Securities Lending Collateral .....	1,238,353	-
Total Liabilities .....	<u>1,733,528</u>	<u>369,698</u>
<b>NET ASSETS</b>		
Reserved for Employee		
Benefit Plans .....	11,408,554	-
Total Net Assets Held in Trust for Pension Benefits .....	<u>\$ 11,408,554</u>	<u>\$ -</u>

See notes to basic financial statements.

**Exhibit 11**  
**CITY OF CHICAGO, ILLINOIS**  
**STATEMENT OF CHANGES IN PLAN NET ASSETS**  
**FIDUCIARY FUNDS - PENSION TRUST FUNDS**  
**Year Ended December 31, 2010**  
**(Amounts are in Thousands of Dollars)**

	<u>Total</u>
<b>ADDITIONS</b>	
Contributions:	
Employees .....	\$ 299,752
City .....	<u>449,668</u>
Total Contributions .....	<u>749,420</u>
Investment Income:	
Net Appreciation in	
Fair Value of Investments .....	1,158,742
Interest, Dividends and Other .....	230,611
Investment Expense .....	<u>(47,049)</u>
Net Investment Income .....	<u>1,342,304</u>
Securities Lending Transactions:	
Securities Lending Income .....	12,985
Securities Lending Expense .....	<u>(3,066)</u>
Net Securities Lending Transactions .....	<u>9,919</u>
Total Additions .....	<u>2,101,643</u>
<b>DEDUCTIONS</b>	
Benefits and Refunds of Deductions .....	1,550,776
Administrative and General .....	<u>19,161</u>
Total Deductions .....	<u>1,569,937</u>
Net Increase in Net Assets .....	531,706
Net Assets Held in Trust for	
Pension Benefits:	
Beginning of Year .....	<u>10,876,848</u>
End of Year .....	<u>\$ 11,408,554</u>

See notes to basic financial statements.

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010**

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**1) Summary of Significant Accounting Policies**

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

The accounting policies of the City are based upon accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). For the year ended December 31, 2010, the City adopted GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* and GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. GASB Statement No. 53 enhances the usefulness and comparability of derivative instrument information reported by providing for the recognition, measurement, and disclosure of derivative instrument transactions. Derivative instruments such as interest rate and commodity swaps, swaptions, forward contracts, and futures contracts are entered into by governments as investments; as hedges of identified financial risks associated with assets or liabilities, or expected transactions (i.e., hedgeable items); to lower the costs of borrowings; to effectively fix cash flows or synthetically fix prices; or to offset the changes in fair value of hedgeable items. A key provision of GASB Statement No. 53 is that certain derivative instruments, with the exception of synthetic guaranteed investment contracts that are fully benefit-responsive, are reported at fair value by governments in their financial statements.

The financial reporting impact resulting from the implementation of GASB Statement No. 53 is the recognition within the financial statements of a liability for hedging and investment derivative instrument liabilities whose negative fair value at December 31, 2010 totaled \$261.8 million and deferred outflows of resources of \$234.0 million. The City also recorded an investment loss for the year ended December 31, 2010 of \$6.0 million. In addition, beginning net assets within the statement of activities was restated as of January 1, 2010 to reflect investment losses of \$21.9 million as a result of the retroactive implementation of this statement. Refer to Note No. 10 for additional disclosures related to this statement.

- 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

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010 - CONTINUED**

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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 directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

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

The City reports the following major governmental funds:

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

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

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

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010 - CONTINUED**

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**Service Concession Agreement Fund** accounts for deferred inflows from long-term concession and lease transactions whose proceeds are restricted to expenditure for specified purposes.

**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 and Meter Parking System transactions.

**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, finance construction, and finance authorized expenditures and supporting services for various activities.

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 ten miles from down town Chicago.

**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 169 gates, serve domestic flights and certain international departures. The International Terminal, having a total of 20 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.

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010 - CONTINUED**

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Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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

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

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

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, deferred inflows, 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 values its investments at fair value or amortized cost. U.S. Government

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010 - CONTINUED**

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securities purchased at a price other than par with a maturity of less than one year are reported at amortized cost.

The City's four retirement plans are authorized to invest in bonds, notes, and other obligations of the U.S. Government; corporate debentures and obligations; insured mortgage notes and loans; common and preferred stocks; stock options; real estate; and other investment vehicles as set forth in the Illinois Compiled Statutes. These investments are reported at fair value.

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

Investments generally may not have a maturity date in excess of 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 \$7.6 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.

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010 - CONTINUED**

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

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

vi) **Capital Assets**, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets, or a network of assets, with an initial cost of more than \$5,000 (not rounded) and an estimated useful life in excess of 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 \$848.0 million, of which \$74.9 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) **Deferred Outflows** represent the fair value of derivative instruments that are deemed to be effective.

viii) **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 and proprietary 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.

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010 - CONTINUED**

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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 and proprietary fund financial statements.

- ix) 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.
- x) 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. For existing swaps the net interest expenditures resulting from these arrangements are recorded as interest expense. The fair value of derivative instruments that are deemed to be effective is accounted for as deferred outflows. Derivative instruments that are deemed not effective are adjusted to fair value with the change in fair value recorded to investment earnings. 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.

- xi) Deferred inflows** represent amounts to be recognized as revenue on a straight line basis over the life of the related long-term lease and concession agreements.
- xii) Fund equity** in the government-wide statements is classified as net assets and displayed in three components:

**CITY OF CHICAGO, ILLINOIS  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 YEAR ENDED DECEMBER 31, 2010 - CONTINUED**

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- (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."

**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 \$1,378.6 million are as follows (dollars in thousands):

Deferred revenue - property tax .....	\$	1,233,483
Other assets - pension excess .....		169,966
Accounts payable - infrastructure retainage .....		<u>(24,885)</u>
Net adjustment to increase fund balance - total governmental funds - to arrive at net assets - governmental activities .....	\$	<u>1,378,564</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 \$13,840.7 million are as follows (dollars in thousands):



**CITY OF CHICAGO, ILLINOIS  
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Proceeds of debt .....	\$ (1,398,025)
Premium .....	(36,365)
Payment of refunded bond escrow agent .....	412,184
Principal retirement .....	389,928
Payment of cost of issuance .....	7,402
Interest expense .....	<u>(32,933)</u>
Net adjustment to reduce net changes in fund balances - total governmental funds - to arrive at changes in net assets - governmental activities .....	<u>\$ (657,809)</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 \$855.6 million are as follows (dollars in thousands):

Claims and judgments .....	\$ (14,392)
Pension benefit liability .....	(799,281)
Contractual Wage Settlement.....	(80,000)
Pollution remediation .....	23,106
Other post employment benefits .....	24,557
Vacation .....	951
Lease obligations .....	(9,032)
Inventory .....	<u>(1,478)</u>
Net adjustment to reduce net changes in fund balances - total governmental funds - to arrive at changes in net assets - governmental activities .....	<u>\$ (855,569)</u>

**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 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.

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010 - CONTINUED**

- 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, 2010 is as follows (dollars in thousands):

	<b>General Fund</b>
Revenues, GAAP Basis .....	\$ 2,610,852
Add:	
Proceeds of Debt .....	16,500
Transfers In .....	502,502
Prior Year's Surplus Utilized .....	-
Revenues, Budgetary Basis .....	<u>\$ 3,129,854</u>
Expenditures, GAAP Basis .....	\$ 3,033,941
Add:	
Transfers Out .....	13,600
Encumbered in 2010 .....	33,930
Deduct:	
Payments on Prior Years' Encumbrances .....	(25,341)
Provision for Doubtful Accounts.....	<u>(11,944)</u>
Expenditures, Budgetary Basis .....	<u>\$ 3,044,186</u>

- c) **Individual Fund Deficits** include the Motor Fuel Tax Fund, the Special Events, Tourism, Festivals Fund, and Service Concession Agreements Fund, which are Special Revenue Funds, and the Chicago Skyway Fund, an Enterprise Fund, have fund deficits of \$6.6 million, \$4.0 million, \$1,660.4 million, and \$1,395.0 million, respectively, which management anticipates will be funded through operations.

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010 - CONTINUED**

**4) Restricted and Unrestricted Cash, Cash Equivalents and Investments**

a) **Investments** As of December 31, 2010, the City had the following Investments (dollars in thousands):

Investment Type	Investment Maturities (in Years)				Fair Value
	Less Than 1	1-5	6-10	More Than 10	
<b>City Funds</b>					
U.S. Treasuries.....	\$ 279,970	\$ 553	\$ -	\$ 33,162	\$ 313,685
U.S. Agencies.....	1,238,651	1,693,129	267,612	389,071	3,588,463
Corporate Bonds.....	139	-	-	96,252	96,391
Corporate Equities.....	451	-	-	-	451
Certificates of Deposit and Other Short-term .....	2,836,689	-	-	-	2,836,689
<b>Total City Funds.....</b>	<b>\$ 4,355,900</b>	<b>\$ 1,693,682</b>	<b>\$ 267,612</b>	<b>\$ 518,485</b>	<b>\$ 6,835,679</b>
<b>Pension Trust Funds</b>					
U.S. and Foreign					
Government Agencies.....	\$ 259,966	\$ 349,527	\$ 203,231	\$ 512,472	\$ 1,325,196
Commercial Paper.....	-	-	-	-	-
Corporate Bonds.....	54,596	424,371	292,036	342,013	1,113,016
Corporate Equities.....	6,272,559	-	-	-	6,272,559
Pooled Funds.....	1,147,016	-	-	-	1,147,016
Real Estate.....	430,115	-	-	-	430,115
Securities Received from					
Securities Lending.....	1,238,353	-	-	-	1,238,353
Venture Capital.....	439,219	-	-	-	439,219
Certificates of Deposit and Other Short-term .....	440,273	-	-	-	440,273
Other .....	83,333	-	-	-	83,333
<b>Total Pension Trust Funds.....</b>	<b>\$ 10,365,430</b>	<b>\$ 773,898</b>	<b>\$ 495,267</b>	<b>\$ 854,485</b>	<b>\$ 12,489,080</b>
<b>Total.....</b>	<b>\$ 14,721,330</b>	<b>\$ 2,467,580</b>	<b>\$ 762,879</b>	<b>\$ 1,372,970</b>	<b>\$ 19,324,759</b>

i) **Interest Rate Risk** As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits all securities so purchased, except tax anticipation warrants, municipal bonds, notes, commercial paper or other instruments representing a debt obligation of the City, shall show on their face that they are fully payable as to principal and interest, where applicable, if any, within ten years from the date of purchase.

ii) **Credit Risk** The Code limits investments in commercial paper to banks whose senior obligations are rated in the top two rating categories by at least two national rating agencies and who are required to maintain such rating during the term of such investment. The Code also limits investments to domestic money market mutual funds regulated by, and in good standing with, the Securities and Exchange Commission. Certificates of Deposit are also limited by the Code to national banks which provide collateral of at least 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):

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010 - CONTINUED**

<u>Quality Rating</u>	<u>City</u>	<u>Pension Trust Funds</u>
Aaa/AAA.....	\$ 6,696,722	\$ 556,335
Aa/AA.....	72,847	93,893
A/A.....	-	259,145
Baa/BBB.....	-	324,343
Ba/BB.....	-	69,517
B/B.....	-	86,765
Caa/CCC.....	-	31,230
Ca.....	-	2,574
CC/C.....	-	6,627
D/D.....	-	6,484
Not Rated.....	-	234,942
Not Applicable.....	66,110	634,023
<b>Total Funds.....</b>	<b>\$ 6,835,679</b>	<b>\$ 2,305,878</b>

- 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 \$211.0 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 \$96.4 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, 2010 - CONTINUED**

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

<b>Foreign Currency Risk</b>	
Australian dollar.....	\$ 92,102
Brazilian real.....	68,917
British pound.....	342,838
Canadian dollar.....	111,812
Chilean peso.....	3,839
Columbian peso.....	724
Czech Republic koruny.....	383
Danish krone.....	24,471
Egyptian pound.....	2,056
European euro.....	431,095
Hong Kong dollar.....	152,573
Hungarian forint.....	787
Indian rupee.....	36,213
Indonesian rupiah.....	20,445
Japanese yen.....	371,207
Malaysian ringgit.....	16,025
Mexican peso.....	27,979
Moroccan dirham.....	192
New Israeli shekel.....	11,134
New Taiwan dollar.....	17,841
New Zealand dollar.....	2,296
Norwegian krone.....	17,693
Pakistan rupees.....	1,033
Philippines peso.....	1,142
Polish zloty.....	5,468
Singapore dollar.....	35,036
South African rand.....	34,462
South Korean won.....	57,536
Swedish krona.....	51,322
Swiss franc.....	127,300
Taiwan dollar.....	14,697
Thailand baht.....	9,727
Turkish lira.....	10,088
Total Pension Trust Funds.....	<u>\$ 2,100,433</u>

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010 - CONTINUED**

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

Per Note 4:	
Investments - City.....	\$ 6,835,679
Investments - Pension Trust Funds.....	12,489,080
	<u>\$ 19,324,759</u>
Per Financial Statements:	
Restricted Investments.....	\$ 1,957,201
Unrestricted Investments.....	1,083,501
Investments with Fiduciary Funds.....	10,896,184
Investments with Escrow Agent.....	474,474
Invested Securities Lending Collateral.....	1,238,353
Investments included as cash and cash equivalents on the Statements of Net Assets.....	3,675,046
	<u>\$ 19,324,759</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 55.0 percent 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, 2010 - 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, 2010 represent due from/to balances among all funds (dollars in thousands):

<u>Fund Type/Fund</u>	<u>Due From</u>	<u>Due To</u>
<b>Governmental activities:</b>		
General.....	\$ 254,124	\$ 295,566
Federal, State and Local Grants.....	29,707	40,850
Special Taxing Areas.....	6,378	10,657
Reserve.....	50,000	-
Bond, Note Redemption and Interest.....	1,512	-
Community Development and Improvement Projects....	68,131	97,910
Nonmajor governmental funds.....	<u>94,373</u>	<u>81,010</u>
Total Governmental activities.....	504,225	525,993
<b>Business-type activities:</b>		
Water.....	19,501	26,887
Sewer.....	26,937	13,312
Chicago Midway International Airport.....	1,064	6,747
Chicago-O'Hare International Airport.....	20,966	4,656
Chicago Skyway.....	<u>-</u>	<u>15</u>
Total Business-type activities.....	68,468	51,617
<b>Fiduciary activities:</b>		
Pension Trust.....	<u>4,917</u>	<u>-</u>
Total Fiduciary activities.....	<u>4,917</u>	<u>-</u>
Total.....	<u>\$ 577,610</u>	<u>\$ 577,610</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, 2010 - CONTINUED**

b) The following balances at December 31, 2010 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.....	\$ 502,502	\$ 13,600
Federal, State and Local Grants.....	-	1,000
Special Taxing Areas.....	80,824	43,307
Service Concession Agreements.....	-	-
Reserve.....	-	457,852
Bond, Note Redemption and Interest.....	-	22,150
Community Development and Improvement Projects....	6,296	99
Nonmajor governmental funds.....	<u>57,785</u>	<u>109,399</u>
 Total Governmental activities.....	 <u>647,407</u>	 <u>647,407</u>

Transfers are used to move revenues from the fund that the 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, 2010 - CONTINUED**

**7) Capital Assets**

a) **Capital Assets** activity for the year ended December 31, 2010 was as follows (dollars in thousands):

	<u>Balance January 1, 2010</u>	<u>Additions</u>	<u>Disposals and Transfers</u>	<u>Balance December 31, 2010</u>
<b>Governmental activities:</b>				
<b>Capital assets, not being depreciated:</b>				
Land.....	\$ 1,372,742	\$ 9,435	\$ -	\$ 1,382,177
Works of Art and Historical Collections.....	13,132	-	-	13,132
Construction in Progress.....	225,323	244,907	(305,590)	164,640
<b>Total capital assets, not being depreciated.....</b>	<b>1,611,197</b>	<b>254,342</b>	<b>(305,590)</b>	<b>1,559,949</b>
<b>Capital assets, being depreciated:</b>				
Buildings and Other Improvements.....	2,252,114	148,320	-	2,400,434
Machinery and Equipment.....	1,212,885	79,299	(19,831)	1,272,353
Infrastructure.....	6,609,112	179,967	-	6,789,079
<b>Total capital assets, being depreciated.....</b>	<b>10,074,111</b>	<b>407,586</b>	<b>(19,831)</b>	<b>10,461,866</b>
<b>Less accumulated depreciation for:</b>				
Buildings and Other Improvements.....	662,326	60,435	-	722,761
Machinery and Equipment.....	877,029	94,519	(19,421)	952,127
Infrastructure.....	2,834,423	224,161	-	3,058,584
<b>Total accumulated depreciation.....</b>	<b>4,373,778</b>	<b>379,115</b>	<b>(19,421)</b>	<b>4,733,472</b>
<b>Total capital assets, being depreciated, net.....</b>	<b>5,700,333</b>	<b>28,471</b>	<b>(410)</b>	<b>5,728,394</b>
<b>Total governmental activities.....</b>	<b>\$ 7,311,530</b>	<b>\$ 282,813</b>	<b>\$ (306,000)</b>	<b>\$ 7,288,343</b>
<b>Business-type activities:</b>				
<b>Capital assets, not being depreciated:</b>				
Land.....	\$ 839,543	\$ 24,468	\$ -	\$ 864,011
Construction in Progress.....	1,502,450	537,475	(620,291)	1,419,634
<b>Total capital assets, not being depreciated.....</b>	<b>2,341,993</b>	<b>561,943</b>	<b>(620,291)</b>	<b>2,283,645</b>
<b>Capital assets, being depreciated:</b>				
Buildings and Other Improvements.....	11,741,796	717,132	27,326	12,486,254
Machinery and Equipment.....	567,336	11,172	57,165	635,673
<b>Total capital assets, being depreciated.....</b>	<b>12,309,132</b>	<b>728,304</b>	<b>84,491</b>	<b>13,121,927</b>
<b>Less accumulated depreciation for:</b>				
Buildings and Other Improvements.....	3,455,184	264,077	(436)	3,718,825
Machinery and Equipment.....	278,466	16,237	(1,706)	292,997
<b>Total accumulated depreciation.....</b>	<b>3,733,650</b>	<b>280,314</b>	<b>(2,142)</b>	<b>4,011,822</b>
<b>Total capital assets, being depreciated, net.....</b>	<b>8,575,482</b>	<b>447,990</b>	<b>86,633</b>	<b>9,110,105</b>
<b>Total business-type activities.....</b>	<b>\$ 10,917,475</b>	<b>\$ 1,009,933</b>	<b>\$ (533,658)</b>	<b>\$ 11,393,750</b>
<b>Total Capital Assets.....</b>	<b>\$ 18,229,005</b>	<b>\$ 1,292,746</b>	<b>\$ (839,658)</b>	<b>\$ 18,682,093</b>

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010 - CONTINUED**

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

Governmental activities:	
General government.....	\$ 75,329
Public safety.....	37,193
Streets and sanitation.....	13,293
Transportation.....	226,950
Health.....	2,735
Cultural and recreational.....	<u>23,615</u>
Total depreciation expense - governmental activities.....	<u>\$ 379,115</u>
Business-type activities:	
Water.....	\$ 43,152
Sewer.....	23,166
Chicago Midway International Airport.....	44,844
Chicago-O'Hare International Airport.....	157,952
Chicago Skyway.....	<u>11,200</u>
Total depreciation expense - business-type activities.....	<u>\$ 280,314</u>

**8) Leases**

**a) Operating Leases**

The City leases building and office facilities under noncancelable operating leases. Total costs for such leases were approximately \$18.8 million for the year ended December 31, 2010. The future minimum lease payments for these leases are as follows (dollars in thousands):

2011.....	\$ 17,804
2012.....	16,607
2013.....	15,970
2014.....	10,671
2015.....	5,231
2016 - 2020.....	<u>6,523</u>
Total Future Rental Expense.....	<u>\$ 72,806</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, 2010 - 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>
2011.....	\$ 10,216
2012.....	12,731
2013.....	9,104
2014.....	9,000
2015.....	9,000
2016 - 2020.....	42,983
2021 - 2025.....	87,018
2026 - 2030.....	2,000
2031 - 2032.....	<u>165,164</u>
 Total Minimum Future Lease Payments.....	 347,216
Less Interest.....	<u>170,205</u>
 Present Value of Minimum Future Lease Payments.....	 <u>\$ 177,011</u>

**c) 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 noncancelable operating leases as of December 31, 2010 (dollars in thousands):

2011.....	\$ 72,282
2012.....	71,723
2013.....	71,049
2014.....	57,778
2015.....	45,711
2016 - 2020.....	145,091
2021 - 2025.....	8,302
2026 - 2030.....	9,591
2031 - 2035.....	<u>9,564</u>
 Total Minimum Future Rental Income.....	 <u>\$ 491,091</u>

Contingent rentals that may be received under certain leases based on the tenants' revenues or fuel flow are not included in minimum future rental income. Rental income for O'Hare, consisting of all rental and concession revenues except ramp rentals and automobile parking, amounted to \$381.6 million, including contingent rentals of \$79.4 million.

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010 - CONTINUED**

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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 noncancelable operating leases as of December 31, 2010 (dollars in thousands):

2011.....	\$	34,469
2012.....		28,206
2013.....		4,418
2014.....		3,390
2015.....		<u>1,124</u>
Total Minimum Future Rental Income.....	\$	<u><u>71,607</u></u>

Contingent rentals that may be received under certain leases based on tenants' revenues are not included in minimum future rental income. Rental income for Midway, consisting of all rental and concession revenues except aircraft parking fees and certain departure fees (turns) and automobile parking, amounted to \$86.4 million, including contingent rentals of \$35.1 million.

**9) Short-term Debt**

**Matured bonds** represent principal due on coupon bonds in which the coupons have not been presented for payment. For the year ended December 31, 2010, there was minor activity; the balance remained at \$0.7 million.

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010 - CONTINUED**

**10) Long-term Obligations**

a) Long-term Debt activity for the year ended December 31, 2010 was as follows (dollars in thousands):

	<u>Balance January 1, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2010</u>	<u>Amounts Due within One Year</u>
<b>Governmental activities:</b>					
<b>Bonds, notes and certificates payable:</b>					
General obligation debt .....	\$ 6,863,427	\$ 1,398,024	\$ 756,712	\$ 7,504,739	\$ 144,036
Installment purchase agreement .....	3,500	-	2,300	1,200	1,200
Tax increment .....	186,158	-	22,580	163,578	23,095
Revenue .....	<u>564,842</u>	<u>-</u>	<u>5,425</u>	<u>559,417</u>	<u>5,715</u>
	7,617,927	1,398,024	787,017	8,228,934	174,046
Less unamortized debt refunding transactions .....	159,810	20,778	9,438	171,150	-
Add unamortized premium .....	173,347	36,365	10,982	198,730	-
Add accretion of capital appreciation bonds .....	207,878	31,663	4,129	235,412	1,421
Less converted portion of conversion bonds .....	<u>3,923</u>	<u>-</u>	<u>3,923</u>	<u>-</u>	<u>-</u>
Total bonds, notes and certificates payable .....	7,835,419	1,445,274	788,767	8,491,926	175,467
<b>Other liabilities:</b>					
Pension obligations .....	3,453,365	762,885	-	4,216,250	-
Lease obligations .....	169,282	9,032	1,303	177,011	10,216
Pollution Remediation .....	37,368	-	23,105	14,263	-
Claims and judgments .....	<u>627,370</u>	<u>14,392</u>	<u>-</u>	<u>641,762</u>	<u>89,503</u>
Total other liabilities .....	4,287,385	786,309	24,408	5,049,286	99,719
Total governmental activities .....	<u>\$ 12,122,804</u>	<u>\$ 2,231,583</u>	<u>\$ 813,175</u>	<u>\$ 13,541,212</u>	<u>\$ 275,186</u>
<b>Business-type activities:</b>					
<b>Revenue bonds and notes payable:</b>					
Water .....	\$ 1,464,839	\$ 365,093	\$ 76,101	\$ 1,753,831	\$ 42,217
Sewer .....	902,840	275,865	52,715	1,125,990	25,257
Chicago-O'Hare International Airport .....	5,898,100	1,177,650	505,230	6,570,520	107,295
Chicago Midway International Airport .....	<u>1,266,515</u>	<u>331,020</u>	<u>124,155</u>	<u>1,473,380</u>	<u>7,885</u>
	9,532,294	2,149,628	758,201	10,923,721	182,654
Less unamortized debt refunding transactions .....	136,755	6,661	18,148	125,268	-
Add unamortized premium .....	(115,952)	9,311	27,811	(134,452)	-
Add accretion of capital appreciation bonds .....	<u>74,494</u>	<u>8,972</u>	<u>4,034</u>	<u>79,432</u>	<u>4,271</u>
Total business-type activities .....	<u>\$ 9,585,985</u>	<u>\$ 2,142,628</u>	<u>\$ 716,276</u>	<u>11,012,337</u>	<u>\$ 186,925</u>
Total long-term obligations .....	<u>\$ 21,708,789</u>	<u>\$ 4,374,211</u>	<u>\$ 1,529,451</u>	<u>\$ 24,553,549</u>	<u>\$ 462,111</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.

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NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010 - CONTINUED**

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**b) Issuance of New Debt**

**i) General Obligation Notes**

The General Obligation Tender Notes, Series 2010 (\$70.4 million) were sold in September 2010 at a fixed rate of 1.625 percent. The notes mature no later than April 1, 2012. The Series 2010 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.

During 2010, the City issued \$170.7 million in commercial paper notes for certain capital and operating uses.

**ii) General Obligation Bonds**

General Obligation Bonds, Project and Refunding Series 2009A-D (\$793.3 million) were sold at a premium in January 2010. The bonds have interest rates ranging from 4.0 percent to 6.257 percent and maturity dates from January 1, 2018 to January 1, 2040. Series C bonds (\$98.3 million) are Build America Bonds and Series D bonds (\$133.2 million) are Recovery Zone Economic Development Bonds. Net proceeds of \$812.0 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; 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 (\$376.0 million); and to advance refund certain maturities of general obligation bonds outstanding (\$412.2 million); and to fund capitalized interest (\$23.8 million). The advance refunding of the bonds increased the City's total debt service payments by \$51.1 million and resulted in an economic gain (difference between the present values of the debt service on the old and new debt) of \$9.1 million.

General Obligation Bonds (Modern Schools Across Chicago Program) Series 2010A-B (\$150.1 million) were sold at a premium in August, 2010. Series B bonds (\$57.8 million) are Build America Bonds. The bonds have interest rate ranging from 3.0 percent to 5.364 percent and maturity dates ranging from December 1, 2011 to December 1, 2029. Net proceeds of \$160.6 million will be used to pay for a portion of the costs for construction, renovation, design and acquisition of elementary and high schools that are part of the school system operated by the Board of Education of the City of Chicago (\$159.2 million) and to fund capitalized interest (\$1.4 million). The bonds fund Phase II of the Modern Schools Across Chicago Program.

General Obligation Bonds, Taxable Project Series 2010B (\$213.6 million) were sold in December 2010. The bonds are Build America Bonds and have an interest rate of 7.517 percent and maturity dates ranging from January 1, 2036 to January 1, 2040. Net proceeds of \$213.6 million will be used to finance infrastructure improvements; transportation improvements; grants or loans to assist not-for-profit organizations or educational or cultural institutions; or to assist other municipal corporations or units of local government, or school districts; acquisition of personal property; acquisition, demolition, remediation or improvement of real property for industrial, commercial or residential purposes; constructing, equipping, altering and repairing various municipal facilities including fire stations, police stations, libraries, senior and health centers and other municipal facilities; enhancement of economic development

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010 - CONTINUED**

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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; provision of facilities, services and equipment to protect and enhance public safety, including but not limited to, increased costs for police and fire protection services, emergency medical services, staffing at the City's emergency call center and other City facilities, and enhanced security measures at airports and other major City facilities.

In June 2010, the City negotiated a novation of the fixed payer swap associated with a 75 percent portion of the General Obligation Series 2003B variable rate bonds with a current notional amount of \$151.5 million from Lehman Brothers Special Financing Inc. (LBSF) to Wells Fargo Bank, N.A. due to LBSF's bankruptcy. A J.P. Morgan swap covers the remaining 25 percent balance of the bonds, with a current notional amount of \$50.6 million, which remains unchanged. All economic terms of the interest rate swap remained identical and the City did not incur any cost in association with replacing the counterparty to the swap.

In November 2010, the City entered into swap overlay agreements (i.e., Constant Maturity Swap (CMS) reversal) associated with the General Obligation Series 2003B variable rate bonds with J.P. Morgan and Rice Financial Products for notional amounts of \$50.6 and \$151.5 million respectively. The agreements are effective March 1, 2011 through March 1, 2014, and the City will pay 66.91 percent of 10 year LIBOR and receive 75 percent of one month LIBOR, essentially extending the \$202.5 million notional amount CMS reversal in place up to March 1, 2011 with J.P. Morgan. Together with the existing underlying swaps on the bonds, in which the City pays 4.052 percent and receives 66.91 percent of 10 year LIBOR, the net effect is that the City will pay a fixed rate of 4.052 percent and receive 75 percent of one month LIBOR through March 1, 2014, after which time the City will receive 66.91 percent of 10 year LIBOR through expiration (January 1, 2034). The City received a combined upfront payment of \$9.9 million in November 2010.

In December 2010, the City entered into swap overlay agreements (i.e., basis trades) associated with the General Obligation Series 2005D variable rate bonds with Rice Financial Products, Loop Financial Products and Jefferies for notional amounts of \$100.0, \$61.4 and \$61.4 million respectively. The agreements are effective January 1, 2014 through January 1, 2031, and the City will pay SIFMA and receive 72.5 percent of one month LIBOR. Together with the existing swaps on the bonds, in which the City pays 4.104 percent and receives SIFMA, the net effect is that the City will pay a fixed rate of 4.104 percent and receive 72.5 percent of one month LIBOR between January 1, 2014 and January 1, 2031, before 2014 and after 2031 the City will receive SIFMA through the expiration of the swaps (January 1, 2040). The City received a combined upfront payment of \$13.7 in January 2011.

In December 2010, the City entered into two swap overlay agreements (i.e., basis trades) associated with the G.O. Series 2007 E, F&G variable rate bonds with Wells Fargo Bank, N.A. for a notional amount of \$100.0 million each. The agreements are effective January 1, 2014 through January 1, 2031, and the City will pay SIFMA and receive 72.5 percent of one month LIBOR. Together with the existing underlying swaps on the bonds, in which the City pays 3.9982 percent and receives SIFMA, the net effect is that the City will pay a fixed rate of 3.9982 percent and receive 72.5 percent of one month LIBOR between January 1, 2014 and January 1, 2031. Before 2014 and after 2031 the City will receive SIFMA through expiration of the swaps (January 1, 2042). The City received a combined upfront payment of \$14.2 million in December 2010.

**iii) Sales Tax Revenue Bonds**

In August 2010, the City amended its swap agreement associated with the Sales Tax Series 2002 variable rate bonds with J.P. Morgan with a current notional amount of \$114.2 million. The amendment removed J.P. Morgan's right to cancel the swap if SIFMA exceeds 7 percent for 180 consecutive days by converting the variable rate the City receives from SIFMA plus 13 basis points to 75.25 percent of three month LIBOR. The City continues to pay a fixed rate of 4.23 percent and receives 75.25 percent of three month LIBOR.

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010 - CONTINUED**

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

Chicago O'Hare International Airport Third Lien Revenue Bonds, Series 2010A-F (\$1,040.0 million) were sold at a premium in April, 2010. Series B bonds (\$578.0 million) are Build America Bonds. The bonds have interest rates ranging from 1.75 percent to 6.845 percent with maturity dates from January 1, 2011 to January 1, 2040. Net proceeds of \$1,048.5 million will be used to finance the costs of certain projects at the airport including the O'Hare Modernization Program and the capital improvement program (\$785.6 million), fund capitalized interest and debt service reserves (\$214.0 million) and to advance refund certain maturities of bonds outstanding (\$48.9 million). The advance refunding of the bonds decreased the Airport's total debt service payments by \$3.1 million and resulted in an economic gain (difference between the present values of the debt service on the old and new debt) of \$2.8 million.

Chicago O'Hare International Airport Passenger Facility Charge Revenue Bonds, Series 2010A-D (\$137.7 million) were sold at a discount in May, 2010. The bonds have interest rates ranging from 2.0 percent to 6.395 percent with maturity dates from January 1, 2011 to January 1, 2040. Net proceeds of \$136.5 million and other monies of \$.3 million will be used to finance the costs of certain projects at the airport including the O'Hare Modernization Program and the capital improvement program (\$54.1 million), fund capitalized interest and debt service reserves (\$68.7 million) and to advance refund certain maturities of bonds outstanding (\$14.0 million). The advance refunding of the bonds decreased the Airport's total debt service payments by \$1.2 million and resulted in an economic gain (difference between the present values of the debt service on the old and new debt) of \$.7 million.

Chicago Midway Airport Second Lien Revenue Bonds, Series 2010A1-2 (\$80.5 million) were sold in May, 2010. The bonds were initially issued at a daily rate of .29 percent. The bonds have maturity dates of January 1, 2021 for Series 2010A-1 and January 1, 2025 for Series 2010A-2. Net proceeds of \$80.4 will be used to advance refund certain maturities of bonds outstanding (\$10.2 million), repay commercial paper and other principal due (\$65.8 million) and fund capitalized interest and debt service reserves (\$4.4 million). The advance refunding of the bonds increased the Airport's total debt service payments by \$5.0 million and resulted in an economic loss (difference between the present values of the debt service on the old and new debt) of \$.9 million.

At the discretion of the City the bonds may bear interest at a daily or weekly rate. Interest on bonds in the daily mode is payable on the first business day of each calendar month, commencing June 1, 2010.

The City has appointed a remarketing agent for the bonds when in a variable rate mode. The remarketing agent will use its best efforts to resell the bonds at favorable rates following either an optional or mandatory tender. In the event the remarketing agent is unable to resell the notes, the City has obtained an unconditional, irrevocable letter of credit which may be drawn upon for the purchase of the bonds until the remarketing agent is able to resell the bonds.

The letters of credit securing the Series 2010A1-2 bonds totals \$81.4 million and terminates no later than May 5, 2011. Advances under the letter of credit for Series 2010A-1 (none at December 31, 2010) are due three years from the date of the advance. Advances bear interest from the date of advance through the 90<sup>th</sup> day at the greater of the prime rate plus 3.0 percent or the Federal Funds rate plus 3.5 percent per annum (Base Rate) or 6.0 percent. Thereafter until due and payable, advances bear interest at the higher of the Base Rate plus 1.0 percent or 8.5 percent. Upon the occurrence of an event of default, the interest rate per annum shall equal the Base Rate plus 5.0 percent or 12 percent. The maximum rate of interest cannot exceed 15.0 percent. Advances under the letter of credit for Series 2010A-2 (none at December 31, 2010) are due three years from the date of the advance. Advances bear interest from the date of advance through the 90<sup>th</sup> day at the greater of the prime rate plus 1.5 percent or the Federal Funds rate plus 2.0 percent per annum (Base Rate) or 7.5 percent. Thereafter until due and payable, advances bear interest at the Base Rate plus 1.0 percent. Upon the occurrence of an event of default, the interest rate per annum shall equal the Base Rate plus 3.0 percent. The maximum rate of interest cannot exceed 18.0 percent. The letters of credit were issued by third-party financial institutions that are

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010 - CONTINUED**

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expected to be financially capable of honoring its agreements. In the event the bonds are put back to the bank and not successfully remarketed, or if the letter of credit expires without an extension or substitution, the bank bonds will convert to a term loan. There is no principal due on potential term loans within the next fiscal year.

Chicago Midway Airport Second Lien Revenue Bonds, Series 2010B, C, D-1 and D-2 (\$246.5 million) were sold at a premium in October, 2010. The bonds have interest rates ranging from 3.532 percent to 7.168 percent with maturity dates from January 1, 2014 to January 1, 2041. Net proceeds of \$237.8 million will be used to finance the costs of certain Airport projects (\$168.8 million), fund capitalized interest and debt service reserves (\$24.3 million) and to repay commercial paper (\$44.7 million).

Second Lien Water Revenue Project and Refunding Bonds, Series 2010A-C (\$313.6 million) were sold at a premium in November, 2010. The bonds have interest rates ranging from 2.0 percent to 6.742 percent and maturity dates from November 1, 2011 to November 1, 2040. Series B bonds (\$250.0 million) are Build America Bonds and Series C bonds (\$29.7 million) are Qualified Energy Conservation Bonds. Net proceeds of \$313.8 million will be used to finance certain costs of improvements and extensions to the water system (\$277.6 million), advance refund a certain maturities of water revenue bonds outstanding (\$36.2 million). The advance refunding of the bonds decreased the Water system's total debt service payments by \$3.2 million and resulted in an economic gain (difference between the present values of the debt service on the old and new debt) of \$2.4 million.

Second Lien Wastewater Revenue Project and Refunding Bonds, Series 2010A-B (\$275.9 million) were sold at a premium in November, 2010. The bonds have interest rates ranging from 2.0 percent to 6.742 percent and maturity dates from January 1, 2012 to January 1, 2040. Series B bonds (\$250.0 million) are Build America Bonds. Net proceeds of \$275.8 million will be used to finance certain costs of improvements and extensions to the wastewater system (\$248.2 million), advance refund a certain maturities of wastewater revenue bonds outstanding (\$27.6 million). The advance refunding of the bonds decreased the Wastewater system's total debt service payments by \$5.2 million and resulted in an economic gain (difference between the present values of the debt service on the old and new debt) of \$3.3 million.

During 2010, \$0.5 million of Chicago O'Hare International Airport Commercial Paper Notes Series A, B and C were issued. The proceeds were used to finance portions of the costs of authorized airport projects.

During 2010, \$35.5 million of Chicago Midway Airport Commercial Paper Notes Series A, B and D were issued. The proceeds were used to repay debt obligations that were in bank bond mode, finance portions of the costs of authorized airport projects and refund a portion of certain outstanding bonds.

During 2010, \$51.5 million of Water Revenue Commercial Paper Notes were issued. The proceeds were used to finance portions of the costs of authorized projects.

In May 2010, the City entered into a two-way Credit Support Agreement (CSA) with J.P. Morgan on its swap associated with a 40 percent portion of the Midway Airport Series 2004C&D variable rate bonds with a current notional amount of \$60.9 million. A Goldman Sachs swap covers the remaining balance of the bonds, with a current notional amount of \$91.3 million, and remains unchanged. The J.P. Morgan CSA was required because a termination event was triggered due to the insurer's ratings downgrade. Both firms had the right to require a two-way CSA, but only J.P. Morgan exercised the right. Goldman Sachs waived its right as long as the swap remains unchanged. Based on the current second lien ratings at Midway Airport (A3/A-/A- by Moody's, S&P and Fitch respectively), if the mark-to-market adjustment on the swap is against the City by more than \$10 million, collateral must be posted for the difference. In August 2010, collateral was required in the amount of \$1.4 million, which was funded with proceeds from Midway Commercial Paper, but as of December 31, 2010, no collateral posting was required.

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NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010 - CONTINUED**

**v) Financial Market Related Conversions**

The global economic downturn has adversely impacted the City's variable rate debt. The credit crisis and the effect on monoline insurers' credit ratings, as a result of their exposure to subprime mortgages, have resulted 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 2010, the City utilized liquidity facilities to convert two variable rate issues in the amount of \$284.7 million and thereby removing the monoline insurers or impaired banks providing credit support.

c) **Annual requirements** listed below for each year include amounts payable January 1 of the following year. Bonds maturing and interest payable January 1, 2011 have been excluded because funds for their payment have been provided for. Annual requirements to amortize debt outstanding as of December 31, 2010 are as follows (dollars in thousands):

Year Ending December 31,	General Obligation		Installment Purchase		Tax Increment	
	Principal	Interest	Principal	Interest	Principal	Interest
2011.....	\$ 156,646	\$ 362,307	\$ 1,200	\$ 47	\$ 25,040	\$ 8,793
2012.....	238,178	357,137	-	-	20,815	7,389
2013.....	205,827	348,585	-	-	30,264	6,212
2014.....	215,509	344,558	-	-	15,237	11,853
2015.....	237,486	338,480	-	-	8,965	3,951
2016 - 2020.....	1,433,028	1,514,111	-	-	45,975	9,964
2021 - 2025.....	1,553,090	1,185,521	-	-	10,585	840
2026 - 2030.....	1,444,048	838,646	-	-	-	-
2031 - 2035.....	981,304	498,889	-	-	-	-
2036 - 2040.....	691,016	190,537	-	-	-	-
2041 - 2045.....	25,645	1,060	-	-	-	-
	<u>\$ 7,181,777</u>	<u>\$ 5,979,831</u>	<u>\$ 1,200</u>	<u>\$ 47</u>	<u>\$ 156,881</u>	<u>\$ 49,002</u>

Year Ending December 31,	Revenue		Business-type Activities	
	Principal	Interest	Principal	Interest
2011.....	\$ 16,295	\$ 25,971	\$ 236,253	\$ 529,302
2012.....	17,150	25,121	258,162	519,266
2013.....	18,040	24,227	362,891	511,834
2014.....	18,980	23,286	371,606	496,439
2015.....	18,400	22,315	312,755	479,007
2016 - 2020.....	97,940	97,463	1,757,307	2,161,483
2021 - 2025.....	123,015	71,699	1,941,395	1,715,052
2026 - 2030.....	130,754	64,419	2,426,430	1,191,187
2031 - 2035.....	89,418	53,097	2,056,740	572,439
2036 - 2040.....	23,710	1,793	1,004,295	156,870
	<u>\$ 553,702</u>	<u>\$ 409,391</u>	<u>\$ 10,727,834</u>	<u>\$ 8,332,879</u>

**CITY OF CHICAGO, ILLINOIS  
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YEAR ENDED DECEMBER 31, 2010 - CONTINUED**

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, 2010. Standby bond purchase agreements were issued by third party financial institutions that are expected to be financially capable of honoring their agreements.

**d) Derivatives**

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

(1) *Objective of the swaps.* In order to protect against the potential of rising interest rates, the City has entered into various separate pay-fixed, receive-variable interest rate swaps at a cost less than what the City would have paid to issue fixed-rate debt.

	Changes in Fair Value		Fair Value at December 31, 2010		Notional Amount
	Classification	Amount	Classification	Amount	
<b>Governmental Activities</b>					
Cash Flow Hedges:					
Pay-fixed Interest Rate SWAPS....	Deferred Outflow of Resources	\$ (45,058)	Deferred Outflow of Resources	\$ (120,447)	\$ 792,070
Investment Derivative Instruments:					
Pay-fixed Interest Rate SWAPS....	Investment Revenue	(10,848)	Investment Revenue	(24,529)	201,965
<b>Business-type Activities</b>					
Cash Flow Hedges:					
Pay-fixed Interest Rate SWAPS....	Deferred Outflow of Resources	(34,449)	Deferred Outflow of Resources	(141,379)	973,805
Total.....				<u>\$ (286,355)</u>	

(2) *Terms, fair values, and credit risk.* The objective and terms, including the fair values and credit ratings, of the City's hedging derivative instruments outstanding as of December 31, 2010, 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):

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Associated Bond Issue	Notional Amounts	Effective Date	Terms	Fair Values	Termination Date	Counterparty Credit Rating
<b>Hedging Instruments</b>						
<b>Governmental Activities:</b>						
GO VRDB (Series 2007EFG).....	\$ 200,000	11/08/2007 01/01/2014	Pay 3.998%; receive SIFMA Pay SIFMA; receive 72.5% of LIBOR *	\$ (15,270) (16,185)	01/01/2042 01/01/2031	Aa3/A+ A1/A+ Aa2/AA
GO VRDB (Series 2005D).....	222,790	08/17/2005 01/01/2014	Pay 4.104%; receive SIFMA Pay SIFMA; receive 72.5% of LIBOR *	(21,194) (18,240)	01/01/2040 01/01/2031	A1/A Aa2/A+ Aaa/AA Aa3/A+
GO VRDB (Neighborhoods Alive 21 Program, Series 2002B).....	206,700	10/03/2002	Pay 3.575%; receive 70% of LIBOR	(24,477)	01/01/2037	Aa1/AA- Aa3/A+
Sales Tax Revenue Refunding Bonds (VRDB Series 2002).....	114,150	06/27/2002	Pay 4.23%; receive 75.25% of LIBOR	(17,445)	01/01/2034	Aa1/AA-
Tax Increment Allocation Bonds (Near North TIF, Series 1999A).....	44,900	09/01/1999	Pay 5.084%; receive 67% of LIBOR	(7,302)	01/01/2019	Aa3/A+
Tax Increment Allocation Bonds (Stockyards TIF, Series 1996A&B).....	3,975	02/10/1997	Pay 5.375%; receive SIFMA	(334)	12/01/2014	Aa3/A+
<b>Business-type Activities:</b>						
Chicago Midway International Airport Revenue Bonds (Series 2004C&D).....	152,150	12/14/2004	Pay 4.174%; receive SIFMA Plus .05%	(14,896)	01/01/2035	Aa1/A Aa1/AA-
	232,260	01/03/2011	Pay 3.886%; receive 95% of 3 Mo. LIBOR (if LIBOR is < 3%) or 67% of 3 Mo. LIBOR (if LIBOR is > 3%) Pay 3.886%; receive SIFMA (if LIBOR is < 3%)	(34,121)	01/01/2039	Aa3/A+
Wastewater Transmission Variable Rate Revenue Bonds (Series 2008C).....	99,670	07/29/2004	Pay 3.886%; receive SIFMA or 67% of LIBOR (if LIBOR is > 3%)	(14,994)	01/01/2039	Aa1/AA-
Water Variable Rate Revenue Refunding Bonds (Series 2004).....	193,655	04/16/2008	Pay 3.8694%; receive SIFMA	(28,609)	11/01/2025	Aa3/A+
Water Variable Rate Revenue Refunding Bonds (Series 2004).....	195,770	08/05/2004	Pay 3.8669%; receive SIFMA	(30,645)	11/01/2031	A1/A-
Second Lien Water Revenue Refunding Bonds (Series 2000).....	100,000	04/16/2008	Pay 3.8694%; receive SIFMA	(18,114)	11/01/2030	Aa3/A+
<b>Investment Instruments</b>						
<b>Governmental Activities:</b>						
GO VRDB (Series 2003B).....	202,500	08/07/2003 03/01/2011	Pay 4.052%; receive 66.91% of 10 Yr LIBOR Pay 66.91% of 10 Yr LIBOR; receive 75% of 1 Mo. LIBOR *	(16,372) (8,157)	01/01/2034 03/01/2014	Aa1/AA- Aa2/AA Aaa/AA
Total.....	<u>\$ 1,968,520</u>			<u>\$ (286,355)</u>		

See Table 31 in Statistical Section for Counterparty Entities and additional details for credit ratings. Type and objective for all the SWAPS is the same, as mentioned earlier.  
\* Reflects SWAP Overlay agreement.

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010 - CONTINUED**

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- (3) *Fair Value.* As of December 31, 2010, the swaps had a negative fair value of \$286.4 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. Note that in the statement of net assets the combination of the \$248.3 million derivative liability and the unamortized interest rate swap premium balance of \$38.1 million, recorded as component of unearned revenue, together represent the total fair value.
- (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, 2011 have been excluded because funds for their payment have been provided for. As of December 31, 2010, 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, 2010 - CONTINUED**

Year Ending December 31,	Variable-Rate Bonds		Interest Rate	Total
	Principal	Interest	Swaps, Net	
2011.....	\$ 15,310	\$ 7,914	\$ 70,223	\$ 93,447
2012.....	21,395	7,860	69,594	98,849
2013.....	22,645	7,784	68,775	99,204
2014.....	36,955	7,703	67,899	112,557
2015.....	37,865	7,589	66,608	112,062
2016 - 2020.....	325,570	35,326	302,909	663,805
2021 - 2025.....	452,930	29,054	232,234	714,218
2026 - 2030.....	372,980	22,640	161,514	557,134
2031 - 2035.....	439,145	14,031	84,287	537,463
2036 - 2040.....	217,950	4,838	22,859	245,647
2041 - 2045.....	22,195	222	665	23,082
	<u>\$ 1,964,940</u>	<u>\$ 144,961</u>	<u>\$ 1,147,567</u>	<u>\$ 3,257,468</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.

	Changes in Fair Value		Fair Value at December 31, 2010		Notional Amount
	Classification	Amount	Classification	Amount	
<b>Governmental Activities</b>					
Investment Derivative Instruments:					
Pay-fixed Interest Rate SWAPS....	Investment Revenue	\$ 499	Investment Revenue	\$ (17,001)	\$ 471,875
<b>Business-type Activities</b>					
Investment Derivative Instruments:					
Pay-fixed Interest Rate SWAPS....	Investment Revenue	(1,761)	Investment Revenue	(19,813)	380,270
Total.....				<u>\$ (36,814)</u>	

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010 - CONTINUED**

(2) *Terms.* The terms, including fair values of the swaptions as of December 31, 2010, are as follows (dollars in thousands):

<u>Associated Bond Issue</u>	<u>Notional Amounts</u>	<u>Trade Date</u>	<u>Variable Rate Paid</u>	<u>Fixed Rate Received</u>	<u>Fair Values</u>	<u>Swap Termination Date</u>	<u>Up-Front Payment</u>
GO Bonds (GO, Series 2001A; GO Series 2002A; GO, Series 2003A; and GO, Series 2004A).....	\$ 318,670	12/18/2003	SIFMA+ 30bps	5.000%	\$ (12,543)	01/01/2024	\$ 13,384
Chicago Midway Airport Revenue Bonds (Series 1998A(AMT); Series 1998B(Non-AMT); and Refunding Series 1998C(Non-AMT)).....	380,270	10/27/1999	SIFMA+ 25bps	5.100	(19,813)	01/01/2030	23,500
Sales Tax Revenue Bonds (Series 1999).....	23,285	06/21/2002	SIFMA+ 30bps	4.984	(161)	01/01/2019	728
Sales Tax Revenue Bonds (Series 1998).....	69,275	06/21/2002	SIFMA+ 30bps	5.250	(2,420)	01/01/2028	2,562
Sales Tax Revenue Bonds (Series 1997).....	60,645	06/21/2002	SIFMA+ 30bps	5.375	(1,877)	01/01/2027	1,964
Total.....	<u>\$ 852,145</u>				<u>\$ (36,814)</u>		<u>\$ 42,138</u>

(3) *Fair value.* As of December 31, 2010, the swaptions had a negative fair value of \$36.8 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. Note that in the statement of net assets the combination of the \$13.5 million derivative liability and the unamortized interest rate swaption premium balance of \$23.3 million, recorded as component of unearned revenue, together represent the total fair value.

(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

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010 - CONTINUED**

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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 the swaption 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.

**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, 2010. The Water Rate Stabilization account had a balance in restricted assets of \$61.4 million at December 31, 2010.

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, 2010.

- 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, 2010. The Sewer Rate Stabilization account had a balance in restricted assets of \$24.6 million at December 31, 2010.

The ordinances authorizing the issuance of outstanding Second Lien Wastewater Transmission Revenue Bonds provide for the creation of separate accounts into which monies 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, 2010.

- 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

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010 - CONTINUED**

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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, 2010.

- 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, 2010. 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.

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, 2010.

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 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, 2010 - 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, 2010, not including principal payments due January 1, 2011, are as follows (dollars in thousands):

	<u>Amount</u> <u>Defeased</u>	<u>Outstanding</u>
Emergency Telephone System - Series 1993 .....	\$ 213,730	\$ 140,595
General Obligation Refunding Bonds - Series 1993B .....	17,535	17,535
General Obligation Refunding Bonds - Series 1995A-2 .....	32,625	23,575
General Obligation Project and Refunding Bonds - Series 1998 .....	338,710	18,830
General Obligation Project and Refunding Bonds - Series 1999A .....	252,380	10,475
General Obligation Bonds - Series 2001A .....	349,845	137,085
General Obligation Project and Refunding Bonds - Series 2002A .....	135,690	117,855
General Obligation Project and Refunding Bonds - Series 2003A .....	89,815	87,510
General Obligation Project Bonds - Series 2003C .....	87,645	77,395
General Obligation Project Bonds - Series 2004A .....	205,535	205,535
General Obligation Project and Refunding Bonds - Series 2005B .....	3,460	3,280
General Obligation Project and Refunding Bonds - Series 2005E .....	22,186	17,532
General Obligation Project and Refunding Bonds - Series 2006A .....	19,230	15,680
General Obligation Direct Access Bonds - Series 2006 .....	4,755	4,755
General Obligation Project and Refunding Bonds - Series 2007A .....	10,300	10,300
Neighborhoods Alive 21 Program - Series 2001A .....	213,825	60,170
Neighborhoods Alive 21 Program - Series 2002A .....	36,820	15,870
Neighborhoods Alive 21 Program - Series 2003 .....	90,600	86,045
Lake Millenium Project Parking Facilities Bonds - Series 1998 .....	149,880	43,880
Lake Millenium Project Parking Facilities Bonds - Series 1999 .....	44,495	44,395
Near South Redevelopment Project Tax Increment - Series 1994A .....	23,000	9,975
Water Revenue Senior Lien Bonds - Series 2001 .....	242,630	229,155
Special Transportation Revenue Bonds - Series 2001 .....	118,715	103,485
<b>Total .....</b>	<b><u>\$ 2,703,406</u></b>	<b><u>\$ 1,480,912</u></b>

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010 - CONTINUED**

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**11) Pension Trust Funds**

- 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 90 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 101 days. The Plans cannot pledge to sell collateral securities received unless the borrower defaults. Loans outstanding as of December 31, 2010 are as follows: market value of securities loaned \$1,208.4 million, market value of cash collateral from borrowers \$1,238.3 million and market value of non-cash collateral from borrowers \$5.4 million.

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

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

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010 - CONTINUED**

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

	<b>Municipal Employees'</b>	<b>Laborers'</b>	<b>Policemen's</b>	<b>Firemen's</b>	<b>Total</b>
Contribution rates:					
City (a).....	8.5%	8.5%	9.0%	9.125%	
Plan members.....	8.5	8.5	9.0	9.125	
Annual required contribution.....	\$ 483,948	\$ 46,665	\$ 363,625	\$ 218,388	\$ 1,112,626
Interest on net pension obligation.....	54,379	(16,509)	124,994	96,897	259,761
Adjustment to annual required contribution.....	(55,907)	16,973	(85,391)	(99,619)	(223,944)
Annual pension cost.....	482,420	47,129	403,228	215,666	1,148,443
Contributions made.....	154,752	15,352	174,501	80,947	425,552
Increase in net pension obligation.....	327,668	31,777	228,727	134,719	722,891
Net pension obligation (excess), beginning of year.....	679,738	(206,362)	1,562,419	1,211,208	3,247,003
Net pension obligation (excess), end of year.....	<u>\$ 1,007,406</u>	<u>\$ (174,585)</u>	<u>\$ 1,791,146</u>	<u>\$ 1,345,927</u>	<u>\$ 3,969,894</u>

	<b>Municipal Employees'</b>	<b>Laborers'</b>	<b>Policemen's</b>	<b>Firemen's</b>
Actuarial valuation date.....	12/31/2010	12/31/2010	12/31/2010	12/31/2010
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 (a).....	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)	(f)
Postretirement benefit increases.....	(g)	(g)	(h)	(h)

- (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 2.4 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 2.8 percent over a full career.
- (f) Service-based increases equivalent to a level annual rate increase of 2.7 percent over a full career.
- (g) 3.0 percent per year beginning at the earlier of:
  - 1) the later of the first of January of the year after retirement and age 60;
  - 2) the later of the first of January of the year after the second anniversary of retirement and age 53.
- (h) 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, 2010 - CONTINUED**

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

<u>Year</u>	<u>Annual Pension Cost</u>	<u>% of Annual Pension Cost Contributed</u>	<u>Net Pension (Excess) Obligation</u>
<b>Municipal Employees':</b>			
2008.....	\$ 359,933	40.79%	\$ 415,207
2009.....	412,576	35.88	679,738
2010.....	482,420	32.08	1,007,406
<b>Laborers':</b>			
2008.....	18,166	83.85	(225,759)
2009.....	34,024	42.99	(206,362)
2010.....	47,129	32.57	(174,585)
<b>Policemen's:</b>			
2008.....	348,273	49.63	1,360,492
2009.....	373,972	46.00	1,562,419
2010.....	403,228	43.28	1,791,146
<b>Firemen's:</b>			
2008.....	187,710	43.29	1,099,024
2009.....	201,397	44.30	1,211,208
2010.....	215,666	37.53	1,345,927

**SCHEDULE OF FUNDING PROGRESS**  
(dollars in thousands)

<u>Year</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Liability (AAL) Entry Age (b)</u>	<u>Unfunded (Surplus) AAL (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>Unfunded (Surplus) AAL as a Percentage of Covered Payroll ((b-a)/c)</u>
<b>Municipal Employees':</b>							
2008.....	12/31/08	\$ 6,669,502	\$ 10,383,158	\$ 3,713,656	64%	\$ 1,543,977	241%
2009.....	12/31/09	6,295,788	10,830,119	4,534,331	58	1,551,973	292
2010.....	12/31/10	6,003,390	11,828,666	5,825,276	51	1,541,388	378
<b>Laborers':</b>							
2008.....	12/31/08	1,698,427	1,915,324	216,897	89	216,744	100
2009.....	12/31/09	1,601,352	1,975,749	374,397	81	208,626	179
2010.....	12/31/10	1,529,404	2,030,025	500,621	75	199,863	250
<b>Policemen's:</b>							
2008.....	12/31/08	4,093,720	8,482,574	4,388,854	48	1,023,581	429
2009.....	12/31/09	3,884,978	8,736,102	4,851,124	44	1,011,205	480
2010.....	12/31/10	3,718,955	9,210,056	5,491,101	40	1,048,084	524
<b>Firemen's:</b>							
2008.....	12/31/08	1,335,695	3,311,269	1,975,574	40	396,182	499
2009.....	12/31/09	1,269,231	3,428,838	2,159,607	37	400,912	539
2010.....	12/31/10	1,198,114	3,655,026	2,456,912	33	400,404	614

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010 - 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, 2010**

	<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	\$ 22,955	\$ 3,609	\$ 10,659	\$ 4,428	\$ 41,651
Interest on Net OPEB Obligation	1,900	164	371	243	2,678
Adjustment to Annual - Required Contribution	<u>(2,480)</u>	<u>(214)</u>	<u>(294)</u>	<u>(317)</u>	<u>(3,305)</u>
Annual OPEB Cost	22,375	3,559	10,736	4,354	41,024
Contributions Made	<u>9,550</u>	<u>2,587</u>	<u>9,354</u>	<u>2,644</u>	<u>24,135</u>
Increase in Net OPEB Obligation	12,825	972	1,382	1,710	16,889
Net OPEB Obligation, Beginning of Year	<u>42,220</u>	<u>3,647</u>	<u>8,237</u>	<u>5,397</u>	<u>59,501</u>
Net OPEB Obligation, End of Year	<u>\$ 55,045</u>	<u>\$ 4,619</u>	<u>\$ 9,619</u>	<u>\$ 7,107</u>	<u>\$ 76,390</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, 2010 - CONTINUED**

	<b>Municipal Employees'</b>	<b>Laborers'</b>	<b>Pollcemen's</b>	<b>Firemen's</b>
Actuarial Valuation Date	12/31/2010	12/31/2010	12/31/2010	12/31/2010
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 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 )	( e )
Healthcare Cost Trend Rate (f)	0.0%	0.0%	0.0%	0.0%

( a ) Compounded Annually

( b ) Service-based increases equivalent to a level annual rate of increase of 2.4 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 2.8 percent over a full career

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

( f ) Trend not applicable - fixed dollar subsidy

**OPEB COST SUMMARY**

(dollars in thousands)

	<b>Year</b>	<b>Annual OPEB Cost</b>	<b>% of Annual OPEB Obligation</b>	<b>Net OPEB Obligation</b>
Municipal Employees'	2008	\$ 23,580	38.29%	\$ 29,307
	2009	22,561	42.77	42,220
	2010	22,375	42.68	55,045
Laborers'	2008	3,546	66.20	2,563
	2009	3,646	70.29	3,647
	2010	3,559	72.68	4,619
Policemen's	2008	11,378	77.78	5,640
	2009	11,863	78.11	8,237
	2010	10,736	87.13	9,619
Firemen's	2008	4,281	58.09	3,723
	2009	4,319	61.24	5,397
	2010	4,354	60.74	7,107

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010 - 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 Accrued Liability (AAL) Entry Age ( b )	Unfunded (Surplus) UAAL ( b-a )	Funded Ratio ( a/b )	Covered Payroll ( c )	Unfunded (Surplus) AAL as a Percentage of Covered Payroll ( ( b-a ) / c )
Municipal Employees'	12/31/2010	\$ -	\$ 223,564	\$ 223,564	-	\$ 1,541,388	14.50
Laborers'	12/31/2010	-	41,361	41,361	-	199,863	20.69
Policemen's	12/31/2010	-	164,796	164,796	-	1,048,084	15.72
Firemen's	12/31/2010	-	48,222	48,222	-	400,404	12.04

**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 \$65 for each Medicare eligible annuitant and \$95 for each Non-Medicare eligible annuitant to their gross cost. The annuitants contributed a total of \$64.1 million in 2010 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 2010, the net expense to the City for providing these benefits to approximately 24,253 annuitants plus their dependents was approximately \$107.4 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.

**CITY OF CHICAGO, ILLINOIS  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 YEAR ENDED DECEMBER 31, 2010 - CONTINUED**

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.

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 three 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 2010 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	\$ 189,328
Interest on Net OPEB Obligation	9,871
Adjustment to Annual Required Contribution	<u>(116,325)</u>
Annual OPEB Cost	82,874
Contributions Made	<u>107,431</u>
Increase in Net OPEB Obligation	(24,557)
Net OPEB Obligation, Beginning of Year	<u>329,040</u>
Net OPEB Obligation, End of Year	<u><u>\$ 304,483</u></u>

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010 - 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 2010 is as follows (dollars in thousands):

**Schedule of Contributions,  
OPEB Costs and Net Obligations**

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2010	\$ 82,874	129.6%	\$ 304,483
12/31/2009	157,809	62.1	329,040
12/31/2008	218,897	44.8	269,275

**Funded Status and Funding Progress** - As of December 31, 2009, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$533.4 million all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,547.0 million and the ratio of the unfunded actuarial accrued liability to the covered payroll was 21 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
12/31/2009	\$ -	\$ 533,387	\$ 533,387	0%	\$ 2,546,961

**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, 2010, 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 10.5 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 3.0 percent. The Unfunded Accrued Actuarial Liability is being amortized as a level dollar amount over 3 years.

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010 - CONTINUED**

**Summary of Assumptions and Methods**

	Settlement Health Plan
Actuarial Valuation Date	December 31, 2009
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Dollar, Closed
Remaining Amortization Period	3 years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	3.00%
Projected Salary Increases	2.50%
Healthcare Inflation Rate	12% initial to 10.5% 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, 2010, the total amount of non-Enterprise Fund claims was \$498.5 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>2010</u>	<u>2009</u>
Balance, January 1.....	\$ 513,333	\$ 497,527
Claims incurred on current and prior year events.....	632,765	605,506
Claims paid on current and prior year events.....	<u>(590,813)</u>	<u>(589,700)</u>
Balance, December 31.....	<u>\$ 555,285</u>	<u>\$ 513,333</u>

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010 - CONTINUED**

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**14) Commitments and Contingencies**

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

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

As of December 31, 2010, the Enterprise Funds have entered into contracts for approximately \$414.1 million for construction projects.

The City's pollution remediation obligation of \$14.3 million 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) Service Concession Agreements**

The major fund entitled Service Concession Agreements is used for the primary purpose of accounting for the deferred inflows associated with governmental fund long-term lease and concession transactions. Deferred inflows are amortized over the life of the related lease and concession agreements. Proceeds from these transactions may be transferred from this fund in accordance with ordinances approved by city council that define the use of proceeds.

In February 2009, the City completed a \$1.15 billion concession agreement to allow a private operator to manage and collect revenues from the City's metered parking system for 75 years. The City received an upfront payment of \$1.15 billion which was recognized as a deferred inflow that will be amortized and recognized as revenue over the term of the agreement. In 2009, the City recognized \$15.3 million of revenue and will continue to recognize \$15.3 million for each subsequent year through 2083.

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 recognized a deferred inflow 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.

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 recognized a deferred inflow 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. The deferred inflow of the Skyway is reported in the Proprietary Funds Statement of Net Assets.

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010 - CONCLUDED**

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**16) Subsequent Events**

In January 2011, the City sold General Obligation Taxable Project Bonds Series 2010C-1 (\$299.3 million). The bonds were issued at an interest rate of 7.781 percent and mature January 1, 2035. Proceeds will be used to pay for a portion of the costs of various capital projects of the City.

In January 2011, Fitch Ratings downgraded the Chicago O'Hare International Airport's Passenger Facility Revenue Bonds from "A" to "A-" and the General Airport Third Lien Revenue Bonds from "A+" to "A-." In April 2011, Fitch Ratings upgraded the Chicago O'Hare International Airport's Passenger Facility Revenue Bonds from "A-" to "A."

The City reached a new collective bargaining agreement with Chicago Fire Fighters Union Local No. 2, effective March 9, 2011, with a stated term of July 1, 2007 through June 30, 2012. This agreement covers approximately 4,900 firefighters and paramedics in the Chicago Fire Department. The City paid \$86.3 million in retroactive wages in April 2011.

In April 2011, \$86.3 million of General Obligation Commercial Paper Notes, Series 2002B were issued. Proceeds will be used for operations as identified in the 2011 Annual Appropriation Ordinance.

In April 2011, the City sold Chicago O'Hare International Airport General Airport Third Lien Revenue (Non-AMT) Bonds Series 2011A, General Airport Third Lien Revenue (Non-AMT) Bonds Series 2011B and General Airport Third Lien Revenue (Non-AMT) Bonds Series 2011C (\$1.0 billion). The bonds were issued at interest rates ranging from 3.0 percent to 6.5 percent and maturity dates from January 1, 2014 to January 1, 2041. Proceeds will be used to pay a portion of the costs of certain projects at Chicago O'Hare International Airport including the O'Hare Modernization Program.

In April 2011, the City sold Chicago O'Hare International Airport Passenger Facility Charge Revenue Refunding (Non-AMT) Bonds Series 2011A and Passenger Facility Charge Revenue Refunding (AMT) Series 2011B Bonds (\$46.0 million). The bonds were issued at interest rates ranging from 5.0 percent to 6.0 percent and maturity dates from January 1, 2017 to January 1, 2033. Proceeds will be used to pay a portion of the costs of certain projects at Chicago O'Hare International Airport including the O'Hare Modernization Program and to refund certain outstanding Passenger Facility Charge Revenue bonds.

In April 2011, the City novated its \$60.9 million notional amount swap associated with the Midway Airport Series 2004C&D variable rate bonds with J.P. Morgan to Wells Fargo Bank, N.A. The fixed rate the City pays increased from 4.174 percent to 4.247 percent, and the City will sign a one-way Credit Support Agreement (CSA) that no longer requires the City to post collateral if the mark-to-market exceeds the threshold, as previously defined in the J.P. Morgan agreement. A Goldman Sachs swap covers the remaining balance of the bonds, with a current notional amount of \$91.3 million, which does not have a two-way CSA and remains unchanged.

In May 2011, the City entered into a two-way Credit Support Agreement (CSA) with J.P. Morgan in connection with the \$397.7 million original notional amount swaption associated with the Midway Airport Series 1998 A,B&C fixed rate bonds. The CSA was required because a termination event was triggered due to the insurer's ratings downgrade. Based on the current second lien ratings at Midway Airport (A3/A-/A- by Moody's, S&P and Fitch respectively), if the mark-to-market on the swap is against the City by more than \$25 million, the City/Airport must post collateral for the difference. To mitigate the risk of posting collateral, the City obtained a \$25 million Letter of Credit (LOC) as collateral. The LOC is not expected to be drawn upon as long as there is no event of default by the bank or the City. Based on the current second lien ratings at Midway Airport, if the mark-to-market on the swaption is against the City by more than the combined \$25 million threshold provided in the CSA and the \$25 million LOC, for a total of \$50 million, the City must post collateral for the difference.

In June 2011, \$221.5 million of the General Obligation Bonds Series 2005D bonds became bank bonds due to the deterioration of the liquidity support provider's credit quality. The remarketing agent continues to use best efforts to remarket the bonds out of bank mode. There is no principal due on the bank bonds within the next fiscal year.

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

	Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability (AAL) Entry Age ( b )	Unfunded Actuarial Liability (UAAL) ( b-a )	Funded Ratio ( a/b )	Covered Payroll ( c )	Unfunded (Surplus) AAL as a Percentage of Covered Payroll (( b-a ) / c )
<b>Municipal Employees'</b>							
2008 .....	12/31/2008	\$ -	\$ 222,691	\$ 222,691	- %	\$ 1,543,977	14.42 %
2009 .....	12/31/2009	-	224,173	224,173	-	1,551,973	14.44
2010 .....	12/31/2010	-	223,564	223,564	-	1,541,388	14.50
<b>Laborers'</b>							
2008 .....	12/31/2008	-	42,064	42,064	- %	216,744	19.41 %
2009 .....	12/31/2009	-	41,738	41,738	-	208,626	20.01
2010 .....	12/31/2010	-	41,361	41,361	-	199,863	20.69
<b>Policemen's</b>							
2008 .....	12/31/2008	-	169,972	169,972	- %	1,023,581	16.61 %
2009 .....	12/31/2009	-	164,800	164,800	-	1,011,205	16.30
2010 .....	12/31/2010	-	164,796	164,796	-	1,048,084	15.72
<b>Firemen's</b>							
2008 .....	12/31/2008	-	47,309	47,309	- %	396,182	11.94 %
2009 .....	12/31/2009	-	47,933	47,933	-	400,912	11.96
2010 .....	12/31/2010	-	48,222	48,222	-	400,404	12.04
<b>City of Chicago</b>							
2007 .....	12/31/2007	-	1,062,864	1,062,864	- %	2,562,007	41.49 %
2008 .....	12/31/2008	-	787,395	787,395	-	2,475,107	31.81
2009 .....	12/31/2009	-	533,387	533,387	-	2,546,961	20.94

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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 Rahm Emanuel, 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, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents, and have issued our report thereon dated June 29, 2011. Our report was modified to include a reference to other auditors and to include an emphasis of a matter paragraph related to the adoption of Statement No. 53 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Derivative Instruments*. 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. Other auditors audited the financial statements of the City's Pension Plans, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the City's Pension Plans were not audited in accordance with *Government Auditing Standards*.

**Internal Control over Financial Reporting**

Management of the City is responsible for establishing and maintaining effective 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying summary of basic financial statement findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying summary of basic financial statements findings to be material weakness: 2010-1 to 2010-5.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying summary of basic financial statement findings to be significant deficiencies: 2010-6 and 2010-7.

### **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 reported to management of the City in a separate letter of recommendation dated June 29, 2011.

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 responses, and accordingly, we express no opinion on them.

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 29, 2011

## 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, 2010

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#### FINDING 2010-1

**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-in or hire adequate levels of management and/or staff.

**Recommendation** — Perform a personnel needs assessment for the Finance Department and other departments that issue stand-alone financial reports. Ensure that properly trained management and staff fill existing or necessary vacancies to facilitate the proper and timely completion of audit-related tasks in an effective and efficient manner. Complete a financial reporting timeline, communicate deadlines to, and hold City personnel accountable for, ensuring that all responsibilities are met. Continuously provide appropriate technical training, cross-train departmental employees, and document succession plans.

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

Staff and management continue to devote time in accommodating the development, testing, training, and implementation of the City's financial systems and report writing capabilities.

Enterprise will work to increase communication with the Chicago Department of Aviation (CDA) on the need for information and reports to minimize delays in the overall audit process.

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\*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, 2010

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#### FINDING 2010-2

**Criteria** — The Special Accounting Division of the Office of the Comptroller (SAD) should monitor annual activity within the Federal, State, and Local Fund, specifically over land held for resale, due from other government receivables and deferred revenue.

**Condition** — The SAD does not currently monitor and manage the inventory listing of land held for resale, certain significantly aged grant receivables for collectability, review certain liability accounts for accuracy, or monitor certain deferred revenue balances. The SAD's grant accounting process should be reviewed to identify and create efficiencies in financial reporting.

**Effect** — The City 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** — During the course of the basic financial statement audit for the year ended December 31, 2010, and as communicated to management in previous fiscal years, the SAD is not staffed adequately at the leadership and managerial levels, nor do they have sufficiently trained staff personnel. The Deputy Comptroller of the SAD retired in 2010 and has not been replaced. Current management of the SAD responsible for the overall accounting and financial reporting of the Federal, State, and Local Fund has not demonstrated proactive ownership of the annual external audit process. Reconciliations and audit schedules are typically not prepared timely. Corrective action plans communicated to us in response to our prior-year recommendations have not been fully implemented.

**Recommendation** — Ensure adequate levels of properly trained management and staff within the SAD. Ensure that personnel within the SAD take complete and proactive ownership of the Federal, State, and Local Fund accounting and financial reporting responsibilities throughout the fiscal year. Prepare reconciliations and reviews of the general ledger on a regular basis. Record adjusting entries to remove aged receivables and liabilities for which no supporting documentation is maintained. Review the accounting records to properly match offsetting credits with the respective receivable balances and record such activity timely, and prior to the audit process. Perform year-end financial reporting adjusting entries at the grant level (as opposed to the fund-class level). Ensure that prior-year audit recommendations are implemented.

**Views of Responsible Officials** — As of the date of the completion of the FY 2010 basic financial statement (BFS) audit in 2011, the SAD had lost three managers. Requests were made for replacements where appropriate, but SAD had been unable to fill any of the current vacant positions. During this time, SAD made use of a limited number of temporary accounting staff to assist in division obligations.

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\* Comment repeated from previous fiscal years.

The Finance Department played an integral role in the implementation of the Oracle Grant Module system that was being installed in 15 City departments on May 23, 2011. Further, SAD was required to spend a great deal of time working on the Oracle 12R upgrade. Despite these obstacles, SAD managed to perform its daily responsibilities as well as prepare all of its schedules and complete its reconciliations so that the annual BFS audit could be issued on time.

SAD has been running an aged accounts receivable schedule and distributing it to accounting supervisors and directors. In 2010, SAD spent a great deal of time reviewing cash receipts and journal entries over recent years to make needed adjustments. During 2011, we made continued progress in the reduction of older receivables still on our books. Throughout 2010 and 2011, our office has been working with the Illinois Department of Transportation, the Chicago Department of Transportation, and an outside consultant to review, bill, and close approximately 140 old transportation projects. Several additional projects are in the process of being completed.

The land held for resale activity is managed by the City's Department of Housing and Economic Development (HED), which evolved from the merger of the Department of Community Development with other City departments. The SAD operations currently do not handle appraisals and valuations. The communication between HED and SAD has drastically improved in 2011. SAD regularly receives updated reports on land inventory from HED, and the SAD director of the Community Development Block Grant Unit follows up with HED.

Throughout 2011, SAD will review the liability and deferred revenue general ledger balances and make any necessary adjusting entries.

Current SAD management has been working to make it easier to make these entries at fund level by gradually transitioning to a "single-grant-to-a-single-fund" setup. This will allow us to make fund level entries for the 2011 audit, leaving a much cleaner audit trail.

## CITY OF CHICAGO, ILLINOIS

### SUMMARY OF BASIC FINANCIAL STATEMENT FINDINGS OFFICE OF THE COMPTROLLER EXPENDITURE CUTOFF\* YEAR ENDED DECEMBER 31, 2010

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#### FINDING 2010-3

**Criteria** — The City's current expenditure cutoff policy allows for certain expenses incurred in a given fiscal year to be recorded in the subsequent fiscal year for financial reporting purposes.

**Condition** — The City does not maintain effective accounting and financial reporting policies and procedures for expenditure cutoff to ensure that financial activity is recorded timely and in accordance with accounting principles generally accepted in the United States of America (GAAP).

**Effect** — The City may experience difficulty in the ability to properly account for, analyze, and report all expenditures in accordance with GAAP.

**Cause** — The City utilizes a fiscal year cutoff date of March 15 of the following fiscal year whereby the City records all invoices received subsequent to this cutoff date in the subsequent fiscal year, regardless of when the expense was incurred or service period. During our audit, we identified a significant amount of expenses that were recorded in the incorrect fiscal year based on this policy. In addition, as a result of the decentralized nature of the various City departments, we also identified invoices held at the individual departments that were not communicated or provided to the Finance Department in a timely manner.

**Recommendation** — Implement effective accounting policies and procedures to efficiently and appropriately account for and report financial activity in the correct fiscal period, and in accordance with GAAP. Continue to initiate policies to centralize the invoicing function and to enable the Finance Department to take complete ownership of the related accounting. Implement software systems and/or functionality that facilitates proper internal controls associated with expenditure cutoff. Train personnel on any policy or procedural changes; and to review invoices, contracts, and/or supporting documents to ascertain the appropriate period to which the goods and/or services relate.

**Views of Responsible Officials** — Central invoice processing was implemented in March 2011, and we continue to work with both City departments and vendors who do work with the City to obtain 100% compliance.

The City continues to provide additional training and meets with departmental finance officers and voucher auditors relating to proper cutoff dates of expenditures.

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\* Comment repeated from previous fiscal years.

## CITY OF CHICAGO, ILLINOIS

### SUMMARY OF BASIC FINANCIAL STATEMENT FINDINGS OFFICE OF THE COMPTROLLER DISBURSEMENT RECONCILIATIONS BETWEEN THE CITY TREASURER'S OFFICE AND THE FINANCE DEPARTMENT\* YEAR ENDED DECEMBER 31, 2010

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#### FINDING 2010-4

**Criteria** — The City does not regularly reconcile checks cut to the City Treasurer's Office (CTO) for purposes of initiating certain wire transfers to ensure that daily cash activity is properly accounted for and presented, despite timing differences, in accordance with GAAP.

**Condition** — The City does not maintain effective accounting and financial reporting policies and procedures for certain aspects of capital assets, expenditure cutoff, encumbrance reserves, and certain disbursements to the CTO to ensure that financial activity is recorded timely and in accordance with GAAP.

**Effect** — The City may experience difficulty in the ability to properly account for, analyze, and report all disbursement activity in accordance with GAAP.

**Cause** — The City's current process to reconcile checks cut to the CTO for purposes of initiating certain wire transfers is not adhered to on a regular basis.

**Recommendation** — Regularly reconcile checks written to the CTO at the end of the accounting period to ensure that the transaction are appropriately and timely recorded within the general ledger.

**Views of Responsible Officials** — The City will review and expand existing cash reconciliation procedures as they relate to wire transfers to ensure that financial activity is recorded accurately and timely in the general ledger. Any differences will be resolved in a timely manner.

The Comptroller's Office is working with the Treasurer's Office during the implementation of the Oracle Treasury and the Oracle Cash Management modules to assist with streamlining this process. Once the Treasurer's Office is in the Oracle system, this should not be an issue.

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\* Comment repeated from previous fiscal years.

# CITY OF CHICAGO, ILLINOIS

## SUMMARY OF BASIC FINANCIAL STATEMENT FINDINGS OFFICE OF THE COMPTROLLER CAPITAL ASSETS\* YEAR ENDED DECEMBER 31, 2010

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### FINDING 2010-5

**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 their respective 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 or system functionality to properly identify, account for, monitor, and report all capital asset activity. The City does not have centralized capital asset processes. The City's procedures for transferring completed projects to a depreciable fixed asset category are not consistently applied.

**Recommendation** — Implement system functionality 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. 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 is implementing the Fixed Asset module to address these issues. Within this module, fixed assets can be tagged. Construction work in progress, additions, and disposals, as well as transfers are automatically entered through mass addition to the Fixed Asset module. Individual assets maintained at a department level can be uploaded to the Fixed Asset module through a journal. In addition, the City is developing new interfaces from other systems to provide all asset information from shadow systems.

A standardized procedure has been developed to report capital asset via a secondary or subsidiary ledger. Business object reports can be developed for additional reporting and managing assets. The secondary ledger will distinguish all capital expenditure and provide the proper accounting for fixed asset financial reporting. The Fixed Asset module as well as the new Project Grant module have a "date placed in service" field which is updated monthly.

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\* Comment repeated from previous fiscal years.

Enterprise accounting will work in conjunction with the CDA and its project management consultants to develop and analyze separate computations of year-end retainage on construction contracts to assure retainage on all construction contracts are included in the year-end adjustments.

# CITY OF CHICAGO, ILLINOIS

## SUMMARY OF BASIC FINANCIAL STATEMENT FINDINGS OFFICE OF THE COMPTROLLER ENCUMBRANCE ACCOUNTING AND REPORTING\* YEAR ENDED DECEMBER 31, 2010

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### FINDING 2010-6

**Criteria** — GASB Codification Section 1600.125 defines encumbrances as *commitments related to unperformed (executory) contracts for goods or services*. The City utilizes an encumbrance system to track outstanding purchase commitments that have not yet resulted in liabilities. When a purchase order contract is issued or any other commitment is made, the City reduces the amount of budgetary appropriation remaining in a given budget category and records an outstanding encumbrance, or reservation of fund balance.

**Condition** — The City does not maintain effective accounting and financial reporting policies and procedures for encumbrance reserves to ensure that financial activity is recorded timely and in accordance with GAAP.

**Effect** — The City may experience difficulty in the ability to properly account for, analyze, and report all encumbrance activity in accordance with GAAP.

**Cause** — Encumbrances for which goods/services had been received/rendered during the current fiscal year did not have the associated encumbrances removed from the general ledger. The City currently does not have a formal process to evaluate encumbrances in relation to contract services provided to ensure that the encumbrances that are recorded are still valid. This could result in aged encumbrances that represent an overstatement of reserved fund balance.

**Recommendation** — Monitor and review encumbrances to ensure they represent valid reserves of fund balance for existing purchase orders and valid contracts. Remove aged or invalid reserves from the general ledger.

**Views of Responsible Officials** — The City has been reviewing and eliminating old encumbrances, specifically within the Capital Project funds. We have increased our reporting processes and will be reviewing these reports more frequently in order to eliminate discrepancies and to ensure aged or invalid reserves are accounted for.

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\* Comment repeated from previous fiscal years.

## CITY OF CHICAGO, ILLINOIS

### SUMMARY OF BASIC FINANCIAL STATEMENT FINDINGS OFFICE OF THE COMPTROLLER MANAGEMENT ESTIMATES\* YEAR ENDED DECEMBER 31, 2010

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#### FINDING 2010-7

**Criteria** — Develop and maintain formal policies and procedures to determine management estimates that affect the financial statements to ensure that recorded values are reasonable, and that all financial reporting risks are adequately addressed.

**Condition** — The City does not maintain formal policies and procedures for determining estimates related to investments whose fair value is not readily determinable, medical incurred but not paid liability, police overtime, and other postemployment benefits and ensuring that all financial reporting risks are adequately addressed.

**Effect** — The City may not accurately record management estimates based on reasonable methodologies and assumptions.

**Cause** — Management has established certain policies and procedures for determining estimated amounts that affect the financial statements; however, certain policies, procedures, and related documentation should be improved to ensure that recorded values are reasonable, and that all financial reporting risks are adequately addressed. City employees should be responsible for all assumptions, methodologies and related reporting risks.

**Recommendation** — Establish and document effective policies and procedures to ensure the accurate recording of all management estimates based on reasonable methodologies and assumptions. Ensure such policies and procedures adequately address all financial reporting risks, ensure the retention of complete and accurate underlying data, and support management's estimates with current, relevant facts, and circumstances. Perform a regular look-back analysis to determine that policies and procedures used to determine estimates continue to be adequate for the City's financial reporting needs. Continue to enhance the review of the financial statements to ensure that all assets and liabilities are accounted for within the basic financial statements.

**Views of Responsible Officials** — The City will review its policies and procedures relating to certain management estimates, including use of experts, to derive actuarial liabilities.

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\* Comment repeated from previous fiscal years.

# **CITY OF CHICAGO**

Chicago, Illinois

## **REPORT ON FEDERAL AWARDS**

For the Year Ended December 31, 2010

# CITY OF CHICAGO

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INDEPENDENT AUDITORS' REPORT  
ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the Honorable Rahm Emanuel, 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, 2010. 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, 2010 in conformity with accounting principles generally accepted in the United States of America.

*Baker Tilly Virchow Krause, LLP*

Chicago, Illinois  
September 26, 2011

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED DECEMBER 31, 2010

Agency/ Program/ Grant Title	Federal CFDA Number	Federal Grant/ State Pass-Through Number	2010 Federal Expenditures	2010 Non-Federal Expenditures	2010 Subrecipient Expenditures
<b>I. Department of Agriculture</b>					
<b>A. Food and Nutrition Service</b>					
Special Supplemental Nutrition Program for Women, Infants, & Children (passed through the Illinois Department of Human Services)					
Women, Infants and Children Program 2007	10.557	811G8087900	\$ 11,631	\$ -	\$ -
Women, Infants and Children Program 2009	10.557	L11GL087900	2,529,093	-	416,989
Women, Infants and Children Program 2010	10.557	M11GM087900	1,995,241	-	102,389
All Our Kids Early Childhood Network 2009	10.557	L11GL087570	63,620	-	-
All Our Kids Early Childhood Network 2010	10.557	M11GM087570	44,569	-	-
Healthy Child of Illinois 2009	10.557	L11GL087420	16,971	-	-
Healthy Child Care of Illinois 2010	10.557	M11GM087420	4,386	-	-
Breastfeeding Peer Counseling	10.557	L11GL087671	6,188	-	6,188
			<u>4,671,699</u>	<u>-</u>	<u>525,566</u>
Child Nutrition Cluster					
Summer Food Services Program for Children (passed through the Illinois Department of Public Health)					
Summer Food Program IDPH 2009	10.559	05280286	2,880	-	-
Summer Food Program IDPH 2010 (passed through the Illinois State Board of Education)	10.559	05280495	69,125	-	-
Summer Food 2010 Program ISBE 2010	10.559	14016298P00	1,363,835	-	1,150,078
			<u>1,435,840</u>	<u>-</u>	<u>1,150,078</u>
Total Child Nutrition Cluster			<u>1,435,840</u>	<u>-</u>	<u>1,150,078</u>
Total Food and Nutrition Service			<u>6,107,539</u>	<u>-</u>	<u>1,675,644</u>
<b>B. Forest Service</b>					
Urban and Community Forestry Program 2009 Green Street Program USDA Grant	10.675	09DG11420004	47,838	47,837	-
			<u>47,838</u>	<u>47,837</u>	<u>-</u>
Recovery Act of 2009: Wildland Fire Management ARRA Restoring Chicago Jobs and Habitat	10.688	10-DG-11244419-026	320,726	-	-
			<u>320,726</u>	<u>-</u>	<u>-</u>
Total Forest Service			<u>368,564</u>	<u>47,837</u>	<u>-</u>
Total Department of Agriculture			<u>6,476,103</u>	<u>47,837</u>	<u>1,675,644</u>
<b>II. Department of Commerce</b>					
<b>A. National Telecommunications and Information Administration</b>					
Public Safety Interoperable Communications Grant Program (passed through Illinois Emergency Management Authority)					
2007 Public Safety Interoperable Communication Grant	11.555	107PSICCHGO	8,519,598	2,839,866	-
			<u>8,519,598</u>	<u>2,839,866</u>	<u>-</u>
ARRA Broadband Technology Opportunities Program (BTOP) ARRA BTOP/Sustainable Broadband Technology Adoption Program	11.557	1743B10507	1,446,317	-	1,446,317
			<u>1,446,317</u>	<u>-</u>	<u>1,446,317</u>
Total National Telecommunications and Information Administration			<u>9,965,915</u>	<u>2,839,866</u>	<u>1,446,317</u>
Total Department of Commerce			<u>9,965,915</u>	<u>2,839,866</u>	<u>1,446,317</u>
<b>III. Department of Housing and Urban Development</b>					
<b>A. Office of Housing - Federal Housing Commissioner</b>					
Multi-Family Property Disposition					
Upfront Grant - Lawndale Restoration	14.199	UFG06FW00001	1,036,167	-	-
			<u>1,036,167</u>	<u>-</u>	<u>-</u>
Total Office of Housing - Federal Housing Commissioner			<u>1,036,167</u>	<u>-</u>	<u>-</u>
<b>B. Office of Community Planning and Development</b>					
CDBG -- Entitlement Grants Cluster					
Community Development Block Grants/Entitlement Grants					
Community Development Block Grant - YR28	14.218	B02MC170006	(1,000)	-	-
Community Development Block Grant - YR29	14.218	B03MC170006	1	-	-
Community Development Block Grant - YR32	14.218	B06MC170006	(15,926)	-	(210)
Community Development Block Grant - YR33	14.218	B07MC170006	(1,337,677)	-	(3,634)
Community Development Block Grant - YR34	14.218	B08MC170006	(1,799,849)	-	(7,515)
Community Development Block Grant - YR35	14.218	B09MC170006	6,667,873	-	113,716
Community Development Block Grant - YR36	14.218	B10MC170006	75,896,643	-	22,770,588
Neighborhood Stabilization Program (NSP1) HERA	14.218	B08MN170002	16,294,644	-	14,795,040
			<u>95,704,709</u>	<u>-</u>	<u>37,667,985</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2010

Agency/ Program/ Grant Title	Federal CFDA Number	Federal Grant/ State Pass-Through Number	2010 Federal Expenditures	2010 Non-Federal Expenditures	2010 Subrecipient Expenditures
<b>Community Development Block Grant ARRA Entitlement Grants (CDBG-R) (Recovery Act Funded)</b>					
ARRA Community Development Block Grant - Recovery	14.253	B-09-MY-17-0006	\$ 9,230,815	\$ -	\$ 8,217,766
			9,230,815	-	8,217,766
<b>Total CDBG - Entitlement Grants Cluster</b>			<b>104,935,524</b>	<b>-</b>	<b>45,885,751</b>
<b>Emergency Shelter Grants Program</b>					
Emergency Shelter 2009	14.231	S-09-MC-17-0006	563,557	563,557	191,716
Emergency Shelter 2010	14.231	S-10-MC-17-0006	2,666,679	2,666,679	2,461,740
			3,230,236	3,230,236	2,653,456
<b>Supportive Housing Program</b>					
Supportive Housing Program	14.235	IL0132B5T100801	92,129	-	-
Supportive Housing Program	14.235	IL0132B5T100802	47,797	-	-
			139,926	-	-
<b>Shelter Plus Care</b>					
Shelter Plus Care	14.238	IL01C510153	1,370	-	-
Shelter Plus Care	14.238	IL01C510135	(4,883)	-	(4,883)
Shelter Plus Care	14.238	IL01C610138	(802)	-	(802)
Shelter Plus Care	14.238	IL01C710123	(600)	-	(600)
Shelter Plus Care	14.238	IL01C710124	(910)	-	-
Shelter Plus Care	14.238	IL01C710125	(944)	-	-
Shelter Plus Care	14.238	IL01XC31060	(922)	-	-
Shelter Plus Care	14.238	IL01C010155	17,705	-	17,705
Shelter Plus Care	14.238	IL01C710116	17,575	-	17,575
Shelter Plus Care	14.238	IL01C710001	73,364	-	73,364
Shelter Plus Care	14.238	IL0143C5T100801	18,346	-	18,346
Shelter Plus Care	14.238	IL0148C5T100801	88,074	-	88,074
Shelter Plus Care	14.238	IL0151C5T100801	28,137	-	28,137
Shelter Plus Care	14.238	IL0161C5T100801	8,211	-	8,211
Shelter Plus Care	14.238	IL0189C5T100801	206,419	-	206,419
Shelter Plus Care	14.238	IL0220C5T100801	122,984	-	122,984
Shelter Plus Care	14.238	IL0220C5T100801	26,001	-	26,001
Shelter Plus Care	14.238	IL0112C5T100801	256,480	-	256,480
Shelter Plus Care	14.238	IL01C710125	132,110	-	-
Shelter Plus Care	14.238	IL0116C5T100801	139,103	-	-
Shelter Plus Care	14.238	IL01C710126	173,239	-	-
Shelter Plus Care	14.238	IL0190C5T100801	44,893	-	44,893
Shelter Plus Care	14.238	IL0130C5T100801	65,942	-	65,942
Shelter Plus Care	14.238	IL0107C5T100801	477,891	-	477,891
Shelter Plus Care	14.238	IL0134C5T100801	71,409	-	71,409
Shelter Plus Care	14.238	IL0135C5T100801	212,756	-	212,756
Shelter Plus Care	14.238	IL0136C5T100801	145,694	-	145,694
Shelter Plus Care	14.238	IL0137C5T100801	88,688	-	88,688
Shelter Plus Care	14.238	IL0138C5T100801	122,885	-	122,885
Shelter Plus Care	14.238	IL0152C5T100801	469,968	-	469,968
Shelter Plus Care	14.238	IL0149C5T100801	215,676	-	215,676
Shelter Plus Care	14.238	IL0150C5T100801	263,133	-	263,133
Shelter Plus Care	14.238	IL0172C5T100801	67,718	-	67,718
Shelter Plus Care	14.238	IL0176C5T100801	22,572	-	22,572
Shelter Plus Care	14.238	IL0208C5T100801	70,557	-	70,557
Shelter Plus Care	14.238	IL0223C5T100801	131,141	-	131,141
Shelter Plus Care	14.238	IL0224C5T100801	240,124	-	240,124
Shelter Plus Care	14.238	IL0226C5T100801	279,051	-	279,051
Shelter Plus Care	14.238	IL01C610002	57,272	-	57,272
Shelter Plus Care	14.238	IL01C610005	113,228	-	113,228
Shelter Plus Care	14.238	IL01C610007	33,170	-	33,170
Shelter Plus Care	14.238	IL01C110051	81,516	-	81,516
Shelter Plus Care	14.238	IL01C110050	81,469	-	81,469
Shelter Plus Care	14.238	IL01C310001	162,474	-	162,474
Shelter Plus Care	14.238	IL01C210050	36,014	-	36,014
Shelter Plus Care	14.238	IL01XC31060	306,233	-	-
Shelter Plus Care	14.238	IL01C710116	77,288	-	77,288
Shelter Plus Care	14.238	IL01C710001	308,651	-	308,651
Shelter Plus Care	14.238	IL01C610002	115,936	-	115,936
Shelter Plus Care	14.238	IL01C610005	265,070	-	265,070
Shelter Plus Care	14.238	IL0143C5T100802	219,732	-	219,732
Shelter Plus Care	14.238	IL0374C5T100901	127,232	-	127,232
Shelter Plus Care	14.238	IL0171C5T100802	6,157	-	6,157
Shelter Plus Care	14.238	IL0137C5T100802	178,438	-	178,438
Shelter Plus Care	14.238	IL0220C5T100802	365,905	-	365,905
Shelter Plus Care	14.238	IL0401C5T100901	109,376	-	109,376
Shelter Plus Care	14.238	IL0371C5T100901	118,867	-	118,867
Shelter Plus Care	14.238	IL0116C5T100802	286,485	-	-
Shelter Plus Care	14.238	IL01C610007	83,478	-	83,478
Shelter Plus Care	14.238	IL0108C5T100802	39,122	-	39,122
Shelter Plus Care	14.238	IL0108C5T100802	294,235	-	294,235
Shelter Plus Care	14.238	IL0148C5T100802	245,029	-	245,029
Shelter Plus Care	14.238	IL0189C5T100802	378,274	-	378,274
Shelter Plus Care	14.238	IL0149C5T100802	415,379	-	415,379
Shelter Plus Care	14.238	IL0134C5T100802	70,882	-	70,882

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Shelter Plus Care (cont.)					
Shelter Plus Care	14.238	IL0130C5T100802	\$ 22,126	\$ -	\$ 22,126
Shelter Plus Care	14.238	IL0176C5T100802	21,600	-	21,600
Shelter Plus Care	14.238	IL0223C5T100802	134,005	-	134,005
Shelter Plus Care	14.238	IL0190C5T100802	33,023	-	33,023
Shelter Plus Care	14.238	IL0138C5T100802	178,950	-	178,950
Shelter Plus Care	14.238	IL0136C5T100802	103,388	-	103,388
Shelter Plus Care	14.238	IL0400C5T100901	110,280	-	110,280
Shelter Plus Care	14.238	IL0151C5T100802	312,981	-	312,981
Shelter Plus Care	14.238	IL0201C5T100802	104,883	-	-
Shelter Plus Care	14.238	IL0110C5T100802	188,345	-	-
Shelter Plus Care	14.238	IL0203C5T100802	34,997	-	34,997
Shelter Plus Care	14.238	IL0152C5T100802	154,903	-	154,903
Shelter Plus Care	14.238	IL0226C5T100802	128,751	-	128,751
Shelter Plus Care	14.238	IL0150C5T100802	1,877	-	1,877
			10,397,176	-	9,068,184
HOME Investment Partnerships Program					
HOME01	14.239	M01MC170006	(10,000)	-	-
HOME05	14.239	M05MC170201	(10,000)	-	-
HOME06	14.239	M06MC170201	(369,031)	-	-
HOME07	14.239	M07MC170201	(488,399)	-	-
HOME08	14.239	M08MC170201	8,254,076	-	-
HOME09	14.239	M09MC170201	4,715,889	144,968	-
HOME10	14.239	M10MC170201	2,621,907	-	-
			14,714,442	144,968	-
Housing Opportunities for Persons with AIDS					
HOPWA SPNS	14.241	ILH060032	1,568	-	-
HOPWA 07	14.241	ILH07F001	3,450	-	3,450
HOPWA 08	14.241	ILH08F001	89,544	-	86,000
HOPWA 09	14.241	ILH09F001	1,098,225	-	1,097,972
HOPWA 10	14.241	ILH10F001	5,318,338	-	4,956,702
HOPWA SPNS	14.241	ILH090013	427,873	-	417,247
			6,938,998	-	6,561,371
Community Development Block Grants/Brownfields Economic Development Initiative					
Calumet Redevelopment Initiative - EDI	14.246	B06SPIL0790	10,766	-	-
			10,766	-	-
Neighborhood Stabilization Program (Recovery Act Funded)					
ARRA Neighborhood Stabilization Program 2	14.256	B-09-LN-IL-0025	1,658,867	-	1,633,332
			1,658,867	-	1,633,332
Homelessness Prevention and Rapid Re-Housing					
ARRA Homelessness Prevention and Rapid Re-Housing	14.257	S09MY170006	12,548,685	-	12,222,502
			12,548,685	-	12,222,502
Tax Credit Assistance Program (Recovery Act Funded)					
ARRA TCAP	14.258		18,422,879	-	-
			18,422,879	-	-
Total Office of Community Planning and Development			172,997,499	3,375,204	78,024,596
C. Office of Public and Indian Housing					
Public and Indian Housing (passed through the Chicago Housing Authority)					
Resident Service Coordinator	14.850	9027	21,263	-	-
Service Connector 2007	14.850	0688	(3,036)	-	(3,036)
Family Work 2008	14.850	IGA	(967)	-	(967)
CHA - 2010	14.850	1018	319,500	-	309,309
			336,760	-	305,306
Housing Voucher Cluster					
Section 8 Housing Choice Vouchers (passed through the Chicago Housing Authority)					
Substance Abuse Assessment/CHA	14.871	7092	130,714	-	130,714
CHA - Summer Nutrition & Youth Development	14.871	8056	6,605	-	6,605
CHA - 2010	14.871	1018	1,504,970	-	1,457,161
			1,642,289	-	1,594,480
Total Housing Voucher Cluster			1,642,289	-	1,594,480
CFP Cluster					
Public Housing Capital Fund					
Violence Prevention & Intervention	14.872		11,468	-	-
			11,468	-	-
Total CFP Cluster			11,468	-	-
Total Office of Public and Indian Housing			1,990,517	-	1,899,786

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<b>D. Office of Healthy Homes and Lead Hazard Control</b>					
Lead-Based Paint Hazard Control in Privately-Owned Housing Lead Control HUD 2007	14.900	ILLHB0347-07	\$ 478,615	\$ -	\$ 438,329
			478,615	-	438,329
Lead Hazard Reduction Demonstration Grant Program Lead Hazard Reduction Demonstration	14.905	ILLHD0140-05	68,609	-	-
			68,609	-	-
<b>Total Office of Healthy Homes and Lead Hazard Control</b>			<b>547,224</b>	<b>-</b>	<b>438,329</b>
<b>Total Department of Housing and Urban Development</b>			<b>176,571,407</b>	<b>3,375,204</b>	<b>80,362,711</b>
<b>IV. Department of the Interior</b>					
<b>A. Fish and Wildlife Service</b>					
Coastal Wetlands Planning, Protections and Restoration Act Hegewisch Marsh National Coastline Wetlands Project	15.614	C-4-D-1	93,140	-	-
			93,140	-	-
<b>Total Fish and Wildlife Service</b>			<b>93,140</b>	<b>-</b>	<b>-</b>
<b>Total Department of the Interior</b>			<b>93,140</b>	<b>-</b>	<b>-</b>
<b>V. Department of Justice</b>					
<b>A. Violence Against Women Office</b>					
Supervised Visitation, Safe Havens for Children	16.527	2007CWAX0002	(346)	-	(346)
Supervised Visitation and Safe Exchange Program	16.527	2009CWAXK013	93,942	-	90,894
Supervised Visitation and Safe Exchange Program			93,596	-	90,548
Violence Against Women Formula Grants (passed through the Illinois Criminal Justice Information Authority)					
Chicago Domestic Violence Help Line	16.588	606115	280,736	355,916	-
Chicago Domestic Violence Help Line	16.588	607115	101,761	-	-
Domestic Violence Law Enforcement Yr. 10	16.588	605007	110,345	54,082	-
			492,842	409,998	-
<b>Total Violence Against Women Office</b>			<b>586,438</b>	<b>409,998</b>	<b>90,548</b>
<b>B. Office of Juvenile Justice and Delinquency Prevention</b>					
Juvenile Accountability Incentive Block Grants (passed through Illinois Criminal Justice Information Authority)					
Juvenile Intervention & Support Center	16.523	507026	63,496	1,053	63,496
Juvenile Intervention & Support Center	16.523	507026	144,065	6,184	-
			207,561	7,237	63,496
Juvenile Mentoring Program					
Mentoring Initiative for System Involved Youth	16.726	2006JUFXX012	67,902	-	51,967
			67,902	-	51,967
Enforcing Under Age Drinking Laws Program (passed through Illinois Department of Human Services)					
Enforcing Underage Drinking Laws FY'09/10	16.727	11GL480000	14,584	-	-
Stop Alcohol to Minors FY'10/11	16.727	11GM480000	71,898	-	-
			86,482	-	-
<b>Total Office of Juvenile Justice and Delinquency Prevention</b>			<b>361,945</b>	<b>7,237</b>	<b>115,463</b>
<b>C. Bureau of Justice Assistance</b>					
Edward Byrne Memorial Formula Grant Program Domestic Violence Law Enforcement FY'10/11	16.579	608007	29,228	-	-
			29,228	-	-
Community Prosecution and Project Safe Neighborhoods Comprehensive Anti-Gang Initiative (passed through University of Illinois)	16.609	2008-PG-BX-0007	219,456	-	-
Project Safe Neighborhoods Program FY'09-10	16.609	2008GPCX4020	67,591	-	-
			287,047	-	-
Gang Resistance Education & Training Gang Resistance Education & Training FY'08-10	16.737	2008JVFX0096	49,911	-	-
			49,911	-	-

CITY OF CHICAGO, ILLINOIS

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Support for Adam Walsh Act Implementation Grant Program Adam Walsh Act Implementation Grant FY'08/09	16.750	2008AWBX0024	\$ 75,405 75,405	\$ - -	- -
Edward Byrne Memorial Justice Assistance Grant Program Edward Byrne Memorial Justice Assistance Grant FY2006	16.738	2006DJBX0689	332,380	-	-
Edward Byrne Memorial Justice Assistance Grant FY2007	16.738	2007DJBX1069	1,288,763	-	1,232,450
Edward Byrne Memorial Justice Assistance Grant FY2008	16.738	2008DJBX0222	640,520	-	41,842
Edward Byrne Memorial Justice Assistance Grant FY2009	16.738	2009DJBX0589	4,558,806 6,820,469	-	- 1,274,292
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories (passed through Illinois Criminal Justice Information Authority)					
ARRA Campaign to Break the Code of Silence	16.803	809109	21,608	-	-
ARRA Starcomm	16.803	809204	138,432	-	-
ARRA Arc Community Partnership	16.803	809042	24,300 184,340	-	-
Edward Byrne Memorial Justice Assistance Grant (JAG) Program Program/Grants to Units of Local Government ARRA Recovery Justice Assistance Grant Program FY 2009	16.804	2009-SB-B9-0835	14,329,069 14,329,069	-	-
<b>Total Bureau of Justice Assistance</b>			<b>21,775,469</b>	<b>-</b>	<b>1,274,292</b>
<b>D. Office of Victims of Crime</b>					
Services for Trafficking Victims Human Trafficking Task Force & Victim Services Program Services for Trafficking Victims FY'10/11 Human Trafficking Task Force and Victim Services	16.320 16.320	2005-VT-BX-1161 2010-VT-BX-0005	75,020 28,027 103,047	- -	- -
Crime Victim Assistance (passed through the Illinois Criminal Justice Information Authority) Service to Victims of Domestic Violence FY'09/10 Service to Victims of Domestic Violence FY'10/11	16.575 16.575	209289 209389	135,495 80,955 216,450	95,986 -	- -
<b>Total Office of Victims of Crime</b>			<b>319,497</b>	<b>95,986</b>	<b>-</b>
<b>E. National Institute of Justice</b>					
National Institute of Justice Research, Evaluation and Development Project Grants Evolution of Gang Hot Spots Policing in Chicago Predictive Policing Demonstration and Evaluation Solving Cold Cases with DNA	16.560 16.560 16.560	2006-IJ-CX-0023 2009-DE-BX-K223 2007-DN-BX-K025	17,675 30,400 188,761 236,836	- -	- -
<b>Total National Institute of Justice</b>			<b>236,836</b>	<b>-</b>	<b>-</b>
<b>F. Executive Office for Weed and Seed</b>					
Community Capacity Development Office - The Weed and Seed Program Bethel New Life Garfield Park Weed and Seed Project (2009/2010)	16.595	2009-WS-QX-0154	30,576 30,576	-	-
<b>Total Executive Office for Weed and Seed</b>			<b>30,576</b>	<b>-</b>	<b>-</b>
<b>G. Office of Community Oriented Policing Services</b>					
Public Safety Partnership and Community Policing Grants COPS 2007 Technology Program COPS 2007 Methamphetamine Initiative COPS Secure Our Schools ARRA Cops Hiring Recovery Program	16.710 16.710 16.710 16.710	2007-CK-WX-0034 2007-CK-WX-0239 2008-CK-2X-0661 2009-RJ-WX-0044	1,294,956 56,763 233,179 2,207,829 3,792,727	934,955 -	- -
<b>Total Office of Community Oriented Policing Services</b>			<b>3,792,727</b>	<b>934,955</b>	<b>-</b>
<b>Total Department of Justice</b>			<b>27,103,488</b>	<b>1,448,176</b>	<b>1,480,303</b>

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<b>VI. Department of Labor</b>					
<b>A. Employment Training Administration</b>					
<b>Senior Community Service Employment Program</b>					
(passed through the Illinois Department on Aging/ National Council for Senior Citizens)					
Senior Community Service Employment Program (Title V) 2009	17.235	V-10-12	\$ 699,637	\$ -	\$ 435,487
Senior Community Service Employment Program (Title V) 2010	17.235	V-11-12	439,622	-	16,180
ARRA Stimulus Funding-Senior Community Service Employment Program 2010	17.235	V-ARRA-12	131,474	-	104,057
			<u>1,270,733</u>	<u>-</u>	<u>555,724</u>
<b>WIA Cluster</b>					
<b>WIA Adult Program</b>					
(passed through the Illinois Department on Commerce and Economic Opportunity):					
WIA Adult Training	17.258	0568109	(1,689)	-	(1,689)
WIA Adult Training	17.258	07681009	(17,127)	-	(10,939)
WIA PY'07 Incentive Grant	17.258	06-672009	20,286	-	-
WIA 2008 Incentive Grant	17.258	07-632009	109,480	-	21,661
WIA PY 2008 Adult	17.258	08-681009	1,495,623	-	491,562
High Speed Internet	17.258	08-632009	(4,057)	-	-
WIA Incentive	17.258	08-672009	16,938	-	-
WIA PY 2009 Adult	17.258	09-681009	8,138,025	-	3,897,619
WIA Adult Training	17.258	10-681009	4,783,436	-	3,205,133
High Speed Internet	17.258	09-632009	20,770	-	20,770
ARRA WIA Adult	17.258	08-761009	4,473,728	-	2,958,848
			<u>19,035,413</u>	<u>-</u>	<u>10,582,965</u>
<b>WIA Youth Activities</b>					
(passed through the Illinois Department on Commerce and Economic Opportunity):					
High Speed Internet FY'08/09	17.259	08-632009	(4,372)	-	-
High Speed Internet FY'09/10	17.259	09-632009	22,387	-	22,387
ARRA The Community Garden/Local Food/Video Project	17.259	08735013	67,055	-	67,055
ARRA WIA Youth	17.259	08762009	1,247,749	-	1,214,563
WIA Youth Grant Statewide Activities Incentives 2008	17.259	07632009	57,615	-	-
WIA Youth Training	17.259	06681009	(8,803)	-	(8,803)
WIA Youth Training	17.259	07681009	(6,254)	-	(6,254)
WIA Youth Training	17.259	08681009	578,816	-	260,316
WIA Youth Training	17.259	09681009	6,524,084	-	4,767,159
WIA Youth Grant Statewide Local Incentives 2009	17.259	08672009	194,886	-	-
WIA Youth Training	17.259	10681009	4,547,637	-	3,720,046
			<u>13,220,800</u>	<u>-</u>	<u>10,036,469</u>
<b>WIA Dislocated Workers</b>					
(passed through the Illinois Department on Commerce and Economic Opportunity):					
WIA Dislocated Workers	17.260	07681009	928,335	-	183,567
WIA Rapid Response	17.260	05-651009	1,952	-	-
WIA Discretionary	17.260	06673009	9,362	-	9,362
WIA Incentive	17.260	06-672009	33,098	-	-
WIA TMA/CSSI Manufacturing	17.260	07634094	94,960	-	87,360
WIA 2008 Incentive Grant	17.258	07-632009	145,124	-	28,714
WIA Dislocated Workers PY'08	17.260	08681009	766,398	-	(169,723)
High Speed Internet	17.258	08-632009	(4,961)	-	-
WIA Incentive	17.260	08-672009	20,701	-	-
WIA PY 2009 Dislocated Worker	17.260	09681009	6,083,544	-	1,622,439
High Speed Internet	17.260	09-632009	30,340	-	30,340
ARRA WIA Dislocated Worker	17.260	08761009	6,091,560	-	3,102,947
			<u>14,200,413</u>	<u>-</u>	<u>4,895,006</u>
<b>WIA Dislocated Worker Formula Grants</b>					
(passed through the Illinois Department on Commerce and Economic Opportunity)					
WIA Dislocated Workers	17.278	10-681009	3,783,351	-	2,533,057
			<u>3,783,351</u>	<u>-</u>	<u>2,533,057</u>
<b>Total WIA Cluster</b>			<u>50,239,977</u>	<u>-</u>	<u>28,047,497</u>
<b>WIA Pilots, Demonstrations and Research Projects</b>					
Preparing Ex-Offenders Via Beneficiary Choice	17.261	YF165020760A	585,764	-	551,298
			<u>585,764</u>	<u>-</u>	<u>551,298</u>
<b>Total Employment and Training Administration</b>			<u>52,096,474</u>	<u>-</u>	<u>29,154,519</u>
<b>Total Department of Labor</b>			<u>52,096,474</u>	<u>-</u>	<u>29,154,519</u>

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<b>VII. Department of Transportation</b>					
<b>A. Federal Aviation Administration</b>					
Airport Improvement Program					
Federal Airport O'Hare Field Development 2006	20.106		\$ 43,755,984	\$ -	-
ARRA Federal Airport O'Hare Field Development 2006 (passed through the Illinois Department of Transportation)	20.106		395,810	-	-
Federal Airport O'Hare Field Development 2006	20.106		12,146,382	-	-
Federal Airport Midway	20.106		966,030	-	-
			57,264,206	-	-
<b>Total Federal Aviation Administration</b>			<b>57,264,206</b>	<b>-</b>	<b>-</b>
<b>B. Federal Highway Administration</b>					
Highway Planning and Construction Cluster					
Highway Planning and Construction (passed through the Illinois Department of Transportation)					
Pedway Signage	20.205	Various	342	86	-
2006 Bridge & Viaduct Painting Citywide	20.205	Various	155,620	38,905	-
Expressway Gateway Beautification	20.205	Various	487	122	-
Halsted Street Bridge over North Branch	20.205	Various	13,249	5,678	-
Cermak/Blue Island Streetscape	20.205	Various	24,874	-	-
Chicago Avenue(650 W to 850 W) & Halsted St (725 N to 850 N)	20.205	Various	33,371	8,343	-
Chicago IDOT Data Integration Project	20.205	Various	68,974	-	-
North Avenue Bridge Over Chgo River Phase III	20.205	Various	116,192	29,048	-
Laramie Avenue Viaduct at Polk Street	20.205	Various	715,649	79,517	-
Grand Avenue Improv: Narragansett to Central	20.205	Various	989	247	-
Grand Avenue Improv: Central Avenue to Lamon Ave	20.205	Various	2,866	716	-
PE I & II Design for Arterial Street	20.205	Various	1,037,794	-	-
Commuter Bicycle Parking and Promotion	20.205	Various	82,102	9,122	-
Bike to Transit Connections	20.205	Various	6,022	1,506	-
Valley Line Bicycle Path	20.205	Various	34,733	14,886	-
71st St over I-94 Dan Ryan Expressway	20.205	Various	195,189	48,797	-
Installation of Bicycle Lane Pavement Marking and Signs	20.205	Various	34,602	8,651	-
Installation of Bicycle Race @ Various Locations	20.205	Various	21,458	5,364	-
Solidarity Drive Pedestrian Underpass & Traffic Circle Museum Campus	20.205	Various	502,605	125,651	-
Chicago Bikes Marketing Campaign	20.205	Various	38,157	-	-
Lake Front/Navy Pier Flyover	20.205	Various	121,722	81,148	-
Millennium Park Access Study	20.205	Various	22,356	5,589	-
35th St Bicycle & Pedestrian Bridge Over South LSD	20.205	Various	11,244	2,811	-
43rd Street Pedestrian Bride Ph 1	20.205	Various	79,532	19,883	-
41st Street Bicycle and Pedestrian Bridge	20.205	Various	62,579	15,645	-
LSD Viaduct Over Lawrence Avenue & Wilson	20.205	Various	5,499	1,375	-
Lakeshore Drive Viaduct Over LaSalle Drive	20.205	Various	23,755	5,939	-
Madison Street Viaduct Over Union Station	20.205	Various	53,677	13,419	-
18th St. Damen to Halsted	20.205	Various	19,581	4,895	-
Streets for Cycling	20.205	Various	14,194	3,549	-
Streets for Cycling	20.205	Various	230,363	57,591	-
Peterson Traffic Signal	20.205	Various	1,044	261	-
S. LSD Burnham Park	20.205	Various	456	1,827	-
Canal St. Viaduct @ 16th Street	20.205	Various	89,085	22,271	-
Pulaski Road Traffic Signal - 87th St. to I-55 Interchange	20.205	Various	9,347	2,337	-
91st St Viaduct Over Dan Ryan Expressway	20.205	Various	35,862	8,966	-
Lake Street @ Ogden: CTA Column Relocation	20.205	Various	2,617,940	654,485	-
Lake Street: Western to Damen	20.205	Various	40,843	10,211	-
Root St. Viaduct Over Dan Ryan Exp I-90/94	20.205	Various	35,392	3,932	-
Oakwood Boulevard Over Metra/ICC	20.205	Various	2,970	742	-
Division St. Bridge Over N. Chicago	20.205	Various	87,168	21,792	-
Burley Avenue: 106th to 126th Place	20.205	Various	17,561	4,390	-
STP TSM 2004 Engineering	20.205	Various	7,989	1,997	-
95th St. from Western Avenue to Ewing Avenue	20.205	Various	22,840	5,710	-
87th St. Western Avenue to Dan Ryan Expressway	20.205	Various	39,810	9,953	-
Wacker Drive: Viaduct Utility Relocation	20.205	Various	4,865,360	540,595	-
Wacker Drive/Randolph to Congress (Value Engineer)	20.205	Various	427	107	-
Wacker Dr. Randolph St./Adams St.	20.205	Various	731,259	487,506	-
Wacker Drive (Congress to Adams Street)	20.205	Various	2,214,302	948,987	-
Wacker Drive Row for Interchange	20.205	Various	1,902,007	475,502	-
Airport Rail Coordination and Plans	20.205	Various	3,822	955	-
West Loop Transportation Center - Phase 2	20.205	Various	104,000	26,000	-
Preliminary Planning	20.205	Various	1	-	-
Central Area Bus Rapid Transit - East/West Transit Corridor	20.205	Various	28,390	9,464	-
Preliminary Planning	20.205	Various	6,804	1,701	-
TIP Development and Monitoring	20.205	Various	122,572	-	-
Preliminary Planning	20.205	Various	4,394	-	-
Chicago Avenue Improvement - Grant to Milwaukee	20.205	Various	2,664	666	-
LSD/Columbus Traffic Monitor	20.205	Various	103,267	103,266	-
Lawrence Ave. Over Kennedy Expressway I-90	20.205	Various	6,081,654	1,520,414	-
Milwaukee Ave: Montrose to Kilpatrick	20.205	Various	8,854,620	-	-
Morse Avenue Streetscape	20.205	Various	1,390,726	-	-
LSD 79th St. to Harbor Avenue	20.205	Various	27,555	110,220	-

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Agency/ Program/ Grant Title	Federal CFDA Number	Federal Grant/ State Pass-Through Number	2010 Federal Expenditures	2010 Non-Federal Expenditures	2010 Subrecipient Expenditures
Highway Planning and Construction (cont.)					
2005/2006 Structural Bridge Inspection	20.205	Various	\$ 744,085	\$ 186,021	\$ -
Lincoln/Ashland/Belmont Phase I & II	20.205	Various	36,227	-	-
Misericordia Job Program	20.205	Various	145,077	-	-
STP-2007 Traffic Signal Modernization	20.205	Various	26,062	6,515	-
West Jackson Blvd. Over Union Station	20.205	Various	9,589,062	-	-
Grand Avenue: Fullerton - Jefferson	20.205	Various	27,258	6,814	-
Milwaukee Avenue Improvements - Montrose Avenue to Gale Street	20.205	Various	1,098,201	122,022	-
Arterial Street ADA Ramp 2007 Program	20.205	Various	1,361,766	340,442	-
Arterial Street ADA Ramp 2008 Program	20.205	Various	458,529	-	-
Laramie Avenue Viaduct At Polk St	20.205	Various	729	182	-
Milwaukee Avenue: Lawrence to Erie	20.205	Various	284,840	71,210	-
63rd Street: Western to Wallace	20.205	Various	39,019	13,007	-
130th Street: Torrence Ave/Branard Ave	20.205	Various	(279,375)	(1,117,501)	-
Jackson Blvd/Union Station	20.205	Various	223,992	55,998	-
City Wide Traffic Studies	20.205	Various	11,208	2,802	-
Lake St. from Canal to Western Avenue	20.205	Various	1,227	307	-
Traffic Control Signals At Various Locations	20.205	Various	35,295	8,824	-
Laramie Ave. Viaduct at Polk Street	20.205	Various	24,450	-	-
Consult PH I - Design	20.205	Various	38,514	9,629	-
Near West Traffic Signal Interconnection	20.205	Various	135,411	33,853	-
Racine Avenue: 35th to 39th St/37th St: Morgan St. to Racine Avenue	20.205	Various	134,971	33,743	-
Halsted Street: Madison/Fullerton	20.205	Various	(36,998)	(9,250)	-
Burham Park, Gateway Landscaping (23rd St to )	20.205	Various	10,435	2,609	-
Citywide TSMS - Group 5	20.205	Various	11,450	2,862	-
Sleepy Hollow - HIPP II/WPA New Str Construction	20.205	Various	28,274	7,068	-
Midway Airport ITS Project HAR & Enhanced Traveler Information	20.205	Various	155,630	38,907	-
Montrose Harbor Bridges and Underpass	20.205	Various	15,530	3,883	-
Ashland Avenue Viaduct over Pershing Road	20.205	Various	6,876	1,719	-
Vertical Clearance IMP. Cermak Rd @ Kenton	20.205	Various	6,399	-	-
Fullerton Streetscape - Ashland to Southport	20.205	Various	79,246	19,812	-
Fullerton Drive Bridge Over Lincoln Park Lagoon	20.205	Various	542	542	-
Wells Street Bridge over Main Branch of Chicago River	20.205	Various	61,150	15,288	-
Western Avenue Viaduct over Belmont Avenue	20.205	Various	121,788	30,447	-
Chicago Avenue Bridge Over the North Branch of Chicago River	20.205	Various	33,253	8,313	-
East Jackson Drive Over Metra Railroad Reconstruction	20.205	Various	596,524	255,653	-
47th St Pedestrian Bridge Over North Bound LSD	20.205	Various	9,441	14,161	-
2007 Bridge & Viaduct Painting	20.205	Various	129,684	32,421	-
2007 Bridge & Viaduct Painting Contract B	20.205	Various	3,769	942	-
Halsted Street: Maxwell to I-290	20.205	Various	335	144	-
Torrence Avenue Bridge Rehab	20.205	Various	1,576	3,675	-
2003/2004 Struct Br Insp	20.205	Various	6,947	1,737	-
Wacker Drive Riverwalk - Wabash Plaza	20.205	Various	67,396	16,849	-
2008 Bridge and Viaduct Painting Contract A	20.205	Various	756,850	189,212	-
2008 Bridge and Viaduct Painting Contract B	20.205	Various	378,149	94,537	-
Arterial Streets ADA Ramps - 2009	20.205	Various	1,256,811	314,203	-
Chicago Avenue Laramie - Kennedy Expwy	20.205	Various	280,028	70,007	-
W. Grand Improvement Lamont to Pulaski Road	20.205	Various	2,203,798	550,949	-
Traffic Control at Various Locations Citywide (STP 2008 TSM Design)	20.205	Various	2,657	664	-
79th Street - Cicero to Ashland Signal Interconnect System (Design)	20.205	Various	720	180	-
ASR Project #51 North Area	20.205	Various	667,638	166,909	-
ASR Project #52 Central Area	20.205	Various	635,468	158,867	-
ASR Project #53 South Area	20.205	Various	288,911	72,228	-
ASR Project #54 Far South Area	20.205	Various	905,675	226,419	-
LSD Viaduct Over Lawrence Avenue & Wilson Avenue	20.205	Various	129,986	32,496	-
Wacker Drive Congress Parkway Interchange Imp	20.205	Various	8,930,341	2,232,585	-
Safe Routes to School	20.205	Various	15,649	-	-
ARRA - Arterial Street Resurfacing: (North Area) Project	20.205	Various	1,567,535	-	92,009
ARRA - Arterial Street Resurfacing: (Central Area) Project	20.205	Various	445,160	-	(92,009)
ARRA - Arterial Street Resurfacing: (South Area) Project	20.205	Various	4,421,154	-	-
ARRA - Arterial Street Resurfacing: (Far South Area) Project	20.205	Various	773,390	-	-
ARRA - Congress Parkway Wells and Michigan	20.205	Various	948,710	-	-
ARRA - CDOT - Chicago Avenue Improvements - Grand to Laramie	20.205	Various	2,328,837	-	-
ARRA - La Salle Drive/Clark/Lake Shore Drive	20.205	Various	2,546,755	-	-
			78,111,924	9,893,646	-
Total Highway Planning and Construction Cluster			78,111,924	9,893,646	-
Total Federal Highway Administration			78,111,924	9,893,646	-
C. Federal Transit Administration					
Federal Transit Cluster					
Federal Transit -- Capital Investment Grants					
Grand/State Station Rehab	20.500	Various	10,626,382	2,656,595	-
Conrail Bikeway -PHS III	20.500	Various	85,254	21,313	-
DRBRN/JCKSN-STA-PLTFRM/MEZZ	20.500	Various	1,310,858	-	-
Mid-City Transitway PHSNG STDY	20.500	Various	53,189	13,297	-
Mid-City Transitway PHSNG STDY	20.500	Various	422	105	-
Dan Ryan EXT MJR INV ANALYSIS	20.500	Various	6,551	1,638	-
Southwest Transit Ext Row	20.500	Various	5,777	1,444	-
Preliminary Planning	20.500	Various	190,710	-	-
CTA Rail Station Access	20.500	Various	19,784	-	-
Transportation Planning and Programming	20.500	Various	79,718	19,929	-
West Loop Terminal Area Plan	20.500	Various	3,980	995	-
La Salle/Congress Intermodal Transfer	20.500	Various	1,972,179	493,045	-
			14,354,804	3,208,361	-

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Agency/ Program/ Grant Title	Federal CFDA Number	Federal Grant/ State Pass-Through Number	2010 Federal Expenditures	2010 Non-Federal Expenditures	2010 Subrecipient Expenditures
Federal Transit Formula Grants Urbanized Area Formula Program Morgan Street El CTA Green Line Station	20.507		\$ 365,161 365,161	\$ 91,290 91,290	\$ - -
Total Federal Transit Cluster			14,719,965	3,299,651	-
Transit Services Program Cluster Job Access Reverse Commute (passed through Regional Transit Authority) Jobs Access Reverse Commute	20.516	JARC200104	58,239 58,239	- -	- -
Total Transit Services Program Cluster			58,239	-	-
Alternatives Analysis Carroll Avenue Alternatives Analysis	20.522		5,105 5,105	1,276 1,276	- -
Total Federal Transit Administration			14,783,309	3,300,927	-
<b>D. National Highway Traffic Safety Administration</b>					
Highway Safety Cluster State and Community Highway Safety (passed through the Illinois Department of Transportation) Chicago Bicycle Safety Initiative Daley's Ambassador Program	20.600	Various	1,942	1,943	-
Chicago Bicycle Safety Initiative FY 2010	20.600	Various	127,244	54,533	-
Chicago Pedestrian Safety Initiative	20.600	Various	31,840	31,840	-
Chicago Pedestrian Safety Initiative	20.600	Various	163,391	70,025	-
Holiday Mobilization Grant FY'08	20.600	AL91051540	23,277	-	-
Protector's Program FY'08/09	20.600	0P9-1051-143	177,900	-	-
Protector's Program FY'09/10	20.600	0P0-1051-229	101,953	-	-
Holiday Mobilization Grant FY'09/10	20.600	AL0-1051-576	184,129	-	-
Crosswalk Enforcement Initiative FY'09/10	20.600	BP0-1051-231	70,194	-	-
			881,870	158,341	-
Alcohol Impaired Driving Countermeasures Incentive Grants (passed through Illinois Department of Transportation) DUI Strikeforce/Roadside Safety check FY'09/10	20.601	AL0-1051-228	372,753 372,753	- -	- -
Occupant Protection Speed Enforcement Program FY'08/09	20.602	SP9-1051-141	5,877 5,877	- -	- -
State Traffic Safety Information System Improvement Grants Crash Data Quality Improvement Project	20.610		61,232 61,232	- -	- -
Total Highway Safety Cluster			1,321,732	158,341	-
Total National Highway Traffic Safety Administration			1,321,732	158,341	-
<b>E. Pipeline and Hazardous Materials Safety Administration</b>					
Hazardous Materials Public Sector Training and Planning Grants (passed through Illinois Emergency Management Authority) Hazardous Materials Emergency Preparedness FY'09/10	20.703		38,750 38,750	- -	- -
Total Pipeline and Hazardous Materials Safety Administration Hazardous Materials Public Sector Training and Planning Grants			38,750	-	-
<b>F. Research and Innovative Technology Administration</b>					
Transportation Planning, Research and Education Stony Island Streetscape Master Plan	20.931	150-04-32580	5,900 5,900	53,103 53,103	- -
Total Research and Innovative Technology Administration			5,900	53,103	-
Total Department of Transportation			151,525,821	13,406,017	-

## CITY OF CHICAGO, ILLINOIS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
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Agency/ Program/ Grant Title	Federal CFDA Number	Federal Grant/ State Pass-Through Number	2010 Federal Expenditures	2010 Non-Federal Expenditures	2010 Subrecipient Expenditures
VIII. Department of the Treasury ARRA-Tax Credit Exchange Program (TCEP)	21.UNKNOWN	TCEP	\$ 11,310,231	\$ -	\$ -
			11,310,231	-	-
Total Department of the Treasury			11,310,231	-	-
IX. Institute of Museum and Library Services A. Office of Library Services Grants to States Program Talking Book Center	45.310	09SL258007	30,147	-	-
			30,147	-	-
Total Office of Library Services			30,147	-	-
Total Institute of Museum and Library Services			30,147	-	-
X. Small Business Administration Congressional Grants Formerly Incarcerated Entrepreneurship Program	59.059	SBAHQ-08-I-0197	61,853	-	61,853
			61,853	-	61,853
Total Small Business Administration			61,853	-	61,853
XI. 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 08-09 Air Pollution Control Grant 09-10 Air Pollution Control Grant 10-11	66.001 66.001 66.001		104,663 412,000 151,110	- 103,815 -	- - -
			667,773	103,815	-
ARRA National Clean Diesel Emissions Reduction Program ARRA National Clean Diesel Funding Assistance Program	66.039	2A-00E85501	883,457	-	-
			883,457	-	-
Climate Showcase Communities Grant Program Chicago Green Healthcare Initiative	66.041	AF8334538010	210,625	-	-
			210,625	-	-
Total Office of Air and Radiation			1,761,855	103,815	-
B. Office of the Chief Financial Officer Congressionally Mandated Projects - Congressional Earmarks (passed through Illinois Department of Commerce and Economic Opportunity) Stag Grant	66.202		485,000	-	-
			485,000	-	-
Total Office of the Chief Financial Officer			485,000	-	-
C. Office of Water ARRA Capitalization Grants for Clean Water State Revolving Funds (passed through Illinois Environmental Protection Agency) ARRA Clean Water Revolving Funds	66.458		10,000,000	-	-
			10,000,000	-	-
Capitalization Grants for Drinking Water State Revolving Funds (passed through Illinois Environmental Protection Agency) Safe Drinking Water ARRA Safe Drinking Water	66.468 66.468		2,147,049 6,051,467	- -	- -
			8,198,516	-	-
Total Office of Water			18,198,516	-	-

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
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Agency/ Program/ Grant Title	Federal CFDA Number	Federal Grant/ State Pass-Through Number	2010 Federal Expenditures	2010 Non-Federal Expenditures	2010 Subrecipient Expenditures
D. Office of Chemical Safety and Pollution Prevention Source Reduction Assistance Source Reduction Assistance Grant Program	66.717	X900E94701	\$ 1,557	\$ -	\$ -
Total Office of Chemical Safety and Pollution Prevention			1,557	-	-
E. Office of Solid Waste and Emergency Response Brownfields Assessment and Cleanup Cooperative Agreements Brownfields Assessment and Cleanup Cooperative	66.818	BF00E683011	4,850	-	-
Total Office of Solid Waste and Emergency Response			4,850	-	-
Total Environmental Protection Agency			20,451,778	103,815	-
XII. Department of Energy ARRA Conservation Research and Development ARRA Chicago Area Alternative Fuel Deployment	81.086	DE-EE0002541	2,505,001	-	-
ARRA Electricity Delivery and Energy Reliability, Research, Development and Analysis ARRA Local Energy Assurance Planning Initiative	81.122	DEOE0000367	34,746	-	-
ARRA Energy Efficiency and Conservation Block Grant Program (EECBG) ARRA Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	DEEE000815	10,878,957	-	-
Total Department of Energy			13,418,704	-	-
XIII. Department of Education A. Office of Safe and Drug-Free Schools Safe and Drug-Free Schools and Communities - State Grants Substance Abuse & AIDS Prevention Program	84.186	11GL097000	6,809	-	-
Total Department of Education			6,809	-	-
XIV. Department of Health and Human Services A. Office of Population Affairs Family Planning - Services (passed through the Illinois Department of Human Services) Family Planning Services 2009 Family Planning Services (HIV testing & Prevention Program) Family Planning Services 2010	93.217 93.217 93.217	L11GL087350 M11GM087350 M11GM087350	304,691 6,386 259,069	41,217 864 35,045	- - -
Total Office of Population Affairs			570,146	77,126	-
B. 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 2008 Senior Citizen Nutrition and Social Services Program 2009 Senior Citizen Nutrition and Social Services Program 2010	93.044 93.044 93.044		(333,878) 3,037,794 729,086	94,822 4,893,712 265,093	- 907,466 100,369
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 2008 Senior Citizen Nutrition and Social Services Program 2009 Senior Citizen Nutrition and Social Services Program 2010	93.045 93.045 93.045		218,495 2,040,676 796,254	- -	- 764,061 265,602
			3,433,002	5,253,627	1,007,835
			3,055,425	-	1,029,663

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
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Agency/ Program/ Grant Title	Federal CFDA Number	Federal Grant/ State Pass-Through Number	2010 Federal Expenditures	2010 Non-Federal Expenditures	2010 Subrecipient Expenditures
Nutrition Services Incentive Program (passed through the Illinois Department on Aging) Senior Citizen Nutrition and Social Services Program 2009	93.053		\$ 2,932,762	\$ -	\$ 2,950,602
			2,932,762	-	2,950,602
ARRA-Aging Home-Delivered Nutrition Services for States (passed through the Illinois Department on Aging) ARRA Aging Home-Delivered Nutrition Services for States	93.705	ARRA-12	218,363	17,302	173,007
			218,363	17,302	173,007
ARRA-Aging Congregate Nutrition Services for States (passed through the Illinois Department on Aging) ARRA Nutrition Program - 2008	93.707	ARRA-12	517,909	107,207	495,218
			517,909	107,207	495,218
<b>Total Aging Cluster</b>			<b>10,157,461</b>	<b>5,378,136</b>	<b>5,656,325</b>
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 Nutrition and Social Services Program 2010	93.041		17,967	-	-
			17,967	-	-
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 and Social Services Program 2008 Senior Citizen Nutrition and Social Services Program 2009 Senior Citizen Nutrition and Social Services Program 2010	93.042 93.042 93.042		86,576 51,464 10,752	- - -	- - -
			148,792	-	-
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 and Social Services Program 2009 Senior Citizen Nutrition and Social Services Program 2010	93.043 93.043		282,665 13,860	- -	263,372 13,860
			296,525	-	277,232
National Family Caregiver Support (passed through the Illinois Department on Aging) Senior Citizen Nutrition and Social Services Program 2008 Senior Citizen Nutrition and Social Services Program 2009 Senior Citizen Nutrition and Social Services Program 2010	93.052 93.052 93.052		(63,057) 1,099,544 285,776	- - -	- - -
			1,322,263	-	-
Special Programs for the Aging - Title II and Title IV Discretionary Projects and Programs (pass through AGE Options) Senior Medicare Patrol Program	93.048	FY2010SMP	14,660	-	-
			14,660	-	-
ARRA - Communities Putting Prevention to Work: Chronic Disease Self-Management Program ARRA-Chronic Disease Self Management Program	93.725	03288716	12,191	-	7,545
			12,191	-	7,545
<b>Total Administration on Aging</b>			<b>11,969,859</b>	<b>5,378,136</b>	<b>5,941,102</b>
<b>C. Administration for Children and Families</b>					
<b>TANF Cluster</b>					
Temporary Assistance for Needy Families (passed through the Illinois Department of Human Services) Healthy Families of Illinois 2009	93.558	L119L087400	143,157	-	96,132
			143,157	-	96,132
ARRA - Emergency Contingency Fund for temporary Assistance for Needy Families (TANF) State Program (passed through the Illinois Department of Commerce and Economic Opportunity) ARRA - Emergency Contingency Fund (TANF) State Program	93.714	10-071009	6,875,973	-	6,384,897
			6,875,973	-	6,384,897
<b>Total TANF Cluster</b>			<b>7,019,130</b>	<b>-</b>	<b>6,481,029</b>
Refugee and Entrant Assistance-State Administered Programs (passed through the Illinois Department of Public Health) Refugee Program Refugee Program	93.566 93.566	00180012/08 10180032/26	194,545 189,636	- -	- -
			384,181	-	-

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Agency/ Program/ Grant Title	Federal CFDA Number	Federal Grant/ State Pass-Through Number	2010 Federal Expenditures	2010 Non-Federal Expenditures	2010 Subrecipient Expenditures
<b>CSBG Cluster</b>					
Community Services Block Grant (passed through the Illinois Department of Commerce and Economic Opportunity)					
C.S.B.G. Loan Program Repaid Principal Funds	93.569	Various (prior years)	\$ 659,005	\$ -	\$ -
C.S.B.G. 2009	93.569	09231036	797,361	-	(2,639)
C.S.B.G. 2010	93.569	10231036	11,097,367	388,506	2,754,835
			12,553,733	388,506	2,752,196
<b>ARRA - Community Services Block Grant</b> (passed through the Illinois Department of Commerce and Economic Opportunity)					
ARRA - C.S.B.G. Stimulus FY'09	93.710	09-211036	14,421,177	-	14,085,430
			14,421,177	-	14,085,430
<b>Total CSBG Cluster</b>			<b>26,974,910</b>	<b>388,506</b>	<b>16,837,626</b>
<b>CCDF Cluster</b>					
Child Care and Development Block Grant (passed through Illinois Department of Human Services)					
Healthy Child Care of Illinois 2009	93.575	L11GL087420	103,372	-	-
Healthy Child Care of Illinois 2010	93.575	M11GM087420	26,713	-	-
			130,085	-	-
<b>Total CCDF Cluster</b>			<b>130,085</b>	<b>-</b>	<b>-</b>
<b>Head Start Cluster</b>					
Head Start					
Early Headstart 2007	93.600	05CH010143	(793)	-	(793)
Early Headstart 2008	93.600	05CH010144	(701)	-	(701)
Early Headstart 2009	93.600	05CH010145	1,018	-	51,017
Early Headstart 2010	93.600	05CH010146	3,329,211	-	2,992,756
Early Headstart 2011	93.600	05CH010147	237,988	-	215,914
Headstart 2006	93.600	05CH010142	(12,625)	-	(12,625)
Headstart 2007	93.600	05CH010143	(27,157)	-	(4,475)
Headstart 2008	93.600	05CH010144	(43,766)	-	(43,766)
Headstart 2009	93.600	05CH010145	(21,519)	-	(51,194)
Headstart 2010	93.600	05CH010146	108,469,369	-	100,292,741
Headstart 2011	93.600	05CH010147	4,142,606	-	3,334,614
			116,073,631	-	106,773,488
<b>ARRA-Head Start</b>					
ARRA - Headstart Expansion Year 2	93.708	05SH010102	436,088	-	434,095
ARRA - Headstart Expansion Year 1	93.708	05SH010101	2,554,208	-	1,997,380
USDHHS ARRA Headstart COLA & Quality Improvement	93.708	05SE0101/01	5,855,102	-	3,278,146
			8,845,398	-	5,709,621
<b>Total Head Start Cluster</b>			<b>124,919,029</b>	<b>-</b>	<b>112,483,109</b>
<b>Social Services Block Grant</b> (passed through the Illinois Department of Human Services)					
Domestic Violence Special Project	93.667	11GL87300	1,244	-	-
Maternal and Child Health 2008	93.667	K11G9087280	8,190	-	-
Maternal and Child Health 2009	93.667	L11GL087280	341,823	-	-
Maternal and Child Health 2010	93.667	M11GM087280	278,666	-	24,834
Donated Funds Initiative	93.667	81X9025000	1,622	-	-
Empowerment Zone	93.667		751,592	-	1,000,000
Family Planning Services 2009	93.667	L11GL087350	175,823	-	-
HIV Testing and Prevention Project	93.667	M11GM087350	3,685	-	-
Family Planning Services 2010	93.667	M11GM087350	149,497	-	-
Donated Funds Initiative - Alternative Schools Network	93.667	81XL025000	470,290	156,763	438,898
Donated Funds Initiative - Safer Foundation	93.667	81XL025000	630,370	210,123	569,647
			2,812,802	366,886	2,033,379
<b>Total Administration for Children and Families</b>			<b>162,240,137</b>	<b>755,392</b>	<b>137,835,143</b>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2010

Agency/ Program/ Grant Title	Federal CFDA Number	Federal Grant/ State Pass-Through Number	2010 Federal Expenditures	2010 Non-Federal Expenditures	2010 Subrecipient Expenditures
<b>D. Centers for Medicare and Medicaid Services</b>					
Medicaid Cluster					
Medicaid Assistance Program (Medicaid; Title XIX) (passed through the Illinois Department of Healthcare and Family Services)					
Chicago Family Case Management - Medicaid	93.778	40C70G1111	\$ 666,119	\$ -	\$ -
Chicago Family Case Management - Medicaid	93.778	40C70G1111	1,419,349	-	-
			2,085,468	-	-
Total Medicaid Cluster					
			2,085,468	-	-
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluation					
Senior Health Assistance Program 2010	93.779	SHAP1012	35,232	131,436	-
			35,232	131,436	-
Total Centers for Medicare and Medicaid Services					
			2,120,700	131,436	-
<b>E. Centers for Disease Control and Prevention (CDC)</b>					
Public Health Emergency Preparedness (PHEP)					
Public Health Preparedness and Response for Bioterrorism					
Public Health Preparedness and Response for Bioterrorism	93.069	5U90TP517008-08	(3,413)	-	-
Public Health Preparedness and Response for Bioterrorism	93.069	5U90TP517008-09	371,996	-	(762)
Pandemic Influenza - ELR	93.069	1U90TP000130-01	(35)	-	(35)
Public Health Emergency Response - PHER	93.069	1H75TP000379-01	4,281,831	-	465,384
Public Health Preparedness and Response for Bioterrorism	93.069	5U90TP517008-10	6,382,948	-	775,101
			11,033,327	-	1,239,688
Project Grants and Cooperative Agreements for Tuberculosis Control Programs					
TB Elimination and Laboratory	93.116	CCU500444-28	88,441	-	13,913
TB Elimination and Laboratory	93.116	CCU500444-29	1,674,724	-	-
			1,763,165	-	13,913
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	5H64EH000157-01	(248)	-	(248)
Childhood Lead Poisoning Prevention Program	93.197	5H64EH000157-04	688,836	-	159,883
Childhood Lead Poisoning Prevention Program	93.197	5H64EH000157-05	411,188	-	-
			1,099,776	-	159,635
Immunization Cluster					
Immunization Grants					
Immunization and Vaccines for Children	93.268	H23CCH522565-07	41,660	-	5,851
Immunization and Vaccines for Children	93.268	H23CCH522565-08	4,877,571	-	645,502
			4,919,231	-	651,353
ARRA - Immunization					
ARRA Immunization and Vaccines for Children	93.712	3H23IP522565-07S1	190,208	-	183,702
			190,208	-	183,702
Total Immunization Cluster					
			5,109,439	-	835,055
Adult Viral Hepatitis Prevention and Control					
Adult Viral Hepatitis Coordinator	93.270	U50/PS000906-03	7,636	-	-
			7,636	-	-
Centers for Disease Control and Prevention - Investigations and Technical Assistance					
Adult Viral Hepatitis	93.283	U50/PS000906-02	853	-	-
Epidemiology & Lab Grant	93.283	U50/CI000490-03	442,647	-	-
Adult Viral Hepatitis	93.283	U50/PS000906-03	116,565	-	-
Reach Us Action Community	93.283	5U58DP000968-03	352,242	-	86,098
Reach Us Action Community	93.283	5U58DP000968-04	47,117	-	-
Public Health Preparedness and Response for Bioterrorism (passed through Illinois Department of Public Health)	93.283	U90CU517008	(500)	-	-
Breast and Cervical Cancer	93.283	06180006	302,133	-	-
Breast and Cervical Cancer	93.283	16180005	183,196	-	-
			1,444,253	-	86,098
ARRA - Prevention and Wellness - State, Territories and Pacific Islands					
ARRA - Chronic Disease Nutrition/Headstart Project	93.723	03288782	17,720	-	17,720
			17,720	-	17,720
HIV Prevention Activities - Health Department Based					
HIV Prevention Project	93.940	5U62PS523481-05	260,721	-	9,138
HIV Behavioral Surveillance	93.940	1U62PS000976-02	34,147	-	27,686
HIV Prevention Project	93.940	5U62PS523481-06	5,272,146	-	457,500
HIV Behavioral Surveillance	93.940	1U62PS000976-03	308,279	-	-
			5,875,293	-	494,324

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2010

Agency/ Program/ Grant Title	Federal CFDA Number	Federal Grant/ State Pass-Through Number	2010 Federal Expenditures	2010 Non-Federal Expenditures	2010 Subrecipient Expenditures
HIV Demonstration, Research, Public and Professional Education Projects					
AIDS Surveillance and Seroprevalance Project	93.941	1U62PS001042-02	\$ 28,650	\$ -	\$ 1,946
HIV/AIDS Surveillance Perinatal	93.941	1U62PS001433-01	19,586	-	19,586
HIV/AIDS Surveillance Perinatal	93.941	1U62PS001433-02	129,207	-	68,196
AIDS Surveillance and Seroprevalance Project	93.941	1U62PS001042-03	1,172,911	-	92,225
			1,350,354	-	181,953
Epidemiologic Research Studies of Acquired Immunodeficiency Syndrome (AIDS) and Human Immunodeficiency Virus (HIV) Infection in Selected Population Groups					
Multi-Site Opt-Out Rapid HIV Testing	93.943	5U62PS000769-02	1,477,705	-	1,672,192
Multi-Site Opt-Out Rapid HIV Testing	93.943	5U62PS000769-03	790	-	-
			1,478,495	-	1,672,192
Human Immunodeficiency Virus (HIV) / Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance					
Morbidity/Risk Behavior Surveillance	93.944	1U62PS001610-01	212,370	-	-
Morbidity/Risk Behavior Surveillance	93.944	1U62PS001610-02	265,568	-	38,419
			477,938	-	38,419
Prevention Health Services - Sexually Transmitted Diseases Control Grants					
Comprehensive STD Prevention System	93.977	CCH504338-17	(1,673)	-	(1,673)
Comprehensive STD Prevention System	93.977	1H25PS001367-01	7,527	-	-
STD Surveillance Network	93.977	5H25PS001275-02	113,401	-	97,329
Comprehensive STD Prevention System	93.977	1H25PS001367-02	1,913,439	-	118,936
STD Surveillance Network	93.977	5H25PS001275-03	1,541	-	-
			2,034,235	-	214,592
Total Centers for Disease Control and Prevention			31,691,631	-	4,953,589
F. Office of the Secretary					
National Bioterrorism Hospital Preparedness Program					
Bioterrorism Hospital Preparedness Program	93.889	U3RHS05588-01	(35,546)	-	(32,162)
Bioterrorism Hospital Preparedness Program	93.889	U3RHS07591-01	(6,371)	-	(4,907)
Bioterrorism Hospital Preparedness Program	93.889	U3REP070004-01	(3,883)	-	(3,406)
Pandemic Healthcare	93.889	U3REP090192-01	333,468	-	-
Bioterrorism Hospital Preparedness Program	93.889	U3REP090230-01	3,349,538	-	2,556,086
Bioterrorism Hospital Preparedness Program	93.889	U3REP090230-02	256,775	-	120,421
			3,893,981	-	2,636,032
Total Office of the Secretary			3,893,981	-	2,636,032
G. Health Resources and Service Administration					
HIV Emergency Relief Project Grants					
HIV Emergency Relief Project	93.914	2H89HA00008-16	12,400	-	-
HIV Emergency Relief Project	93.914	2H89HA00008-19	7,373,737	-	6,270,920
Minority AIDS Initiative	93.914	5H3MHA08490-03	1,253,800	-	1,152,804
HIV Emergency Relief Project	93.914	2H89HA00008-20	17,716,032	-	15,145,382
			26,356,969	-	22,569,106
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease					
Ryan White Part C Out Patient EIS	93.918	5H76HA00114-17	18,731	-	-
Ryan White Part C Out Patient EIS	93.918	5H76HA00114-18	444,019	-	-
			462,750	-	-
Healthy Start Initiative					
Healthy Start	93.926	5H49MC00103-08	(1,500)	-	-
Healthy Start	93.926	5H49MC00103-09	419,710	-	-
Healthy Start	93.926	5H49MC00103-10	366,285	-	-
			784,495	-	-
Maternal and Child Health Services Block Grant to the States (passed through the Illinois Department of Human Services)					
Maternal and Child Health 2008	93.994	K11G9087280	54,810	-	-
Maternal and Child Health 2009	93.994	L11GL087280	2,287,587	-	166,196
Maternal and Child Health 2010	93.994	M11GM087280	1,864,920	-	16,588
Chicago Family Case Management 2009	93.994	L11GL087310	20	1,141,552	-
Healthy Child of Illinois 2009	93.994	L11GL087420	33,943	-	-
Healthy Child of Illinois 2010 (passed through Illinois Department of Public Health)	93.994	M11GM087420	8,771	-	-
Dental Sealant	93.994	03480138	10,164	-	-
			4,260,215	1,141,552	182,784
Total Health Resources and Services Administration			31,863,429	1,141,552	22,751,890

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2010

Agency/ Program/ Grant Title	Federal CFDA Number	Federal Grant/ State Pass-Through Number	2010 Federal Expenditures	2010 Non-Federal Expenditures	2010 Subrecipient Expenditures
<b>H. Substance Abuse and Mental Health Services Administration</b>					
Substance Abuse and Mental Health Services Projects of Regional and National Significance					
HIV Strategic Prevention Project	93.243	5U79SP13343-05	\$ 223,806	\$ -	\$ 203,653
			223,806	-	203,653
Block Grants for Community Mental Health Services (passed through Illinois Department of Human Services)					
Mental Health	93.958	40CK001111	135,669	-	-
			135,669	-	-
Block Grants for Prevention and Treatment of Substance Abuse (passed through the Illinois Department of Human Services)					
IDASA	93.959	40C8001111	4,088	-	-
IDASA	93.959	40CL001111C	364,326	-	364,873
IDASA	93.959	40CL001111C	172,890	-	172,890
SAAPPHI 2009	93.959	11GL097000	65,205	-	-
SAAPPHI 2010	93.959	M11GM066562	80,665	-	-
			687,174	-	537,763
<b>Total Substance Abuse and Mental Health Services Administration</b>			<b>1,046,649</b>	<b>-</b>	<b>741,416</b>
<b>Total Department of Health and Human Services</b>			<b>245,396,532</b>	<b>7,483,642</b>	<b>174,859,172</b>
<b>XV. Corporation for National and Community Service</b>					
Foster Grandparent/ Senior Companion Cluster					
Foster Grandparent Program					
Foster Grandparent Program 2009	94.011	09SFNIL006	239,753	54,000	-
Foster Grandparent Program 2010	94.011	09SFNIL006	302,726	190	-
			542,479	54,190	-
Senior Companion Program					
Senior Companion 2006	94.016	06SCNIL001	425	-	-
Senior Companion 2007	94.016	06SCNIL007	9,584	-	-
Senior Companion Program - Year 3 2008	94.016	06SCNIL001	27,473	-	-
Senior Companion Program 2009	94.016	09SCNIL001	127,737	81,704	-
Senior Companion Program 2010	94.016	09SCNIL001	165,421	-	-
			330,640	81,704	-
<b>Total Foster Grandparent/ Senior Companion Cluster</b>			<b>873,119</b>	<b>135,894</b>	<b>-</b>
<b>Total Corporation for National and Community Service</b>			<b>873,119</b>	<b>135,894</b>	<b>-</b>
<b>XVI Social Security Administration</b>					
Social Security -- Work Incentives Planning and Assistance Program					
Work Incentive Planning & Assistance Program 2009	96.008	14W50030504	65,037	-	-
Work Incentive Planning & Assistance Program 2010	96.008	14W5003005	160,749	-	-
			225,786	-	-
<b>Total Social Security Administration</b>			<b>225,786</b>	<b>-</b>	<b>-</b>
<b>XVI Department of Homeland Security</b>					
Disaster Grants-Public Assistance (Presidentially Declared Disasters) (passed through Illinois Emergency Management Authority)					
2007 Northern Storm Reimbursement Public Assistance	97.036	1729	10,350	-	-
			10,350	-	-
Law Enforcement Officer Reimbursement Agreement Prog. (Enforcement Officers)					
LEO - O'Hare 2008	97.090		2,198,615	-	-
LEO - Midway 2008	97.090		769,044	-	-
			2,967,659	-	-
Emergency Management Performance Grant (passed through Illinois Emergency Management Authority)					
Emergency Management Assistance Grant 2009	97.042	909EMACHICA	138,264	-	-
Emergency Management Assistance Grant 2010	97.042	110EMACHICA	237,326	-	-
			375,590	-	-
Assistance to Firefighters Grant					
Assistance to Firefighters-Fire Prevention and Safety FY'08	97.044	EMW2008FP011	179,276	-	-
			179,276	-	-

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2010

Agency/ Program/ Grant Title	Federal CFDA Number	Federal Grant/ State Pass-Through Number	2010 Federal Expenditures	2010 Non-Federal Expenditures	2010 Subrecipient Expenditures
Port Security Grant Program					
Port Security Grant FY'06	97.056	2006GBT60020	\$ 855,120	\$ 285,039	\$ -
Port Security Grant FY'07	97.056	2007GBT70136	4,581,581	1,527,194	-
			5,436,701	1,812,233	-
Homeland Security Cluster					
Homeland Security Grant Program (passed through Illinois Emergency Management Authority)					
2006 Urban Areas Security Initiative and Communications	97.067	006UASICHIC	109,982	-	-
2007 Urban Areas Security Initiative and Communications	97.067	007UASICHIC	8,532,673	-	-
2008 Urban Areas Security Initiative and Communications	97.067	008CHGOUASI	8,516,627	-	-
Metropolitan Medical Response System - 2008	97.067	08CHGOMMRS	310,088	-	-
2008 Interoperable Emergency Communication Grant Program	97.067		4,778	-	-
2009 Citizen Corp Grant	97.067	1009CCPCHGO	861	-	-
2009 Urban Areas Security Initiative Communications	97.067	109UASICHIC	3,390,641	-	-
			20,865,650	-	-
Metropolitan Medical Response System					
Metropolitan Medical Response System FY 2001	97.071	233-03-0061	20,599	-	-
			20,599	-	-
Total Homeland Security Cluster			20,886,249	-	-
National Explosive Detection Canine Team Program					
National Explosive Detection Canine Team Program	97.072	HSTS0206HMLS	400,500	-	-
National Explosive Detection Canine Team Program - O'Hare	97.072		677,294	-	-
National Explosive Detection Canine Team Program - Midway	97.072		169,324	-	-
			1,247,118	-	-
Rail and Transit Security Grant Program					
FY 2009 Transit Security Grant Program	97.075	2009-RA79K016	922,387	-	-
FY 2008 Transit Security Grant Program	97.075	2008-RL-T8-K001	1,913,822	-	-
FY 2007 Transit Security Grant Program	97.075	07SUPCTCP2	1,083,145	-	-
			3,919,354	-	-
Buffer Zone Protection Plan (BZPP) (passed through Illinois Emergency Management Authority)					
2006 Bufferzone Protection Program Grant (CPD)	97.078	Various	307,910	-	-
2006 Bufferzone Protection Program Grant (OEMC)	97.078	Various	185,000	-	-
2006 Bufferzone Protection Program Grant (CFD)	97.078	Various	123,718	-	-
2008 Bufferzone Protection Program Grant (CPD)	97.078	Various	2,293	-	-
			618,921	-	-
Airport Checked Baggage Screening Program					
TSA/EDS - O'Hare 2006	97.100		3,839,368	-	-
			3,839,368	-	-
Regional Catastrophic Preparedness Grant Program (passed through Illinois Emergency Management Authority)					
Regional Catastrophic Preparedness Grant Program	97.111	008CHIRCPGR	1,731,551	577,183	-
			1,731,551	577,183	-
Rail and Transit Security Grant Program (ARRA)					
ARRA Rail and Transit Security Grant	97.113	2009RAR10093	1,204,371	-	-
			1,204,371	-	-
Closed Circuit Security Cameras					
Closed-Circuit TV Cameras - O'Hare	97.118		40,247	-	-
ARRA Closed-Circuit TV Cameras - Midway	97.118		1,739,538	-	-
			1,779,785	-	-
Total Department of Homeland Security			44,196,293	2,389,416	-
TOTAL			\$ 759,803,600	\$ 31,229,867	\$ 289,040,519

# CITY OF CHICAGO

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended December 31, 2010

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### NOTE 1 – REPORTING ENTITY

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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	\$ 6,476,103
U.S. Department of Commerce	9,965,915
U.S. Department of Housing and Urban Development	176,571,407
U.S. Department of the Interior	93,140
U.S. Department of Justice	27,103,488
U.S. Department of Labor	52,096,474
U.S. Department of Transportation	151,525,821
U.S. Department of the Treasury	11,310,231
U.S. Institute of Museum and Library Services	30,147
U.S. Small Business Administration	61,853
U.S. Environmental Protection Agency	20,451,778
U.S. Department of Energy	13,418,704
U.S. Department of Education	6,809
U.S. Department of Health and Human Services	245,396,532
U.S. Corporation for National and Community Services	873,119
U.S. Social Security Administration	225,786
U.S. Department of Homeland Security	<u>44,196,293</u>
Total Expenditures of Federal Awards	<u>\$ 759,803,600</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.

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### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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#### ***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, 2010

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

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#### *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 2010 grant programs are based primarily on 2009 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 2010 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.

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### NOTE 3 – NONCASH AWARDS

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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, 2010, are as follows:

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

CFDA No. 14.221: Balance of loans is: \$4,732,613. 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, 2010, the outstanding balance of the loans made by the City totals \$4,732,613.

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

CFDA No. 14.248: Balance of loans at December 31, 201 for which the federal government is at risk: \$14,765,000.

U.S. Department of Health and Human Services;

CFDA No. 93.069: Vaccines H1N1 valued at \$824,980.

CFDA No. 93.116: Personnel valued at \$107,352.

CFDA No. 93.268: Vaccines valued at \$44,755,661; and personnel valued at \$199,262.

CFDA No. 93.712: Vaccines values at \$846,625.

CFDA No. 93.977: Personnel valued at \$1,470,381.

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 2010 vouchers totaled \$6,128,070.

The City of Chicago had no noncash federally-funded insurance in effect during 2010.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND  
MATERIAL EFFECT ON EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133

To the Honorable Rahm Emanuel, Mayor,  
and the Members of the City Council  
City of Chicago  
Chicago, Illinois

**Compliance**

We have audited the City of Chicago, Illinois' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Chicago's major federal programs for the year ended December 31, 2010. 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010. 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 Findings 2010-8, 2010-9, 2010-10, 2010-11, 2010-12, 2010-13, 2010-14, 2010-15, 2010-16, 2010-17, 2010-18, 2010-19, 2010-20, 2010-21, 2010-23, 2010-24, 2010-25, 2010-26, 2010-27, and 2010-28.

To the Honorable Rahm Emanuel, Mayor,  
and the Members of the City Council  
City of Chicago

### ***Internal Control Over Compliance***

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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance with OMB Circular A-133, 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.

*A deficiency in 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 and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as Findings 2010-8, 2010-9, 2010-14, 2010-16, 2010-19, 2010-21, 2010-22, 2010-23, 2010-24, 2010-27, and 2010-28. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The City of Chicago's response to the findings identified in our audit is referenced 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 26, 2011

**CITY OF CHICAGO**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2010

**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?                      X   yes                           none reported

Noncompliance material to basic financial statements noted?                           yes                      X   no

**FEDERAL AWARDS**

Internal control over major programs:

- > Material weakness(es) identified?                           yes                      X   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>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
10.559	Summer Food Service Program for Children
11.555	Public Safety Interoperable Communications Grant Program
14.218	CDBG Entitlement Grants Cluster – Community Development Block Grants/Entitlement Grants
14.231	Emergency Shelter Grants Program
14.239	Home Investment Partnerships Program
14.241	Housing Opportunities for Persons with AIDS
14.253	CDBG Entitlement Grants Cluster – ARRA – Community Development Block Grant ARRA Entitlement Grants
14.256	ARRA – Neighborhood Stabilization Program
14.257	ARRA – Homelessness Prevention and Rapid Re-housing Program
14.258	ARRA – Tax Credit Assistance Program
16.710	Public Safety Partnership and Community Policing Grants
16.710	ARRA – Public Safety Partnership and Community Policing Grants

# CITY OF CHICAGO

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2010

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

#### FEDERAL AWARDS (cont.)

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
16.804	ARRA – Edward Byrne Memorial Justice Assistance Grant Program
17.258	WIA Cluster – WIA Adult Program
17.258	WIA Cluster – ARRA – WIA Adult Program
17.259	WIA Cluster – WIA Youth Activities
17.259	WIA Cluster – ARRA – WIA Youth Activities
17.260	WIA Cluster – WIA Dislocated Workers
17.260	WIA Cluster – ARRA – WIA Dislocated Workers
17.278	WIA Cluster – WIA Dislocated Worker Formula Grants
20.106	Airport Improvement Program
20.106	ARRA – Airport Improvement Program
20.205	Highway Planning and Construction
20.205	ARRA – Highway Planning and Construction
21.unknown	Tax Credit Exchange Program
66.458	ARRA – Capitalization Grants for Clean Water State Revolving Funds
66.468	Capitalization Grants for Drinking Water State Revolving Funds
66.468	ARRA – Capitalization Grants for Drinking Water State Revolving Funds
81.086	ARRA – Conservation Research and Development
81.128	ARRA – Energy Efficiency and Conservation Block Grant Program
93.044	Aging Cluster – Special Programs for the Aging – Title III, Part B – Grants for Supportive Services and Senior Centers
93.045	Aging Cluster – Special Programs for the Aging – Title III, Part C – Nutrition Services
93.053	Aging Cluster – Nutrition Services Incentive Program
93.069	Public Health Emergency Preparedness
93.268	Immunization Cluster – Immunization Grants
93.558	TANF Cluster – Temporary Assistance for Needy Families
93.569	CSBG Cluster – Community Services Block Grant
93.667	Social Services Block Grant
93.705	Aging Cluster – ARRA –Aging Home-Delivered Nutrition Services for States
93.707	Aging Cluster – ARRA – Aging Congregate Nutrition Services for States
93.710	CSBG Cluster – ARRA – Community Services Block Grant
93.712	Immunization Cluster – ARRA - Immunization
93.714	TANF Cluster – ARRA – Emergency Contingency Fund for Temporary Assistance for Needy Families State Program
93.994	Maternal and Child Health Services Block Grant to the States
97.067	Homeland Security Cluster – Homeland Security Grant Program
97.071	Homeland Security Cluster – Metropolitan Medical Response System
97.075	Rail and Transit Security Grant Program
97.100	Airport Checked Baggage Screening Program
97.113	ARRA – Rail and Transit Security Grant Program

Dollar threshold used to distinguish between  
type A and type B programs:

\$ 3,000,000

# CITY OF CHICAGO

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2010

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### SECTION II – FINANCIAL STATEMENT FINDINGS

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See findings 2010-1, 2010-2, 2010-3, 2010-4, 2010-5, 2010-6, and 2010-7 in the separate bound report titled "Basic Financial Statements for the Year Ended December 31, 2010, 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, 2010."

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### SECTION III – FEDERAL FINDINGS AND QUESTIONED COSTS

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#### **Finding 2010-8**

##### **CFDA Nos.**

10.557 *Special Supplemental Nutrition Program for Women, Infants, and Children*  
14.218 *Community Development Block Grants/Entitlement Grants*  
14.241 *Housing Opportunities for Persons with AIDS*  
93.069 *Public Health Emergency Preparedness*  
93.994 *Maternal and Child Health Services Block Grant to the States*  
93.268 *Immunization Grants*  
93.712 *ARRA – Immunization Grants*

##### **Federal Agencies**

*U.S. Department of Agriculture, U.S. Department of Housing and Urban Development, U.S. Department of Health and Human Services*

##### **Pass-through Agency**

*Illinois Department of Human Services*

##### **City Department**

*Chicago Department of Public Health*

#### **Repeat of prior year finding 2009-13.**

**Criteria:** Payroll expenditures must be recorded in the City's financial records in accordance with OMB Circular A-87. Additionally, payroll charges must be supported by the documentation required by OMB Circular A-87. When employees work on one sole 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 must be prepared at least semi-annually and must be signed by the employee or supervisory official having first-hand knowledge of the work performed by employees. When employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation. This activity must reflect an after-the-fact distribution, must account for the total activity for each employee, must be prepared at least monthly and coincide with one or more pay periods, and must be signed by the employee.

**Condition:** During our testing, we found deficiencies with the City's compliance with OMB Circular A-87:

- > If employees are charged to one sole federal program, they should sign semi-annual certification forms. During our testing of health programs, the City was unable to produce semi-annual certification forms for most of the payroll charges selected in our samples.
- > When employees are charged to multiple grants, the City does not prepare personnel activity reports. Instead, each employee completes only the semi-annual certification form, which does not meet the requirements of OMB Circular A-87.

## CITY OF CHICAGO

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2010

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

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##### ***Finding 2010-8*** (cont.)

**Effect:** It is possible that actual distributions the employees' time was different than what was charged to federal program.

**Questioned Costs:** Questioned costs are unable to be determined.

**Recommendation:** The City should review its overall process for charging salaries and wages to federal grants. Consideration may be given to the capabilities of the payroll system and City-wide policies regarding salary certification forms and departmental responsibilities for supporting allocations among multiple activities.

**Views of Responsible Officials:** See Corrective Action Plan.

##### ***Finding 2010-9***

<b><i>CFDA No.</i></b>	<i>93.069 Public Health Emergency Preparedness</i>
<b><i>Federal Agency</i></b>	<i>U.S. Department of Health and Human Services</i>
<b><i>Pass-through Agency</i></b>	<i>N/A</i>
<b><i>City Department</i></b>	<i>Chicago Department of Public Health</i>

**Criteria:** The City is required to maintain supporting records for reports submitted to federal agencies.

**Condition:** The City was required to file an interim Financial Status Report for the period August 10, 2009 to August 9, 2010 for the Public Health Emergency Preparedness and Public Health Emergency Response grants. The City was unable to provide supporting schedules which agree these reports to the general ledger. As such, we cannot determine that these reports were properly prepared.

**Effect:** We were unable to determine if the interim Financial Status Reports were properly prepared.

**Questioned Costs:** None

**Recommendation:** We recommend that the City ensure that supporting schedules are retained with the Financial Status Reports to substantiate the amounts reported.

**Views of Responsible Officials:** See Corrective Action Plan.

# CITY OF CHICAGO

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2010

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

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#### ***Finding 2010-10***

<b><i>CFDA No.</i></b>	<i>93.069 Public Health Emergency Preparedness</i>
<b><i>Federal Agency</i></b>	<i>U.S. Department of Health and Human Services</i>
<b><i>Pass-through Agency</i></b>	<i>N/A</i>
<b><i>City Department</i></b>	<i>Chicago Department of Public Health</i>

**Criteria:** Expenditures charged against federal awards must be for actual costs.

**Condition:** In a sample of forty expenditures tested, it was found that the City overpaid one invoice by \$2,000. This overpayment was caused by clerical errors made by the vendor in the invoice that were not caught by City staff.

**Effect:** Federal expenditures are overstated by \$2,000 for the program.

**Questioned Costs:** Known questioned costs are \$2,000, which is the amount that the City overpaid the invoice. When this error is projected to the entire population of expenditures, the potential questioned costs are \$10,470.

**Recommendation:** We recommend that the City ensure that review procedures are in place to verify that invoices are paid for correct amounts.

**Views of Responsible Officials:** See Corrective Action Plan.

#### ***Finding 2010-11***

<b><i>CFDA No.</i></b>	<i>93.994 Maternal and Child Health Services Block Grant to the States</i>
<b><i>Federal Agency</i></b>	<i>U.S. Department of Health and Human Services</i>
<b><i>Pass-through Agency</i></b>	<i>Illinois Department of Human Services</i>
<b><i>City Department</i></b>	<i>Chicago Department of Public Health</i>

**Criteria:** OMB Circular A-87 requires that costs charged to federal awards be adequately documented.

**Condition:** As part of our testing, a sample of 31 payroll expenditures was selected from the City of Chicago's general ledger system. The City was not able to provide appropriate supporting documentation for three items which were tested.

**Effect:** As supporting documentation could not be reconciled to the amounts charged to the program, we were unable to determine if the costs were permissible.

**Questioned Costs:** Known questioned costs are \$5,990, the amount that did not have proper supporting documentation. When this error is projected to the entire population of expenditures, the potential questioned costs are approximately \$39,000.

**Recommendation:** We recommend that the City ensure that documentation exists to support all amounts recorded as program expenditures.

**Views of Responsible Officials:** See Corrective Action Plan.

# CITY OF CHICAGO

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2010

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

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#### ***Finding 2010-12***

<b><i>CFDA No.</i></b>	<i>93.268 Immunization Grants</i>
<b><i>Federal Agency</i></b>	<i>U.S. Department of Health and Human Services</i>
<b><i>Pass-through Agency</i></b>	<i>N/A</i>
<b><i>City Department</i></b>	<i>Chicago Department of Public Health</i>

#### **Repeat of prior year finding 2009-07.**

**Criteria:** The City receives vaccines under the Immunization and Vaccines for Children (VFC) Grants program which are passed through to various providers throughout the City of Chicago. Under terms of the Immunization and VFC Grants agreement, the vaccines given to providers are reported as non-cash expenditures on the Schedule of Expenditures of Federal Awards of the City of Chicago. It is the responsibility of the City to ensure that these vaccines are being properly administered by providers to eligible VFC program participants.

**Condition:** The City conducts comprehensive quality assurance site visits to approximately one third of its Immunization and VFC Grant providers each year. The City has quality assurance policies and procedures which identify the scope of the annual site visit. As part of our audit, we noted several exceptions where the City did not adhere to its policy:

- > It is the policy of the City to perform a chart audit of 30 charts to determine that program participants were eligible to receive vaccinations under the Immunization Grants program. In a sample of forty provider site visits selected for testing during our audit, we determined that two provider site visits sampled fewer than 30 charts although the population was greater than 30.
- > It is the policy of the City to require that the evaluator from the City and the physician or clinic manager from the provider both sign the site visit evaluation form. We found that one site evaluation form, out of the forty examined, was not signed by the evaluator from the City.
- > It is the policy of the City to conduct follow-up visits with providers if findings were noted during the site visit. In a sample of examined, it was found that one site visit did not have a follow-up visit.

**Effect:** Program providers were not monitored in accordance with the City's site visit policy.

**Questioned Costs:** None

**Recommendation:** We recommend that the City personnel performing the annual site visits adhere to the City's policies and procedures for this monitoring. The City may consider performing inspections of completed site visits to ensure that staff are appropriately performing and documenting the results of the site visit. The City may also consider creating a process where site visit forms are reviewed before being placed in the provider's file to ensure that all pertinent documentation is maintained and all required procedures have been performed.

**Views of Responsible Officials:** See Corrective Action Plan.

# CITY OF CHICAGO

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2010

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

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#### ***Finding 2010-13***

<b><i>CFDA No.</i></b>	<i>93.268 Immunization Grants</i>
<b><i>Federal Agency</i></b>	<i>U.S. Department of Health and Human Services</i>
<b><i>Pass-through Agency</i></b>	<i>N/A</i>
<b><i>City Department</i></b>	<i>Chicago Department of Public Health</i>

**Criteria:** OMB Circular A-87 requires that costs charged to federal awards be adequately documented.

**Condition:** As part of our testing, a sample of 24 payroll expenditures was selected from the City of Chicago's general ledger system. The City was not able to provide appropriate supporting documentation for twelve items which were tested.

**Effect:** Supporting documentation could not be reconciled to the amount reported as program expenditures; therefore we were unable to determine if the costs were permissible.

**Questioned Costs:** Known questioned costs are \$10,353, as this is the amount that did not have proper supporting documentation. When this error is projected to the entire population of expenditures, the potential questioned costs are approximately \$50,230.

**Recommendation:** We recommend that the City ensure that documentation exists to support all program expenditures.

**Views of Responsible Officials:** See Corrective Action Plan.

#### ***Finding 2010-14***

<b><i>CFDA No.</i></b>	<i>14.241 Housing Opportunities for Persons with AIDS</i>
<b><i>Federal Agency</i></b>	<i>U.S. Department of Housing and Urban Development</i>
<b><i>Pass-through Agency</i></b>	<i>N/A</i>
<b><i>City Department</i></b>	<i>Chicago Department of Public Health</i>

**Criteria:** The City is required to maintain supporting records for reports submitted to federal agencies.

**Condition:** The City is required to file an annual Consolidated Annual Performance and Evaluation Report (CAPER). This report includes financial data which is reported in Part 3 of the report. The City was unable to provide supporting documentation for the amounts reported in this section of the CAPER; and as such, we were unable to determine that this portion of the CAPER was properly prepared.

**Effect:** We were unable to determine if Part 3 of the CAPER was properly prepared.

**Questioned Costs:** None

**Recommendation:** We recommend that the City ensure that supporting schedules are retained with the CAPER to substantiate the amounts reported.

**Views of Responsible Officials:** See Corrective Action Plan.

# CITY OF CHICAGO

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2010

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

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#### ***Finding 2010-15***

<b><i>CFDA No.</i></b>	<i>10.557 Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)</i>
<b><i>Federal Agency</i></b>	<i>U.S. Department of Agriculture</i>
<b><i>Pass-through Agency</i></b>	<i>Illinois Department of Human Services</i>
<b><i>City Department</i></b>	<i>Chicago Department of Public Health</i>

**Criteria:** Individuals served under the WIC program must meet the eligibility requirement of having a nutritional risk. One of the nutritional risk factors is anemia; and as such, hematological tests for anemia must be performed. A hematological test for anemia must be reported or documented at certification if the applicant has no nutritional risk factor other than anemia. Other certified applicants with qualifying nutritional risks other than anemia must be tested for anemia within ninety days of certification.

**Condition:** Two out of forty patients tested did not have the hemoglobin test administered as required.

**Effect:** Patients may have received services for which they were not eligible.

**Questioned Costs:** None

**Recommendation:** The City should have systems in place to ensure that hematological tests are performed as required. The City may consider providing additional training to staff to ensure hematological tests are ordered if required.

**Views of Responsible Officials:** See Corrective Action Plan.

#### ***Finding 2010-16***

<b><i>CFDA Nos.</i></b>	<i>14.218 Community Development Block Grants/Entitlement Grants 14.241 Housing Opportunities for Persons with AIDS 93.069 Public Health Emergency Preparedness (PHEP)</i>
<b><i>Federal Agencies</i></b>	<i>U.S. Department of Housing and Urban Development, U.S. Department of Health and Human Services</i>
<b><i>Pass-through Agency</i></b>	<i>N/A</i>
<b><i>City Department</i></b>	<i>Chicago Department of Public Health</i>

**Criteria:** OMB Circular A-133, Section 400 (d) identifies the responsibilities of pass-through entities. These responsibilities include ensuring that subrecipients expending \$500,000 or more in federal awards during the subrecipient's fiscal year have met the audit requirements for that fiscal year and issuing a management decision on audit findings within six months after receipt of the subrecipient's audit report to ensure that the subrecipient takes appropriate and timely corrective action.

# CITY OF CHICAGO

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2010

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

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#### ***Finding 2010-16*** (cont.)

**Condition:** The Office of Compliance is responsible for conducting an initial review of A-133 reports submitted by subrecipients (delegate agencies). The Office of Compliance notifies City departments via written communications when there are findings or other matters noted in those reports that could warrant a management decision by the granting department. During 2010, we noted that the Department of Public Health did not appropriately address or respond to four communications where the Office of Compliance was recommending issuance of a management decision. We selected a sample of 40 subrecipients across all City departments and noted that four subrecipients of the department required additional follow-up as communicated by the Office of Compliance. As noted above, the department had no evidence that any follow-up was completed or management decisions issued in regards to all four communications received from the Office of Compliance.

**Effect:** There is the potential that noncompliance by subrecipients is occurring and is not adequately addressed or resolved by the granting department.

**Questioned Costs:** Unable to be determined.

**Cause:** It was noted by the department that the communications from the Office of Compliance likely did not reach specific program personnel who would be responsible for follow-up procedures with the subrecipient.

**Recommendation:** We recommend the department develop workflow steps that address the tasks to appropriately respond to communications regarding potential subrecipient noncompliance received from the Office of Compliance.

**Views of Responsible Officials:** See Corrective Action Plan.

#### ***Finding 2010-17***

***CFDA Nos.***

*97.075 Rail and Transit Security Grant Program*

*97.113 ARRA – Rail and Transit Security Grant Program*

***Federal Agency***

*U.S. Department of Homeland Security*

***Pass-through Agency***

*N/A*

***City Department***

*Chicago Police Department*

**Criteria:** The Intergovernmental Cooperation Agreement between the Chicago Transit Authority and the City of Chicago requires the Chicago Police Department to submit annual performance reports and quarterly fiscal reports for each of the grant awards, due 15 days after each period ends.

**Condition:** It was discovered during our review of these programs that two annual performance reports and two quarterly reports tested were not submitted within 15 days of year end, as required by the City's agreement with the Chicago Transit Authority.

**Effect:** The Department is not in compliance with the Intergovernmental Cooperation Agreements with the Chicago Transit Authority.

# CITY OF CHICAGO

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2010

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

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#### ***Finding 2010-17*** (cont.)

**Questioned Costs:** None

**Recommendation:** The Department should strengthen existing policies and procedures surrounding reporting to ensure compliance with federal requirements.

**Views of Responsible Officials:** See Corrective Action Plan.

#### ***Finding 2010-18***

<b><i>CFDA No.</i></b>	<i>16.804 ARRA – Edward Byrne Memorial Justice Assistance Grant Program</i>
<b><i>Federal Agency</i></b>	<i>U.S. Department of Justice</i>
<b><i>Pass-through Agency</i></b>	<i>N/A</i>
<b><i>City Department</i></b>	<i>Chicago Police Department</i>

#### **Repeat of prior year finding 2009-15.**

**Criteria:** Requirements for cash management of federal awards contained in 31 CFR section 205 state that grant recipients should track and utilize funds earned from interest on cash advances for eligible program costs.

**Condition:** During our testing, it was noted that the City was awarded an ARRA Justice Assistance Grant and received an advance on July 6, 2009 for \$28,633,983. Throughout 2010, the City had not been tracking interest earned related to this grant.

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

**Questioned Costs:** None

**Recommendation:** The City should review its procedures and controls around cash advances and, in particular, the tracking of interest earned on cash advances.

**Views of Responsible Officials:** See Corrective Action Plan.

## CITY OF CHICAGO

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2010

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

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##### **Finding 2010-19**

##### **CFDA Nos.**

14.218 Community Development Block Grant - Entitlement Grants  
14.253 ARRA – Community Development Block Grant-R - Entitlement Grants

##### **Federal Agency**

U.S. Department of Housing and Urban Development

##### **Pass-through Agency**

N/A

##### **City Department**

Chicago Department of Family and Support Services

**Criteria:** According to part 24 CFR Section 85.40(a), grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant 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:** The Department uses risk based approach for monitoring of the subrecipients (delegate agencies). During our audit we tested the City's monitoring of twenty-nine program subrecipients and noted the following exceptions:

- > No risk assessment or program monitoring was performed for two subrecipients of the CDBG-R (ARRA) program.
- > Program monitoring was not scheduled for one of the high risk subrecipients of the CDBG program until September of 2011, although program expenditures existed in the first half of 2010.
- > No follow-up monitoring was performed for one subrecipient with CDBG-R (ARRA) program monitoring findings in the first visit.
- > Fiscal monitoring for three high risk CDBG subgrantees was not scheduled until the second half of 2011.

We understand that the Department is in the process of seeking HUD approval for the current risk based approach to subrecipient monitoring. Future policy changes may be necessary to comply with HUD requirements.

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

**Questioned Costs:** None

**Recommendation:** The Department should finalize HUD approval of the monitoring policy and establish a system to ensure compliance with the policy.

**Views of Responsible Officials:** See Corrective Action Plan.

# CITY OF CHICAGO

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2010

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

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**Finding 2010-20**

**CFDA No.**

*93.569 Community Services Block Grant*

**Federal Agency**

*U.S. Department of Health and Human Services*

**Pass-through Agency**

*Illinois Department of Commerce and Economic Opportunity*

**City Department**

*Chicago Department of Family and Support Services*

**Repeat of prior year finding 2009-21.**

**Criteria:** According to program requirements, equipment records shall be maintained for all property acquired with Federal funds, a physical inventory of equipment shall be taken at least once every two years and reconciled to the equipment records, an appropriate control system shall be used to safeguard equipment, and equipment shall be adequately maintained. When equipment with a current per unit fair market value of \$5,000 or more is no longer needed for a Federal program, it may be retained or sold with the Federal agency having a right to a proportionate amount of the current fair market value. Proper sales procedures shall be used that provide for competition to the extent practicable and result in the highest possible return.

**Condition:** Several assets purchased with program funds from prior fiscal periods could not be identified during the current year audit because the Department has not been maintained an inventory of capital assets acquired with program funds.

**Effect:** Disposition of equipment purchased with Federal funds may not be identified by the City, which could result in failure to appropriately reimburse the awarding agency for their proportionate share.

**Questioned Costs:** None

**Recommendation:** The Department should establish processes and procedures to track and monitor equipment purchased with federal funds.

**Views of Responsible Officials:** See Corrective Action Plan.

## CITY OF CHICAGO

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2010

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

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#### **Finding 2010-21**

##### **CFDA Nos.**

10.559 Summer Food Services Program for Children  
14.218 Community Development Block Grants/Entitlement Grants  
14.231 Emergency Shelter Grants Program  
17.258 WIA Adult Program  
17.259 WIA Youth Activities  
17.260 WIA Dislocated Workers  
93.569 Community Services Block Grant

##### **Federal Agencies**

U.S. Department of Agriculture, U.S. Department of Housing and Urban Development, U.S. Department of Labor, U.S. Department of Health and Human Services

##### **Pass-through Agencies**

Illinois Department of Public Health, Illinois State Board of Education, Illinois Department of Commerce and Economic Opportunity, Illinois Department of Human Services

##### **City Department**

Chicago Department of Family and Support Services

**Criteria:** OMB Circular A-133, Section 400 (d) identifies the responsibilities of pass-through entities. These responsibilities include ensuring that subrecipients expending \$500,000 or more in federal awards during the subrecipient's fiscal year have met the audit requirements for that fiscal year and issuing a management decision on audit findings within six months after receipt of the subrecipient's audit report to ensure that the subrecipient takes appropriate and timely corrective action.

**Condition:** The Office of Compliance is responsible for conducting an initial review of A-133 reports submitted by subrecipients (delegate agencies). The Office of Compliance notifies City departments via written communications when there are findings or other matters noted in those reports that could warrant a management decision by the granting department. During 2010, we noted that the Department of Family and Support Services did not appropriately address or respond to nine communications where the Office of Compliance was recommending issuance of a management decision. We selected a sample of 40 subrecipients across all City departments and noted that nine subrecipients of the department required additional follow-up as communicated by the Office of Compliance. As noted above, the department had no evidence that any follow-up was completed or management decisions issued in regards to all nine communications received from the Office of Compliance.

**Effect:** There is the potential that noncompliance by subrecipients is occurring and is not adequately addressed or resolved by the granting department.

**Questioned Costs:** Unable to be determined.

**Recommendation:** We recommend the department develop workflow steps that address the tasks to appropriately respond to communications regarding potential subrecipient noncompliance received from the Office of Compliance.

**Views of Responsible Officials:** See Corrective Action Plan.

# CITY OF CHICAGO

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2010

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

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#### **Finding 2010-22**

<b>CFDA No.</b>	<i>20.106 Airport Improvement Program</i>
<b>Federal Agency</b>	<i>U.S. Department of Transportation</i>
<b>Pass-through Agency</b>	<i>Illinois Department of Transportation</i>
<b>City Department</b>	<i>Chicago Department of Aviation</i>

#### **Repeat of prior year finding 2009-14.**

**Criteria:** The A-102 Common Rule and 2 CFR part 215 require that non-federal entities receiving federal awards establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. OMB Circular A-133 further requires auditors to obtain an understanding of the non-federal entity's internal control over federal programs.

To minimize the risk of errors, internal controls should be in place for all program compliance requirements, including the preparation and submission of reimbursement requests, which should be reviewed and approved by a responsible party other than the original preparer.

**Condition:** A sample of reimbursement requests was tested for review and approval by someone other than the original preparer. Specifically, four different reimbursement requests were tested and three of the four were not reviewed and approved by someone other than the original preparer.

While there were no compliance issues noted while reviewing the accuracy of the reimbursement requests, it is important that the City implement effective controls over the submission process to minimize the risk of incorrect reporting.

We understand the City implemented a process for the review and approval of reimbursement requests during 2010, however, this control was not in place the entire year.

**Effect:** Reimbursements requests submitted prior to the implementation of the review control could have been inappropriate or inaccurate.

**Questioned Costs:** None

**Recommendation:** Since the City has implemented a review procedure for reimbursement requests that took effect during 2010, we have no further recommendations.

**Views of Responsible Officials:** See Corrective Action Plan.

## CITY OF CHICAGO

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2010

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

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##### **Finding 2010-23**

<b>CFDA Nos.</b>	20.106 Airport Improvement Program 20.106 ARRA – Airport Improvement Program
<b>Federal Agency</b>	U.S. Department of Transportation
<b>Pass-through Agency</b>	Illinois Department of Transportation
<b>City Department</b>	Chicago Department of Aviation

**Criteria:** The A-102 Common Rule requires federal agencies to evaluate program performance and financial reports on at least an annual basis. Financial reporting requirements of the program subject to audit are specified in the OMB Circular A-133 Compliance Supplement Part IV. These requirements indicate that the SF-425, *Federal Financial Report* should be completed and submitted by the City.

**Condition:** For calendar year 2010 grant activity, the City did not file any SF-425, *Federal Financial Reports* for the Airport Improvement Program.

**Effect:** The grantor is not receiving certain financial information that is necessary to comply with the A-102 Common Rule.

**Questioned Costs:** None

**Recommendation:** We recommend the City contact the grantor to clarify the proper method and frequency for filing these reports. Appropriate procedures and controls should be implemented to ensure accurate and timely filings in the future.

**Views of Responsible Officials:** See Corrective Action Plan.

##### **Finding 2010-24**

<b>CFDA No.</b>	97.100 Airport Checked Baggage Screening Program
<b>Federal Agency</b>	U.S. Department of Homeland Security
<b>Pass-through Agency</b>	N/A
<b>City Department</b>	Chicago Department of Aviation

**Criteria:** According to 40 USC 3141-3144, 3146, and 3147, all laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of \$2,000 financed by federal assistance funds must be paid wages not less than those established for the locality of the project (prevailing wage rates) by the U.S. Department of Labor.

**Condition:** The City has delegated contracting responsibilities, including monitoring of Davis-Bacon compliance, to the airlines responsible for the terminal where the security equipment has been installed. As the recipient of the grant funding, the City is responsible for ensuring the airlines are performing the responsibilities delegated to them. In 2010, neither the airlines nor the City were monitoring contractor compliance with prevailing wage rates under the Davis-Bacon Act.

**Effect:** Contractors may not be paying their employees prevailing wage rates as required under the Davis-Bacon Act.

CITY OF CHICAGO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2010

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

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**Finding 2010-24** (cont.)

**Questioned Costs:** Unable to be determined.

**Recommendation:** We recommend the City and the responsible airlines determine the most appropriate method to ensure that contractors are paying prevailing wage rates in regards to the projects financed under this program.

**Views of Responsible Officials:** See Corrective Action Plan.

**Finding 2010-25**

<b>CFDA No.</b>	<i>81.086 ARRA – Conservation Research and Development</i>
<b>Federal Agency</b>	<i>U.S. Department of Energy</i>
<b>Pass-through Agency</b>	<i>N/A</i>
<b>City Department</b>	<i>Chicago Department of Environment</i>

**Criteria:** OMB Circular A-87 establishes principles and standards for determining costs for federal awards carried out through grants with local governments. When employees work on multiple activities or cost objectives, according to A-87, a distribution of their salaries or wages must be supported by personnel activity reports or equivalent documentation which meets specific standards.

**Condition/Context:** In 2010, a portion of the salaries and fringes for one employee was reimbursed under the grant. There is no documentation supporting the hours charged to the grant.

**Effect:** If salaries charged to the grant are not adequately supported by personnel activity reports, there is the potential that the grant has been inaccurately charged.

**Questioned Costs:** Unable to be determined.

**Cause:** Program personnel were not aware of the documentation requirements.

**Recommendation:** We recommend that department staff review the A-87 payroll requirements and implement a process to ensure that proper documentation is kept in order to comply with those requirements.

**Views of Responsible Officials:** See Corrective Action Plan.

# CITY OF CHICAGO

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2010

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

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#### **Finding 2010-26**

<b>CFDA No.</b>	<i>93.667 Social Services Block Grant</i>
<b>Federal Agency</b>	<i>U.S. Department of Health and Human Services</i>
<b>Pass-through Agency</b>	<i>Illinois Department of Human Services</i>
<b>City Department</b>	<i>Chicago Office of Budget and Management</i>

**Criteria:** Payroll expenditures must be recorded in the City's financial records in accordance with OMB Circular A-87. Additionally, payroll charges must be supported by the documentation required by OMB Circular A-87. When employees work on one sole 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 must be prepared at least semi-annually and must be signed by the employee or supervisory official having first-hand knowledge of the work performed by employees. When employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation. This activity must reflect an after-the-fact distribution, must account for the total activity for each employee, must be prepared at least monthly and coincide with one or more pay periods, and must be signed by the employee.

**Condition/Context:** We audited payroll expenditures for one City employee charged directly to the Empowerment Zone grant. That employee's entire salary is charged to the grant, however, the City did not maintain evidence in the form of time records or a salary certification form to support the costs of that employee.

**Effect:** It is possible that the actual distribution of the employee's time was different than what was charged to the federal program.

**Questioned Costs:** Unable to be determined.

**Cause:** The employee under review transferred to another department and a salary certification form was not obtained.

**Recommendation:** The City should review its overall process for charging salaries and wages to federal grants. Consideration may be given to the capabilities of the payroll system and City-wide policies regarding salary certification forms and departmental responsibilities for supporting allocations among multiple activities.

**Views of Responsible Officials:** See Corrective Action Plan.

## CITY OF CHICAGO

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2010

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

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***Finding 2010-27***

<b><i>CFDA No.</i></b>	<i>14.253 ARRA-Community Development Block Grant (CDBG-R)</i>
<b><i>Federal Agency</i></b>	<i>U.S. Department of Housing and Urban Development</i>
<b><i>Pass-through Agency</i></b>	<i>N/A</i>
<b><i>City Department</i></b>	<i>Chicago Department of Housing and Economic Development</i>

**Criteria:** According to part 24 CFR Section 85.40(a) Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant 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/Context:** For five of the subrecipients tested, there was no documented evidence that site visits occurred and that the subrecipients were deemed in compliance based on the visit. Documented evidence would include a completed checklist or report detailing what was reviewed during the visit.

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

**Questioned Costs:** None

**Cause:** Unknown.

**Recommendation:** The Department should strengthen existing policies and procedures surrounding subrecipient monitoring to ensure compliance with federal requirements. The process for subrecipient monitoring should be standardized within the Department including the frequency of site visits, the checklist or report to be completed and signed as a result of the visit, and the necessary documentation to be kept within the subrecipient files at the Department.

**Views of Responsible Officials:** See Corrective Action Plan.

## CITY OF CHICAGO

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2010

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

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***Finding 2010-28***

<b><i>CFDA No.</i></b>	<i>N/A</i>
<b><i>Federal Agency</i></b>	<i>N/A</i>
<b><i>Pass-through Agency</i></b>	<i>N/A</i>
<b><i>City Department</i></b>	<i>Chicago Department of Finance</i>

**Repeat of prior year finding 2009-18.**

**Criteria:** Sufficient internal controls should be in place and operating effectively to ensure transactions are recorded in the proper accounting period and that nonfederal funds are not included in the SEFA. The SEFA should include only federal expenditures related to the City's fiscal year ended December 31, 2010.

**Condition:** During our audit of major programs, we identified federal expenditures that were recorded in the current fiscal year, but were incurred in a different fiscal year. In other instances, federal expenditures were incurred during the current fiscal year, but were recorded in a different fiscal year. We also identified nonfederal funds that were reported on the draft SEFA.

**Effect:** The SEFA may not properly reflect federal award expenditures for the City's year ended December 31, 2010.

**Questioned Costs:** None

**Recommendation:** The City should review the internal controls over the year end cutoff and reporting process to ensure that expenditures are reported in the proper accounting period and that nonfederal expenditures are omitted from the SEFA.

**Views of Responsible Officials:** See Corrective Action Plan.

**CITY OF CHICAGO, ILLINOIS  
CORRECTIVE ACTION PLAN  
YEAR ENDED DECEMBER 31, 2010**



**DEPARTMENT OF FINANCE**  
**CITY OF CHICAGO**

**CORRECTIVE ACTION PLAN**  
**Year Ended December 31, 2010**

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See the views of responsible officials for findings 2010-1, 2010-2, 2010-3, 2010-4, 2010-5, 2010-6, and 2010-7 in the separate bound report titled "Basic Financial Statements for the Year Ended December 31, 2010, 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, 2010."

**FINDING 2010-8**

Chicago Department of Public Health (CDPH) will begin utilizing personnel activity reports in the first quarter of 2012. These reports will be used with employee monthly payroll costing that occurs with the department's Position Count and Control system (PCC).

**FINDING 2010-9**

The City of Chicago Comptroller's Office – Special Accounting Division acknowledges that the supporting documentation for the interim Financial Status Reports for the Public Health Emergency Preparedness and Public Health Emergency Response grants did not agree with the general ledger. To ensure that the supporting records for all future interim reports are reconcilable to the general ledger the schedules will be prepared using the Business Objects report functionality rather than screen print outs from the City's project and grants table which reflects the financial status and expenditures of a program at a particular point in time rather than for a particular period. This same process is currently used for preparation of all final financial status reports and will be adopted for the preparation of interim financial reports and implemented immediately by accounting staff and reviewed by the supervisor of accounting.

**FINDING 2010-10**

CDPH will implement review procedures and provide further training for its programmatic staff and its fiscal staff, on ensuring that invoice validation includes a review of vendor invoice calculations. This review training will take place in the 4th quarter of 2011. The department will also alert the vendor in question about the overpayment and recoup the overage amount.

## CITY OF CHICAGO

### CORRECTIVE ACTION PLAN Year Ended December 31, 2010

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#### **FINDING 2010-11**

Chicago Department of Public Health (CDPH) Finance and Human Resources divisions are creating a revised payroll costing reconciliation system. This system will utilize the department's Position Count and Control system (PCC) to ensure that staff payments are properly credited to each applicable grant or corporate fund. CDPH Finance will certify the reconciliation and CDPH HR will maintain the full copy of each certified payroll costing which will include all supporting documentation. The process will be implemented in November 2011.

#### **FINDING 2010-12**

CDPH Immunization Unit will implement the following steps:

- > Conduct training with quality assurance staff during remaining staff meetings of 2011 and annual staff training each January regarding the appropriate number of charts to select.
- > Review all Quality Assurance Reviews (QAR) upon submission monthly for completeness and adherence to VFC Quality Assurance Standards.
- > Conduct training with quality assurance staff during remaining staff meetings of 2011 and at annual staff training each January regarding the requirement for signatures and dates on the QAR.
- > Review all QARs upon submission monthly for completeness and adherence to the VFC Quality Assurance Standards.
- > Conduct training with quality assurance staff during remaining staff meetings of 2011 and at annual staff training each January regarding the necessity of follow up visits for any high priority finding within 30-60 days of QAR.
- > Utilize Co Casa data to determine which providers need follow up visits and review if and when follow up visit was conducted.

#### **FINDING 2010-13**

Chicago Department of Public Health (CDPH) Finance and Human Resources divisions are creating a revised payroll costing reconciliation system. This system will utilize the department's Position Count and Control system (PCC) to ensure that staff payments are properly credited to each applicable grant or corporate fund. CDPH Finance will certify the reconciliation and CDPH HR will maintain the full copy of each certified payroll costing which will include all supporting documentation. The process will be implemented in November 2011.

## CITY OF CHICAGO

### CORRECTIVE ACTION PLAN Year Ended December 31, 2010

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#### **FINDING 2010-14**

Chicago Department of Public Health (CDPH) will implement an internal control process for storing all support documentation for final fiscal reports. Submitted reports and the supporting general ledger information will be scanned as PDFs' and stored on the CDPH network drives. Documentation for active grant reports will also be posted on the CDPH Share Point site. This process will be implemented in November 2011.

#### **FINDING 2010-15**

The Chicago Department of Public Health (CDPH) WIC program procedures outlining the requirements for mandated laboratory tests for clients will be updated to document the lag time between clients receiving their lab results from their primary care physician and their initial receipt of WIC services. Revised procedures will be implemented in December 2011. The Chicago Department of Public Health's WIC program does not perform the hemoglobin tests on site at their WIC centers. The CDPH service model requires that clients to bring the results of their hemoglobin tests (within ninety days) to the clinic from their primary care physician. CDPH policy states that staff cannot refuse to provide service to clients that are missing the tests, therefore, each time clients are seen at the WIC site they receive reminders to obtain the tests from their primary care physicians.

#### **FINDING 2010-16**

The Chicago Department of Public Health will implement a process for communications regarding potential sub recipient noncompliance that arise from sub recipient A-133 reports in November 2011. This initiative will be coordinated with the department's newly created Office of Risk Management. A departmental risk management workgroup will be created with representation from all impacted divisions that have active sub-recipients. This workgroup will conduct a bi-monthly meeting for all management decision letters that are due within 45 days the due date of the letters received from the Office of Compliance.

#### **FINDING 2010-17**

The Intergovernmental Agreements (IGAs) between the Chicago Transit Authority and the City of Chicago for the 2007, 2008, 2009 and ARRA Transit Security Grants programs were not fully executed until November 2009, December 2009 and February 2010. From March 2010 through October 2010, representatives from Chicago Transit Authority (CTA), Office of Budget and Management (OBM), Chicago Police Department (CPD) and the Office of the Comptrollers, Special Accounting Division (SAD) held meetings and corresponded via email in an attempt to establish reimbursement billings to be in compliance with CTA, IEMA and Department of Homeland Security financial requirements for all Transit Security Grant programs. As a result, this caused a delay in submitting the quarterly fiscal reports as stipulated in the IGAs. CTA has been billed for all FY2010 Transit Security costs. The Assistant Director of Finance will be responsible for ensuring compliance of this requirement going forward.

## CITY OF CHICAGO

### CORRECTIVE ACTION PLAN Year Ended December 31, 2010

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#### **FINDING 2010-17 (cont.)**

CPD did submit the annual progress reports to CTA on the tested grants. The ARRA TSGP (CFDA 97.113) report was submitted five days after the deadline but CPD cannot document the date that the FY08 TSGP (CFDA 97.075) report was submitted. Going forward, a reminder for progress reports will be sent to the Public Transportation Section (PTS) on December 1, 2011 with a January 8, 2012 deadline. The Outlook calendars of the grants manager and the CPD Director of Grants Management will be tickled to January 8, 2012 and the January 15 reporting deadline to CTA to ensure reports are complied with.

#### **FINDING 2010-18**

The City Comptroller's Office- Special Accounting Division met with representatives from the Treasurer's Office to work out an improved system for identifying Funds which need to be kept in segregated accounts where interest earned is calculated by the Treasurer's Office and where funds are maintained in an aggregate account with interest earned being calculated and allocated by General Accounting. The supervisors and directors in Special Accounting will be responsible for ensuring that all funds having interest earned are recorded correctly. This process was implemented in 2011.

#### **FINDING 2010-19**

In the second half of 2010 DFSS made improvements to its risk analysis process to address the issues noted by HUD. DFSS will continue to work with HUD and will make adjustments, if needed, to the department's current process to ensure compliance with the monitoring policy.

#### **FINDING 2010-20**

DFSS is in the process of selecting a vendor to assist in completing a comprehensive inventory review and to develop an inventory system during the 4th quarter of 2012. In the interim, DFSS will immediately implement procedures to maintain equipment records for the Department and our delegate agencies.

## CITY OF CHICAGO

### CORRECTIVE ACTION PLAN Year Ended December 31, 2010

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#### **FINDING 2010-21**

In 2011, DFSS has made improvements in responding to management decision requests promptly and will continue to issue the required responses in a timely manner. The Department has taken the initiative to develop a unit that is responsible for fiscal compliance. This includes the review and composing of timely responses to management decision requests by the Internal Audit team.

#### **FINDING 2010-22**

The Chicago Department of Aviation has implemented a review procedure for reimbursement requests that took effect during 2010.

#### **FINDING 2010-23**

The Chicago Department of Aviation's Chief Financial Officer began filing these quarterly reports in June 2010.

#### **FINDING 2010-24**

The Chicago Department of Aviation will implement audit procedures in the payment process to ensure that contractors are paying prevailing wage rates.

#### **FINDING 2010-25**

The Chicago Department of Environment (DOE) acknowledges the audit finding for award DE-EE002541 and has implemented corrective action. In accordance with OMB Circular A-87, DOE will provide proper documentation to substantiate salary costs incurred in the performance of a grant award. Starting immediately, appropriate DOE staff will complete personnel activity reports in order to track time devoted and identified specifically to grant activities. These activity reports will be reviewed and approved by supervisory staff.

#### **FINDING 2010-26**

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 requirements of A-87. This implementation should begin in the first quarter of 2012. In the interim, the City continued to require that appropriate City departments submit copies of semiannual salary certification forms to the Department of Finance—Special Accounting Division.

## CITY OF CHICAGO

### CORRECTIVE ACTION PLAN Year Ended December 31, 2010

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#### **FINDING 2010-27**

The Department of Housing and Economic Development continued to restructure the organization in 2010 and further in 2011 into three (3) separate managing Bureaus: Housing, Economic Development, and Planning and Zoning. As a result, the Housing Bureau is responsible for the DBGC Contracts and recognizes the shortage of staff hours needed to perform all monitoring and site visits required in accordance with 2CFR 215.51. Additional staff has been identified and assigned perform site visits from June through October 2011.

The sub-recipient monitoring procedures for 2011 will include site visits. The prescribed check list will be completed and included in the sub-recipient's files.

The Department plans to increase its utilization of the electronic transmission of the sub-recipient's performance and fiscal data. The files will be maintained and reviewed by The City of Chicago for follow-up of all concerns and findings.

#### **FINDING 2010-28**

The City has been implementing procedures to ensure federal expenditures are properly accounted for and in accordance with OMB Circular A-133. The Department of Finance Management Team will work with the appropriate Fiscal Managers at the lead departments to train the department staff to charge the proper period. The Finance Management Team will also retrain the Finance staff on verifying that the invoices are charged to the correct period.

Reports will be made available to the proper lead department and OBM staff to allow them to accurately charge to the proper funding source and ensure corrections will be made in a timely manner.

**CITY OF CHICAGO, ILLINOIS  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED DECEMBER 31, 2010**



**DEPARTMENT OF FINANCE  
CITY OF CHICAGO**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED DECEMBER 31, 2010**

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**FINDING 2009-1**

**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**

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.

**2010 STATUS**

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

Staff and management continue to devote time in accommodating the development, testing, training, and implementation of the City's financial systems and report writing capabilities.

Enterprise will work to increase communication with the Chicago Department of Aviation (CDA) on the need for information and reports to minimize delays in the overall audit process.

This finding is repeated during 2010.

**CITY OF CHICAGO  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED DECEMBER 31, 2010**

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**FINDING 2009-2**

**BASIC FINANCIAL STATEMENT FINDINGS**

**OFFICE OF THE COMPTROLLER – SPECIAL ACCOUNTING DIVISION**

**FINANCIAL ACCOUNTING AND REPORTING**

The SAD does not currently monitor the inventory listing of land held for resale and does not maintain complete supporting documentation, nor does the SAD perform a valuation of the land held for resale to assess for potential impairment. Further, the SAD does not monitor certain significantly aged receivables for collectability or review certain liability accounts for accuracy.

**2010 STATUS**

The City of Chicago Housing and Economic Development Department (HED) has 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 the SAD of the Finance Department is notified timely of land inventory changes in the status of land assets, purchases and sales. Additionally, the Lead Department, HED, 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 HED to ensure accurate and timely financial reporting. In addition, these land transactions have no effect on either the City's Balance Sheet or Income Statement. The assets and liabilities net to zero as does the revenue and expense.

The City implemented the Oracle accounts receivable module and based on that implementation, the SAD has developed and implemented an aged receivables 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 allowance for doubtful accounts. Finally, this process will improve the controls over account receivables and ensure the accuracy of receivable reports and fiscal reporting.

This finding is repeated during 2010.

**CITY OF CHICAGO  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED DECEMBER 31, 2010**

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**FINDING 2009-3  
BASIC FINANCIAL STATEMENT FINDINGS  
OFFICE OF THE COMPTROLLER  
EFFECTIVENESS OF CERTAIN ACCOUNTING POLICIES AND PROCEDURES**

The City does not maintain effective accounting and financial reporting policies and procedures for certain aspects of capital assets, expenditure cutoff, encumbrance reserves, and certain disbursement's to the City Treasurer's Office to ensure that financial activity is recorded timely and in accordance with GAAP.

**2010 STATUS**

See the views of responsible officials for findings 2010-3 through 2010-6 in the separate bound report titled "Basic Financial Statements for the Year Ended December 31, 2010, 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, 2010."

This finding is repeated during 2010.

**FINDING 2009-04: U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES  
CENTERS FOR DISEASE CONTROL AND PREVENTION – INVESTIGATIONS AND  
TECHNICAL ASSISTANCE: CFDA NO. 93.283  
CHICAGO DEPARTMENT OF PUBLIC HEALTH**

During audit testing of the Financial Status Report for the Epidemiology and Laboratory Capacity Program for the period January 1, 2009 to December 31, 2009, it was noted that the amount reported as expenditures during the period was greater than the amount reported in the general ledger. It was determined that the City did not process certain charges that were included in the 2009 Financial Status Report in the City's general ledger until 2010.

**2010 STATUS**

SAD managers continue to review reconciliations and conduct routine follow-up on posting transactions required to update the general ledgers consistent with FSR's and other reporting, placing special emphasis on year end reporting.

This finding is not repeated in 2010.

**CITY OF CHICAGO  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED DECEMBER 31, 2010**

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**FINDING 2009-05: U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES  
CENTERS FOR DISEASE CONTROL AND PREVENTION – INVESTIGATIONS AND  
TECHNICAL ASSISTANCE: CFDA NO. 93.283  
CHICAGO DEPARTMENT OF PUBLIC HEALTH**

As part of the auditor's review of a sample of 40 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 40 patient files, it was found that three patient files did not have documentation demonstrating that the patient received the cervical educational materials. Six patient files did not have documentation demonstrating that the patient received the breast educational materials.
2. The City is required to determine eligibility to receive services under the program annually. In the sample of files, it was determined that two files did not have eligibility forms that identified the patient's insurance status.
3. The City is required to retain various documents that support the information contained in the patient eligibility forms. From the sample, seven patient files were incomplete. These incomplete files were missing the following items: eligibility determination form, health assessment, client participation agreement and release of information form, Cornerstone consent form, CBE/cervical exam results, and mammogram results

**2010 STATUS**

CDPH staff met and was made aware of the correct updated enrollment and other forms, the IBCCP Policy, and the current patient file maintenance requirements.

This finding is not repeated in 2010.

**CITY OF CHICAGO  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED DECEMBER 31, 2010**

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**FINDING 2009-06: U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES  
IMMUNIZATION GRANTS: CFDA NO. 93.268  
CHICAGO DEPARTMENT OF PUBLIC HEALTH**

During our audit, the City brought to our attention that one of its providers may have administered vaccines to ineligible individuals. The City conducted an audit and recommended that the provider reimburse the City a total of \$331,000, the estimated value of the vaccines that were provided to ineligible individuals. As of 2010, this provider is no longer an active provider at the City of Chicago and the case has been reported to the State of Illinois Office of the Inspector General.

**2010 STATUS**

The case was turned over to the State of Illinois Office of the Inspector General in March 2010. The Provider was inactivated from the Chicago VFC program in 2009 and has not received VFC vaccine since that time. To date, the Provider has not reimbursed the City of Chicago \$331,000, the estimated value of the vaccines that were provided to ineligible individuals.

The IL Medicaid Fraud Control Bureau started the official investigation on the case in February 2011. The Immunization Program has cooperated with the investigation and staff have been interviewed.

The Immunization Program updated the Fraud and Abuse Policy in June 2010 and key items of the policy were discussed with healthcare providers during the 2011 VFC Regional Meetings that were held during the period of March-April 2011. In addition, the Chicago Department of Public Health Immunization Program developed a Vaccine Loss Policy this year and was shared with all enrolled Vaccines for Children (VFC) Providers.

This finding is not repeated in 2010.

**FINDING 2009-07: U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES  
IMMUNIZATION GRANTS: CFDA NO. 93.268  
CHICAGO DEPARTMENT OF PUBLIC HEALTH**

Program providers were not monitored in accordance with the City's site visit policy.

**2010 STATUS**

The VFC Program Manager will review monthly the submitted Quality Assurance Reviews to assure adherence to the 30 chart review policy. In cases where providers may not have 30 charts because of a small patient practice, a written justification of why less than 30 charts were used will be required.

The VFC Program Manager will also review monthly the submitted Quality Assurance Reviews to assure completeness and the presence of signatures by both the provider and the staff person conducting the review.

This finding is repeated in 2010.

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**FINDING 2009-08: U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES  
IMMUNIZATION GRANTS: CFDA NO. 93.268  
CHICAGO DEPARTMENT OF PUBLIC HEALTH**

During our testing of the Financial Status Report for the Immunization Grant for the period January 1, 2009 to December 31, 2009, it was noted that the amount reported as expenditures during the period was greater than the amount reported in the general ledger. It was determined that the City did not process certain charges that were included in the 2009 Financial Status Report in the City's general ledger until 2010.

**2010 STATUS**

SAD managers continue to review reconciliations and conduct routine follow-up on posting transactions required to update the general ledgers consistent with FSR's and other reporting, placing special emphasis on year end reporting.

This finding is not repeated in 2010.

**FINDING 2009-09: U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES  
CENTERS FOR DISEASE CONTROL AND PREVENTION – INVESTIGATIONS AND  
TECHNICAL ASSISTANCE: CFDA NO. 93.283  
CHICAGO DEPARTMENT OF PUBLIC HEALTH**

In a sample of forty expenditures tested, three were found which were not approved by the proper City department.

**2010 STATUS**

As recommended by the auditor, CDPH will review the internal controls surrounding approval of purchase vouchers and ensure that there is an appropriate level of review by someone other than the preparer at CDPH prior to the payment.

This finding is not repeated in 2010.

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**FINDING 2009-10: U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
COMMUNITY DEVELOPMENT BLOCK GRANT: CFDA NO. 14.218  
CHICAGO DEPARTMENT OF COMMUNITY DEVELOPMENT**

The Heat Receiver activity under the CDBG program generated approximately \$385,000 in program income during 2009. As part of the Department of Community Development's corrective action to prior year finding 2008-12, further analysis was performed by the Department during 2009 and 2010 to verify the nature of the funding and establish new processes and controls to properly apply this income to eligible program activities. It is our understanding that this process has been concluded in August 2010, and the City plans to transfer \$385,000 of 2009 program income, as well as additional 2010 program income, to make it available for use on program activities during 2010.

**2010 STATUS**

The City of Chicago set up an account in its General Ledger and Accounting System (FMPS) for the receipt and recordation of Heat Receivership Program Income. All heat Receivership deposits for 2010 and 2011 are properly recorded in that account to fund CDBG eligible activities.

In 2009, prior to the establishment of the Heat Receivership Account, approximately \$385,745.20 was collected and not immediately recorded as CDBG Program Income. The City has identified a source and method to transfer the funds to be used for eligible CDBG Activities in late 2011.

This finding is not repeated in 2010.

**FINDING 2009-11: CROSS-CUT TESTING  
MAINTENANCE OF SUPPORTING DOCUMENTATION FOR CONTRACT FILES  
CHICAGO DEPARTMENT OF PROCUREMENT SERVICES**

Two contract files 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.

**2010 STATUS**

Procurement Services has increased the scrutiny given to processing and management of the contract files, and continues to address deficiencies detected in day to day contract management operations. As previously stated, an extensive review of the Policy for Document Retention was performed in 2009, and has resulted in more complete contract files. Procurement Services staff have been instructed and trained to examine the entire contract file during contract management activities in order to identify file content deficiencies as soon as possible. This has helped Procurement Services to identify and locate missing documents in the contract files.

This finding is not repeated in 2010.

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**FINDING 2009-12: CROSS-CUT TESTING  
SUBRECIPIENT MONITORING  
CHICAGO OFFICE OF COMPLIANCE**

The City's Office of Compliance has established procedures surrounding the accumulation and review of the single audit reports of the City's subrecipients. We selected a sample of forty subrecipients and the City determined that management decisions were necessary in eleven instances. The six-month requirement to issue a management decision was not met in five instances.

**2010 STATUS**

In 2010, Office of Compliance - Internal Audit engaged a new CPA firm, with adequate dedicated resources, to perform the review and monitoring of the single audit reports of the City's subrecipients, including requests for management decisions, as necessary, from the funding departments. Additionally, this process and the related procedures have been enhanced to better ensure timely review, monitoring, and communications with the City's subrecipients and funding departments.

This finding is not repeated in 2010.

**FINDING 2009-13: CROSS-CUT TESTING  
SALARY CERTIFICATIONS  
CHICAGO DEPARTMENT OF LAW, CHICAGO DEPARTMENT OF PUBLIC HEALTH, AND  
CHICAGO DEPARTMENT OF FAMILY AND SUPPORT SERVICES**

The City requires employees funded through grants to complete a semi-annual salary certification form in order to confirm the amount of time spent by employees on federal grant programs. We selected a sample of forty employees with salaries charged to various federal programs. The following exceptions were noted:

- > One or both semi-annual salary certification forms for 2009 could not be located for three employees whose salaries were charged to federal programs.
- > Nine employees certified that they spent their time on multiple activities. In these cases, the respective departments had no further documentation supporting these allocations.

**2010 STATUS**

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 requirements of A-87. This implementation should begin during the first quarter of 2012.

In the interim, the City continued to require that appropriate City departments submit copies of semiannual salary certification forms to the Department of Finance – Special Accounting Division. Each Department's Financial Manager was 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. Appropriate documentation in hard and/or soft form is to be retained at the departments in support of these distributions. 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.

This finding is repeated for the Department of Public Health in 2010.

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**FINDING 2009-14: U.S. DEPARTMENT OF TRANSPORTATION  
AIRPORT IMPROVEMENT PROGRAM: CFDA NO. 20.106  
CHICAGO DEPARTMENT OF AVIATION**

A sample of reimbursement requests was tested for review and approval by someone other than the original preparer. Specifically, four different reimbursement requests were tested and none of the four were reviewed and approved by someone other than the original preparer.

While there were no compliance issues noted while reviewing the accuracy of the reimbursement requests, it is important that the City implement effective controls over the submission process to minimize the risk of incorrect reporting.

**2010 STATUS**

The Chicago Department of Aviation has implemented a review procedure for reimbursement requests that took effect during 2010.

This finding is repeated in 2010.

**FINDING 2009-15: U.S. DEPARTMENT OF JUSTICE  
ARRA-EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT: CFDA NO. 16.804  
CHICAGO POLICE DEPARTMENT**

During our testing, it was noted that the City was awarded an ARRA Justice Assistance Grant and received an advance on July 6, 2009 for \$28,633,983. Throughout 2009, the City had not been tracking interest earned related to this grant.

**2010 STATUS**

The City Comptroller's Office- Special Accounting Division met with representatives from the Treasurer's Office to work out an improved system for identifying funds which need to be kept in segregated accounts where interest earned is calculated by the Treasurer's Office and where funds are maintained in an aggregate account with interest earned being calculated and allocated by General Accounting. The supervisors and directors in Special Accounting will be responsible for ensuring that all funds having interest earned are recorded correctly. This process was implemented in 2011.

This finding is repeated in 2010.

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**FINDING 2009-16: U.S. DEPARTMENT OF JUSTICE  
EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT: CFDA NO. 16.738  
ARRA-EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT: CFDA NO. 16.804  
CHICAGO POLICE DEPARTMENT**

It was discovered during our review of these programs that many of the subrecipients were not submitting quarterly fiscal reports to the Police Department as required under the grant agreements. In addition, the Police Department was not adequately monitoring the subrecipients to determine that they were adhering to the provisions of the grant agreements.

**2010 STATUS**

In October 2009, CPD developed its JAG sub-recipients Monitoring Policy to ensure understanding of the compliance requirements for administration and recordkeeping by the JAG co-grantees. Also in October 2009, the Chicago Police Departments JAG grants research specialist sent each JAG co-grantee a letter, to be re-sent annually, outlining the special conditions and reporting requirements of JAG funds. The co-grantees were required to acknowledge receipt of this letter by signing the letter and returning it to CPD electronically or by U.S. Postal Service by November 1, 2009. This requirement will continue in the remaining years of the grant.

Starting in October of 2009, CPD's JAG Manager began contacting co-grantees to schedule the annual onsite visits beginning in January 2010. Eleven onsite visits were conducted between January and May. Issues and concerns were identified and corrective actions were documented. Appropriate follow up and future visits to the remaining JAG co-grantees will be scheduled so that the CPD will remain in compliance with its sub-recipient monitoring requirement.

This finding is not repeated in 2010.

**FINDING 2009-17: U.S. DEPARTMENT OF LABOR  
WIA ADULT PROGRAM: CFDA NO. 17.258  
WIA DISLOCATED WORKERS: CFDA NO. 17.260  
PREPARING EX-OFFENDERS FOR THE WORKPLACE THROUGH BENEFICIARY-CHOICE  
CONTRACTING: CFDA NO. 17.261  
CHICAGO DEPARTMENT OF FINANCE-COMPTROLLER'S OFFICE (SPECIAL  
ACCOUNTING DIVISION)**

A sample of reimbursement requests was tested for review and approval by someone other than the original preparer. Specifically, six reimbursement requests were tested and none of the six were reviewed and approved by someone other than the original preparer.

**2010 STATUS**

The Special Accounting Division of the Comptroller's Office implemented procedures to ensure draw down requests would be reviewed and approved by someone other than the preparer.

This finding is not repeated in 2010.

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**FINDING 2009-18: CROSS-CUT TESTING  
INTERNAL CONTROL OVER FINANCIAL REPORTING – PREPARATION OF THE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SEFA)  
CHICAGO DEPARTMENT OF FINANCE-COMPTROLLER’S OFFICE (SPECIAL  
ACCOUNTING DIVISION)**

During our audit of major programs, we identified federal expenditures that were recorded in the current fiscal year, but were incurred in a different fiscal year. In other instances, federal expenditures were incurred during the current fiscal year, but were recorded in a different fiscal year.

**2010 STATUS**

The City has been implementing procedures to ensure federal expenditures are properly accounted for and in accordance with OMB Circular A-133. The Department of Finance management team will work with the appropriate fiscal managers at the lead departments to train the department staff to charge the proper period. The Finance management team will also re-train the Finance staff on verifying that the invoices are charged to the correct period.

Reports will be made available to the proper lead department and OBM staff to allow them to accurately charge to the proper funding source and ensure corrections will be made in a timely manner.

This finding is repeated in 2010.

**FINDING 2009-19: U.S. DEPARTMENT OF AGRICULTURE  
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN: CFDA NO. 10.559  
CHICAGO DEPARTMENT OF FAMILY AND SUPPORT SERVICES**

In 2006, 2007, and 2008 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 (a) performing a pre-operational visit and training to the personnel at the summer food program site prior to opening, (b) completing a site visit within the first week of operation, and (c) completing a monitoring review within the first four weeks after opening. For the 2009 audit, we tested a sample of 40 summer food program sites and noted the following exceptions:

- > The City had no documentation available supporting the training requirement for four of those sites
- > Evidence of the pre-operational visit was not available for five sites
- > Evidence of the first-week site visit was not available for five of the sites
- > Evidence of the monitoring review was not available for two sites
- > For five sites, the monitoring visit was not completed within the required four-week timeframe

**CITY OF CHICAGO  
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**FINDING 2009-19** (cont.)

**2010 STATUS**

The Department implemented the system of entering and assigning training dates for each approved site and a "certificate of completion" was issued to each trained personnel. The training data are being captured in our CASPIO web-based data system and the State's IWAS system. No site received meals prior to being trained and the list of trained sites shared with the food vendor to schedule delivery.

Training was provided to the program sites. DFSS worked with the Illinois Board of Education to identify which pre-operational site visits were not required. In 2010, sites that required pre-operational visits were made.

DFSS Human Resources Unit and CSD staff worked collaboratively to ensure that all staff was hired by the targeted start date for the program. Staff was in place in order to carry out the monitoring function for the program.

This finding is not repeated in 2010.

**FINDING 2009-20: U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT, U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES, U.S. DEPARTMENT OF LABOR EMERGENCY SHELTER GRANTS PROGRAM: CFDA NO. 14.231  
AGING CLUSTER: TITLE III, PART B – GRANTS FOR SUPPORTIVE SERVICES AND SENIOR CENTERS: CFDA NO. 93.044  
AGING CLUSTER: TITLE III, PART C – NUTRITION SERVICES: CFDA NO. 93.045  
AGING CLUSTER: NUTRITION SERVICES INCENTIVE PROGRAM: CFDA NO. 93.053  
AGING CLUSTER: ARRA-AGING CONGREGATE NUTRITION SERVICES FOR STATES: CFDA NO. 93.707  
CSBG CLUSTER: COMMUNITY SERVICES BLOCK GRANT: CFDA NO. 93.569  
CSBG CLUSTER: ARRA-COMMUNITY SERVICES BLOCK GRANT: CFDA NO. 93.710  
WIA CLUSTER: WIA YOUTH ACTIVITIES: CFDA NO. 17.259  
WIA CLUSTER: ARRA-WIA YOUTH ACTIVITIES: CFDA NO. 17.259  
CHICAGO DEPARTMENT OF FAMILY AND SUPPORT SERVICES**

During our audit, we sampled the City's monitoring of 27 subgrantees under these funding sources and noted that fiscal monitoring was not performed timely for eight of the funding sources' subgrantees.

**2010 STATUS**

DFSS has revised its existing fiscal monitoring procedures, which includes doing a risk analysis to identify agencies that should be considered to be priority when scheduling fiscal reviews. The analysis takes into consideration the requirements from the funding source, the results of the previous review and other audit results to establish a priority rating for each agency. A deviation of the risk analysis would be made if management determines that it is necessary to conduct a special review. Also, the scope of the fiscal reviews was expanded to include the additional programs that are now under DFSS. This will help increase overall coverage of all applicable funds.

This finding is not repeated in 2010.

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**FINDING 2009-21: U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES  
COMMUNITY SERVICES BLOCK GRANT: CFDA NO. 93.569  
CHICAGO DEPARTMENT OF FAMILY AND SUPPORT SERVICES**

Several assets purchased with program funds in the past could not be identified during the current year audit because the Department had not maintained an inventory of capital assets acquired with program funds.

**2010 STATUS**

DFSS has developed a tracking sheet to document qualifying purchases made by CSBG ARRA delegate agencies. The tracking sheet is supported by documentation provided by the agencies. In March 2011, the Illinois Department of Community and Economic Opportunity provided DFSS with further guidelines to follow in the oversight of the non-expendable assets that have been purchased with program funds. Items with an acquisition cost of \$500 or more are to be included in the tracking sheet. In addition, DFSS is in the process of contracting with a vendor to take on the responsibilities of managing the inventory records for equipment purchased with program funds. The responsibilities would include making physical inspections to confirm the accuracy of the inventory records.

This finding is repeated in 2010.