

# City of Chicago, Illinois

Basic Financial Statements as of and for the Year Ended  
December 31, 2012, 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, 2012

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# CITY OF CHICAGO, ILLINOIS

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Deloitte & Touche LLP  
111 S. Wacker Drive  
Chicago, IL 60606-4301  
USA

Tel: +1 312 486 1000  
Fax: +1 312 486 1486  
www.deloitte.com

## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

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, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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 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 financial statements are free from material misstatement. The City's Plans, audited by other auditors, were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we and other auditors have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective 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, 2012, 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 accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedule of Other Postemployment Benefits Funding Progress, as listed in the table of contents, to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2013, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance

*Deloitte & Touche LLP*

Chicago, Illinois  
June 29, 2013

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**CITY OF CHICAGO, ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2012**

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**Management's Discussion and Analysis**

As management of the City of Chicago, Illinois (City) we offer readers of the City's Comprehensive Annual Financial Report (CAFR) this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2012. We encourage the readers to consider the information presented here in conjunction with information contained within this report.

**2012 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 \$3,828.3 million (*net deficit*). Of this amount, \$8,891.6 million is an unrestricted deficit, while \$2,172.3 million is net investment in capital assets and \$2,891.0 million is restricted for specific purposes.
- The City's total assets increased by \$631.7 million. The increase primarily relates to a \$1,004.0 million increase in capital assets as a result of the City's capital improvement program, offset by a \$319.7 million decrease in cash and cash equivalents and investments primarily as a result of the City's financing of its operations.
- Revenues and Other Financing Sources, in the fund financial statements, available for general governmental operations during 2012 were \$6,751.5 million, a decrease of \$889.7 million (11.6 percent) from 2011 due to a decrease in the amount of bonds issued.
- The General Fund, also in the fund financial statements, ended 2012 with a total Fund Balance of \$231.3 million. Total Fund Balance decreased from 2011 primarily because Revenues and Other Financing Sources were less than Expenditures and Other Financing Uses by \$101.1 million. Fund Balance at December 31, 2012 of \$177.0 million was assigned. Unassigned Fund Balance was \$33.4 million at December 31, 2012.
- The City's general obligation bonds and notes outstanding increased by \$234.1 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 Basic 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 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 position* presents information on all of the City's assets, deferred outflows, liabilities, and deferred inflows with the difference reported as *net position*. Over time, increases or decreases in net position 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 position changed during each fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (for example, uncollected taxes, and earned but unused

**CITY OF CHICAGO, ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2012**

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, streets and sanitation, transportation, health, and cultural and recreation. The business-type activities of the City include water, sewer, tollway and airport services.

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

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of a fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between *governmental funds* and *governmental activities*.

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

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

**Proprietary funds.** These funds are used to show activities that operate more like those of commercial enterprises. Because these funds charge user fees for services provided to outside customers including local governments, they are known as enterprise funds. Proprietary funds, like government-wide statements, use the accrual basis of accounting and provide both long- and short-term financial information. There is no reconciliation needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements. The City uses five enterprise funds to account for its water, sewer, tollway, and two airports operations.

Proprietary funds provide the same type of information as the government-wide financial statements, but provide more detail. The proprietary fund financial statements provide separate information for the Water Fund, Sewer Fund, Chicago Skyway Fund, Chicago-O'Hare International Airport Fund and the Chicago Midway International Airport Fund. All the proprietary funds are considered to be major funds of the City. The basic proprietary fund financial statements can be found immediately following the governmental fund financial statements.

**CITY OF CHICAGO, ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2012**

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***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 position and a statement of changes in fiduciary net position. The accounting used for fiduciary funds is much like that used for proprietary funds. The fiduciary fund basic 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 for a full understanding of data provided in the government-wide and fund basic financial statements. The notes to the basic financial statements can be found immediately following the fiduciary fund basic financial statements.

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

***Net Position.*** As noted earlier, net position 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 \$3,828.2 million at December 31, 2012.

A large portion of the City's net position, \$2,172.3 million, reflects its investment in capital assets (land, buildings, roads, bridges, etc.) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities and deferred inflows.

**CITY OF CHICAGO, ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2012**

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

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets .....	\$ 5,789.0	\$ 6,125.2	\$ 4,444.1	\$ 4,480.3	\$ 10,233.1	\$ 10,605.5
Capital assets .....	7,869.7	7,579.9	12,515.5	11,801.2	20,385.2	19,381.1
<b>Total Assets .....</b>	<b>13,658.7</b>	<b>13,705.1</b>	<b>16,959.6</b>	<b>16,281.5</b>	<b>30,618.3</b>	<b>29,986.6</b>
Deferred outflows .....	224.2	236.0	253.1	255.1	477.3	491.1
<b>Total .....</b>	<b>13,882.9</b>	<b>13,941.1</b>	<b>17,212.7</b>	<b>16,536.6</b>	<b>31,095.6</b>	<b>30,477.7</b>
Long-term liabilities outstanding .....	16,863.2	15,212.4	12,496.0	11,827.3	29,359.2	27,039.7
Other liabilities .....	1,245.8	1,484.0	1,018.4	1,223.6	2,264.2	2,707.6
<b>Total Liabilities .....</b>	<b>18,109.0</b>	<b>16,696.4</b>	<b>13,514.4</b>	<b>13,050.9</b>	<b>31,623.4</b>	<b>29,747.3</b>
Deferred Inflows .....	1,618.4	1,639.4	1,682.1	1,700.6	3,300.5	3,340.0
<b>Net Position:</b>						
Net investment in capital assets .....	(216.0)	(299.9)	2,388.3	2,451.8	2,172.3	2,151.9
Restricted .....	1,908.5	1,596.4	982.5	874.8	2,891.0	2,471.3
Unrestricted .....	(7,537.0)	(5,691.2)	(1,354.6)	(1,541.5)	(8,891.6)	(7,232.7)
<b>Total net (deficit) position .....</b>	<b>\$ (5,844.5)</b>	<b>\$ (4,394.7)</b>	<b>\$ 2,016.2</b>	<b>\$ 1,785.1</b>	<b>\$ (3,828.3)</b>	<b>\$ (2,609.5)</b>

An additional portion of the City's net position (\$2,891.0 million) represents resources that are subject to external restrictions on how they may be used.

**Governmental Activities.** Net position of the City's governmental activities decreased \$1,449.8 million to a deficit of \$5,844.5 million. However, a significant portion of net position is either restricted as to the purpose they can be used for or they are net investment in capital assets (buildings, roads, bridges, etc.) Consequently, unrestricted net position showed a \$7,537.0 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 (\$888.6 million) and Municipal employees, Policemen's and Firemen's net pension obligation and post-employment benefits (\$6,364.9 million). The City will include these amounts in future years' budgets as they come due. In addition, the remaining deferred inflow of \$1,618.4 million will be amortized into income over the life of the concession service agreements.

Revenues for all governmental activities in 2012 were \$5,554.5 million, with over half of the City's revenue derived from taxes. Total tax receipts decreased slightly. Total tax revenue includes a decrease in property taxes received of \$38.5 million (4.1 percent). Other taxes decreased by \$115.8 million (5.3 percent) as a result of decreases 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 2012 were \$7,004.3 million. This reflects an increase of \$195.5 million (2.9 percent) over 2011. Public Safety accounted for approximately 41.5 percent of total expenses.

The cost of all governmental activities was \$7,004.3 million. The amount that taxpayers paid for these activities through City taxes was only \$2,963.7 million. Some of the cost was paid by those who directly benefited from the programs (\$750.2 million), or by other governments and organizations that subsidized certain programs with grants and contributions (\$920.8 million).

The City paid \$919.8 million for the "public benefit" portion with other revenues such as state aid, interest and miscellaneous income.

**CITY OF CHICAGO, ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2012**

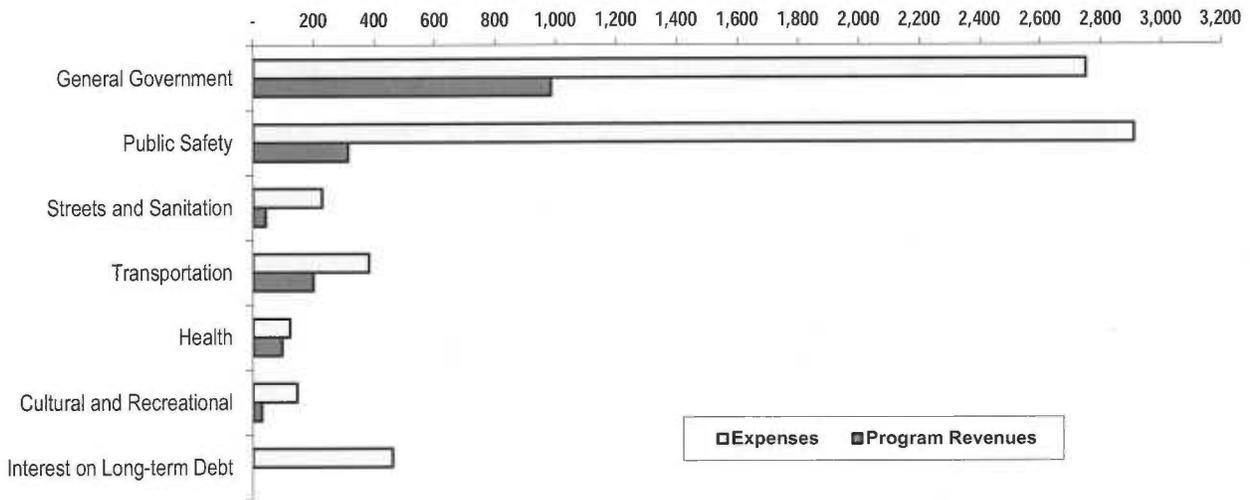
Although total net position of business-types activities was \$2,016.2 million, these resources cannot be used to make up for the deficit in net position in governmental activities. The City generally can only use this net position to finance the continuing operations of the water, sewer, tollway, and airports activities.

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

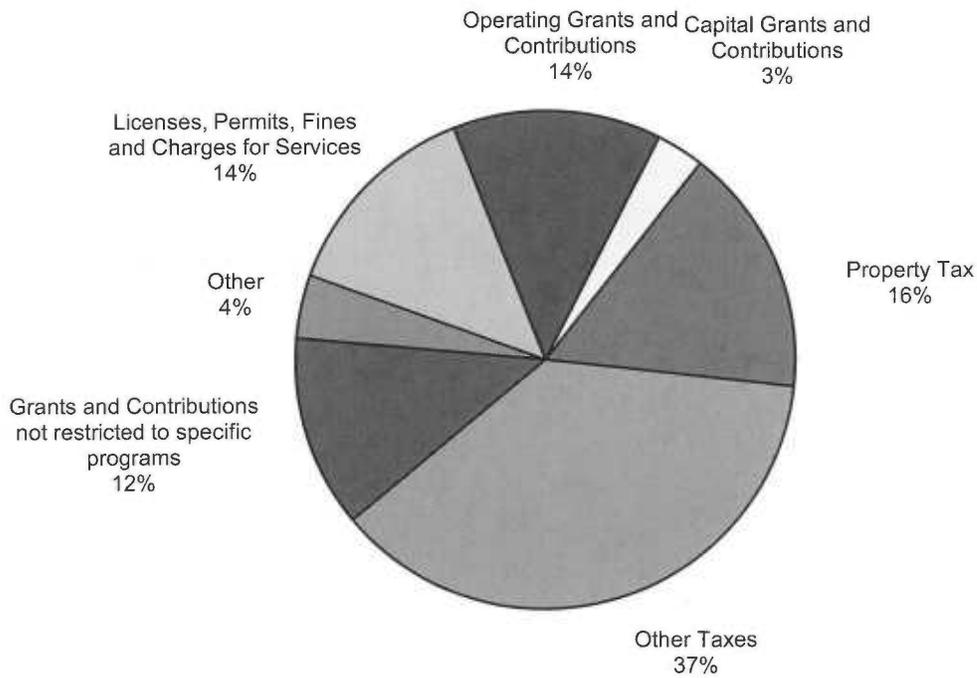
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Licenses, Permits, Fines and						
Charges for Services .....	\$ 750.2	\$ 680.9	\$ 1,889.1	\$ 1,494.3	\$ 2,639.3	\$ 2,175.2
Operating Grants and Contributions .....	748.3	788.8	-	-	748.3	788.8
Capital Grants and Contributions .....	172.5	282.0	83.2	257.4	255.7	539.4
<b>General Revenues:</b>						
Property Taxes .....	896.3	934.8	-	-	896.3	934.8
Other Taxes .....	2,067.4	2,183.2	-	-	2,067.4	2,183.2
Grants and Contributions not						
Restricted to Specific Programs .....	692.2	598.4	-	-	692.2	598.4
Other .....	227.6	240.3	64.0	83.2	291.6	323.5
<b>Total Revenues .....</b>	<b>5,554.5</b>	<b>5,708.4</b>	<b>2,036.3</b>	<b>1,834.9</b>	<b>7,590.8</b>	<b>7,543.3</b>
<b>Expenses:</b>						
General Government .....	2,751.9	2,734.4	-	-	2,751.9	2,734.4
Public Safety .....	2,910.2	2,689.4	-	-	2,910.2	2,689.4
Streets and Sanitation .....	228.6	245.9	-	-	228.6	245.9
Transportation .....	383.5	410.8	-	-	383.5	410.8
Health .....	123.1	151.2	-	-	123.1	151.2
Cultural and Recreational .....	146.3	102.8	-	-	146.3	102.8
Interest on Long-term Debt .....	460.7	474.3	-	-	460.7	474.3
Water .....	-	-	417.5	416.3	417.5	416.3
Sewer .....	-	-	195.9	194.8	195.9	194.8
Midway International Airport .....	-	-	225.9	218.1	225.9	218.1
Chicago-O'Hare International Airport .....	-	-	955.3	879.3	955.3	879.3
Chicago Skyway .....	-	-	10.6	10.9	10.6	10.9
<b>Total Expenses .....</b>	<b>7,004.3</b>	<b>6,808.8</b>	<b>1,805.2</b>	<b>1,719.4</b>	<b>8,809.5</b>	<b>8,528.2</b>
Change in Net Position Before Transfers ....	(1,449.8)	(1,100.4)	231.1	115.5	(1,218.7)	(984.9)
Special Item .....				(53.9)		
Transfers .....	-	1.0	-	(1.0)	-	-
<b>Change in Net Position .....</b>	<b>(1,449.8)</b>	<b>(1,099.4)</b>	<b>231.1</b>	<b>60.6</b>	<b>(1,218.7)</b>	<b>(1,038.8)</b>
Net (Deficit) Position, Beginning of Year .....	(4,394.7)	(3,295.3)	1,785.1	1,724.5	(2,609.6)	(1,570.8)
<b>Net (Deficit) Position, End of Year .....</b>	<b>\$ (5,844.5)</b>	<b>\$ (4,394.7)</b>	<b>\$ 2,016.2</b>	<b>\$ 1,785.1</b>	<b>\$ (3,828.3)</b>	<b>\$ (2,609.6)</b>

**CITY OF CHICAGO, ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2012**

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



**Revenues by Source - Governmental Activities**



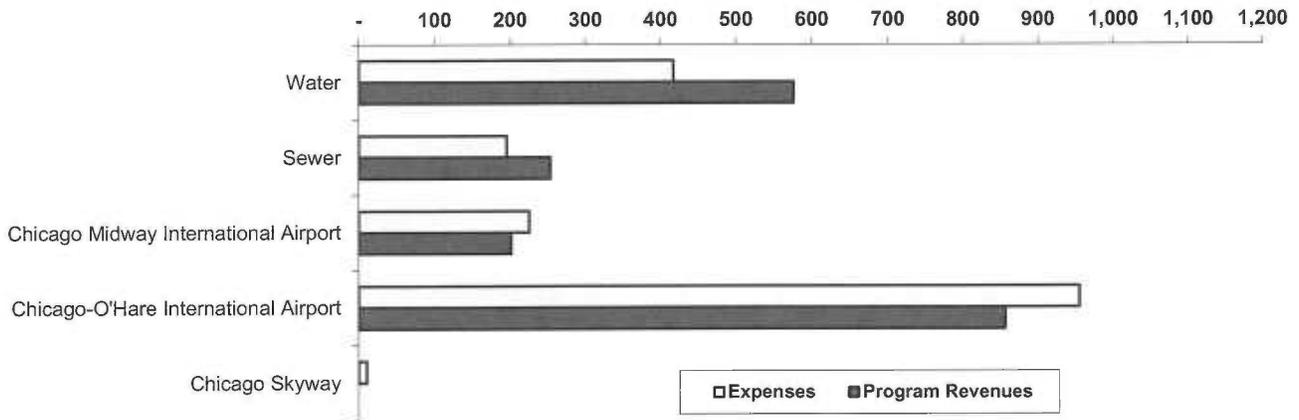
**CITY OF CHICAGO, ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2012**

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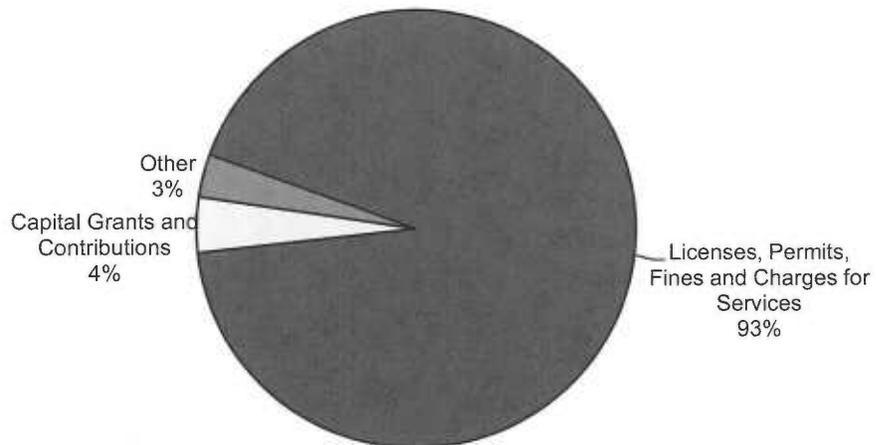
**Business-type Activities.** Revenues of the City's business-type activities increased by \$231.1 million in 2012 mostly from an increase in the charges for services and rental income revenues. All Funds met debt service coverage ratios set forth in the applicable bond indentures.

- The Water Fund's operating revenue increased by \$122.1 million (26.9%) from 2011 due to a 25% increase in water rates and increase in usage resulting from a drought summer in 2012. Operating expenses before depreciation and amortization for the year ended 2012 increased by \$7.3 million (2.6%) from the year ended 2011 due to an increase in central services and General Fund reimbursements, increase in power and pumping and increase in administrative and general offset by a decrease in purification resulting from a decrease in costs of sediment disposals.
- The Sewer Fund's operating revenue increased in 2012 by \$50.6 million (24.9%) primarily due to an increase in water and sewer rates. Operating expenses before depreciation and amortization for 2012 remained consistent with 2011. Depreciation and amortization increased slightly due to an increase in utility plant.
- Chicago Midway International Airport Fund's operating revenues for 2012 increased by \$0.462 million (0.3%) from 2011 primarily due to increased other rentals and fueling fees, offset by decreased landings fees and terminal area use charges. Concessions increased by \$1.8 million primarily due to an increase in auto parking, restaurants, and auto rental offset by a decrease in other concessions. Operating expenses before depreciation and amortization increased by \$4.2 million (3.8%) million primarily due to an increase in salary and wages, adjustments to a capital lease and an increase in provision for doubtful accounts, offset by a decrease in repairs and maintenance expenses.
- Chicago O'Hare International Airport Fund's operating revenues for 2012 increased by \$23.2 million (3.3%) compared to 2011 primarily due to an increased terminal rental and usage charges. Operating expenses before depreciation and amortization increased by \$19.1 million (4.4%) primarily due to an increase in salaries and wages, employee benefits, professional and engineering services and capital asset impairment, offset by a decrease in repairs and maintenance expense.
- 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, 2012**

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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, *unassigned 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, 2012, the City's governmental funds reported combined ending fund balances of \$1,593.4 million, a decrease of \$262.6 million in comparison with the prior year. Of this total amount \$882.1 million was committed to specific expenditures, \$177.0 million was assigned to anticipated uses, a deficit of \$1,819.5 million was unassigned, \$2,332.9 million was of restricted in use by legislation, and \$20.9 million was nonspendable.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$33.4 million with a total fund balance of \$231.3 million. As a measure of the General Fund's liquidity, it may be helpful to compare both unassigned fund balance and total fund balance to total fund expenditures. Total General Fund balance represents 7.5 percent of total General Fund expenditures. The fund balance of the City's General Fund decreased by approximately \$104.2 million during the current fiscal year.

The Federal, State and Local Grants Fund has a total deficit fund balance of \$206.1 million. This is \$84.4 million lower than 2011 primarily due to slower reimbursement of expenditures.

The Special Taxing Areas Fund has a total fund balance of \$1,499.4 million, which is all restricted to specific expenditures.

The Service Concession and Reserve Fund accounts for deferred inflows from non-business type long-term concession and lease transactions and has \$624.9 million committed to specific expenditures. The unassigned amount of \$1,618.4 million results from the deferred inflows from long-term asset leases.

The Bond, Note Redemption and Interest Fund has a total fund balance of \$346.7 million. This is \$65.6 million lower than 2011.

The Community Development and Improvement Projects Fund has a total fund balance of \$400.4 million. This is \$85.4 million lower than 2011 due to increase capital improvement efforts.

**Changes in fund balance.** The fund balance for the City's governmental funds decreased by \$262.6 million in 2012. This includes an decrease in inventory of \$3.2 million.

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

Unrestricted net position 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 \$1,354.6 million. The unrestricted net position deficit decreased by \$186.9 million due to an increase in the unrestricted net position in Chicago O'Hare International Airport, Chicago Midway International Airport, Water, and Sewer Funds. 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 2012 Original General Fund Budget was \$3,104.3 million. This budget reflects a decrease of \$159.4 million (4.9 percent) over the 2011 Budget. The City's 2012 General Fund Budget was approved by the City Council on November 16, 2011. The General Fund revenues on a budgetary basis were \$27.4 million less than the final budget as a result of lower transfers in and lower than expected use of budgeted prior years' surplus, offset by higher

**CITY OF CHICAGO, ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2012**

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than expected taxes. Expenditures were \$27.4 million more than budgeted as a result of unfavorable variances in public safety, primarily as a result of higher than expected 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 2012 ended the current fiscal year with an unassigned fund balance of \$33.4 million.

**Capital Asset and Debt Administration**

**Capital Assets.** The City's capital assets for its governmental and business-type activities as of December 31, 2012 amount to \$20,385.2 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 continues its commitment to sustainable design in new construction projects utilizing the Leadership in Energy & Environmental Design (LEED) strategy. Completed construction in 2012 included a new fire house for Engine Company 16 totaling \$16.8 million, Police District 12 totaling \$3.4 million and the Grand Crossing Reading Garden totaling \$0.6 million
- During 2012 the City completed \$116.4 million in bridge and viaduct reconstruction projects, \$90.3 million street construction projects and \$3.5 million in street lighting projects. At year end, Infrastructure projects still in process had expenses totaling nearly \$606.8 million.
- At the end of 2012 the Water Fund had \$2,861.3 million invested in utility plant, net of accumulated depreciation. During 2012, the Water Fund expended \$318.9 million on capital activities. This included \$2.2 million for structures and improvements, \$133.9 million for distribution plant, \$5.8 million for equipment, and \$177.2 million for construction in progress.  
During 2012, net completed projects totaling \$63.7 million were transferred from construction in progress to applicable capital accounts. The major completed projects were related to installation and replacements of water mains (\$63.4 million). The 2012 Water Main Replacement Program completed 79.7 miles of water mains of which approximately 31.0 miles were completed by in-house crews.
- At the end of 2012, the Sewer Fund totaled capital assets of \$1,671.3 million. During 2012, the Sewer Fund had capital additions being depreciated of \$246.6 million, and completed projects totaling \$79.2 million were transferred from construction in progress to applicable facilities and structures capital accounts. The 2012 Sewer Main Replacement Program completed 17.4 miles of sewer mains and 51.4 miles of relining of existing sewer mains at a cost of \$246.6 million.
- At the end of 2012, Chicago-Midway International Airport totaled \$1,167.3 million, invested in net capital assets. During 2011, the Airport had additions of \$64.8 million related to capital activities. This included \$3.4 million for land acquisition and the balance of \$61.4 million for construction projects relating to terminal improvements, parking and roadway enhancements, and runway improvements.
- At the end of 2012 Chicago-O'Hare International Airport totaled \$6.5 billion, invested in net capital assets. During 2012, the Airport had additions of \$476.5 million related to capital activities. This included \$8.6 million for land acquisition and the balance of \$467.9 million for terminal improvements, road and sidewalk enhancement, runway and taxiway improvements, along with general parking enhancements. During 2012, completed projects totaling \$314.8 million were transferred from construction in progress to applicable buildings and other facilities capital accounts. These major completed projects were related to runway improvements, heating and refrigeration, road and sidewalk enhancements, electrical, water drainage, fuel system enhancements and terminal improvements.

**CITY OF CHICAGO, ILLINOIS  
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**City of Chicago, Illinois  
Capital Assets (net of depreciation)  
(in millions of dollars)**

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land .....	\$ 1,404.5	\$ 1,401.0	\$ 1,024.7	\$ 1,012.6	\$ 2,429.2	\$ 2,413.6
Works of Art and Historical Collections .....	13.2	13.1	-	-	13.2	13.1
Construction in Progress .....	644.3	466.3	1,548.3	1,310.4	2,192.6	1,776.7
Buildings and Other Improvements .....	1,677.7	1,699.0	9,618.2	9,141.0	11,295.9	10,840.0
Machinery and Equipment .....	255.6	313.6	324.3	337.3	579.9	650.9
Infrastructure .....	<u>3,874.4</u>	<u>3,686.9</u>	<u>-</u>	<u>-</u>	<u>3,874.4</u>	<u>3,686.9</u>
Total .....	<u>\$ 7,869.7</u>	<u>\$ 7,579.9</u>	<u>\$ 12,515.5</u>	<u>\$ 11,801.3</u>	<u>\$ 20,385.2</u>	<u>\$ 19,381.2</u>

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

**Debt.** At the end of the current fiscal year, the City had \$7,315.4 million in General Obligation Bonds and \$696.4 million in General Obligation Certificates and Other Obligations outstanding. Other outstanding long-term debt is as follows: \$193.0 million in Motor Fuel Tax Revenue Bonds; \$577.3 million of Sales Tax Revenue Bonds; \$112.2 million in Tax Increment Financing Bonds; and \$11,967.8 million in Enterprise Fund Bonds and long-term obligations. For more detail, refer to Note 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	
	2012	2011	2012	2011	2012	2011
General Obligation .....	\$ 8,011.8	\$ 7,777.7	\$ -	\$ -	\$ 8,011.8	\$ 7,777.7
Installment Purchase Agreement .....	-	-	-	-	-	-
Tax Increment .....	112.2	131.6	-	-	112.2	131.6
Revenue Bonds .....	770.3	776.0	11,967.8	11,715.0	12,738.1	12,491.0
Total .....	<u>\$ 8,894.3</u>	<u>\$ 8,685.3</u>	<u>\$ 11,967.8</u>	<u>\$ 11,715.0</u>	<u>\$ 20,862.1</u>	<u>\$ 20,400.3</u>

During 2012, the City issued the following:

**General Obligation Bonds:**

- General Obligation Bonds, Project Series 2012A, Taxable Project Series 2012B, and Refunding Series 2012C (\$594.9 million)
- General Obligation Commercial Paper Notes (\$133.8 million)

**CITY OF CHICAGO, ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Enterprise Fund Revenue Bonds and Notes:**

- Chicago-O'Hare International Airport Third Lien Revenue Refunding Bonds, Series 2012A (Alternative Minimum Tax - AMT), Series 2012B (AMT) and Series 2012C (Non-AMT) (\$728.9 million)
- Chicago-O'Hare International Airport Passenger Facility Charge Revenue Refunding Bonds, Series 2012A (Non-AMT) and 2012B (AMT) (\$452.1 million)
- Chicago-O'Hare International Airport General Commercial Paper Notes (\$50.6 million)
- Second Lien Water Revenue Bonds, Project Series 2012 (\$399.4 million)
- Second Lien Wastewater Transmission Revenue Bonds, Project and Refunding Series 2012 (\$276.5 million)

At December 31, 2012 the City had credit ratings with each of the three major rating agencies as follows:

<b>Rating Agency</b>	<b>Moody's</b>	<b>Standard &amp; Poor's</b>	<b>Fitch</b>
General Obligation:			
City	Aa3	A+	AA-
Revenue Bonds:			
O'Hare Airport:			
First Lien General Airport Revenue Bonds	A2	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-	NR
Junior Lien	Aa3	A+	AA
Sales Tax	Aa3	AAA	AA-
Motor Fuel Tax	Aa3	AA+	A-

In 2012, the City closed and extinguished the First and Second General Airport Revenue (GAR) bonds. The third Lien bonds became the First Lien bonds.

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

The City's finances are closely tied with the local, national, and global economies. Throughout 2012, the local and national economies experienced moderate growth, continuing the recovery from the economic downturn. The strong commercial real estate market seen throughout 2011 continued into 2012, and 2012 also saw the housing market join in this recovery. Home sales increased by 22 percent over 2011, and home prices, which had been slower to recover, ticked up 5.7 percent over 2011. Nationwide, retail sales grew 5 percent over 2011 in 2012, and consumer confidence surged during the holiday season. The average national unemployment rate decreased from 8.9 percent in 2011 to 8.1 percent in 2012, and Chicago's unemployment rate fell from 11.3 percent in 2011 to 10.1 percent in 2012. Tourism and business and convention travel to Chicago reached near-record levels in 2012, with 46.2 million visitors to the City, an increase of 6 percent over 2011. This growth was evident in local hotel occupancy, which was up 4 percent in 2012 from 2011, and revenue per available room, which was up 10 percent in 2012 from 2011.

**CITY OF CHICAGO, ILLINOIS  
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The City's 2013 General Fund budget, totaling \$3,159 million, was approved by a 46 to 3 vote of City Council on November 15, 2012. The 2013 budget balanced a preliminary budget shortfall of \$369 million by cutting spending and increasing efficiencies without raising any taxes or introducing any new fees. The 2013 Corporate Fund shortfall was the smallest preliminary budget deficit since the recession, demonstrating the progress and reforms made in the 2012 budget and throughout the year. The 2013 budget built on that progress, investing in youth, public safety, and critical infrastructure while continuing to phase out the heavy reliance on nonrecurring revenue sources, including funds from the City's asset concession reserves, seen prior to 2012. In 2012, the City returned \$20 million to its long-term reserves, and the 2013 budget commits an additional \$15 million to those reserves.

**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.

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**Exhibit 1**  
**CITY OF CHICAGO, ILLINOIS**  
**STATEMENT OF NET POSITION**  
**December 31, 2012**  
**(Amounts are in Thousands of Dollars)**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS AND DEFERRED OUTFLOWS</b>			
Cash and Cash Equivalents .....	\$ 729,095	\$ 152,999	\$ 882,094
Investments .....	1,626,647	170,373	1,797,020
Cash and Investments with Escrow Agent .....	499,754	-	499,754
Receivables (Net of Allowances):			
Property Tax .....	1,258,648	-	1,258,648
Accounts .....	929,230	336,613	1,265,843
Internal Balances .....	(35,190)	35,190	-
Inventories .....	20,885	18,819	39,704
Restricted Assets:			
Cash and Cash Equivalents .....	4,495	997,524	1,002,019
Investments .....	622,628	2,218,063	2,840,691
Other Assets .....	132,814	514,477	647,291
Capital Assets:			
Land, Art, and Construction in Progress .....	2,062,009	2,572,971	4,634,980
Other Capital Assets, Net of Accumulated Depreciation .....	5,807,660	9,942,547	15,750,207
Total Capital Assets .....	7,869,669	12,515,518	20,385,187
Total Assets .....	13,658,675	16,959,576	30,618,251
Deferred Outflows .....	224,236	253,120	477,356
Total Assets and Deferred Outflows .....	<u>\$ 13,882,911</u>	<u>\$ 17,212,696</u>	<u>\$ 31,095,607</u>
<b>LIABILITIES AND DEFERRED INFLOWS</b>			
Voucher Warrants Payable .....	\$ 601,946	\$ 420,261	\$ 1,022,207
Short-term Debt .....	672	-	672
Accrued Interest .....	210,413	236,915	447,328
Accrued and Other Liabilities .....	335,930	177,937	513,867
Unearned Revenue .....	96,867	183,206	280,073
Long-term Liabilities:			
Due Within One Year .....	280,720	215,231	495,951
Derivative Instrument Liability .....	255,376	253,120	508,496
Due in More Than One Year .....	16,327,129	12,027,650	28,354,779
Total Liabilities .....	18,109,053	13,514,320	31,623,373
Deferred Inflows .....	1,618,360	1,682,121	3,300,481
<b>NET POSITION</b>			
Net Investment in Capital Assets .....	(215,961)	2,388,310	2,172,349
Restricted for:			
Capital Projects .....	-	173,130	173,130
Debt Service .....	409,102	11,624	420,726
Special Taxing Areas .....	1,499,414	-	1,499,414
Passenger Facility Charges .....	-	140,142	140,142
Contractual Use Agreement .....	-	141,566	141,566
Noise Mitigation Program .....	-	245,200	245,200
Airport Purposes .....	-	270,855	270,855
Unrestricted (Deficit) .....	(7,537,057)	(1,354,572)	(8,891,629)
Total Net Position .....	<u>\$ (5,844,502)</u>	<u>\$ 2,016,255</u>	<u>\$ (3,828,247)</u>

See notes to basic financial statements.

**Exhibit 2**  
**CITY OF CHICAGO, ILLINOIS**  
**STATEMENT OF ACTIVITIES**  
**Year Ended December 31, 2012**  
**(Amounts are in Thousands of Dollars)**

Functions/Programs	Expenses	Licenses, Permits, Fines and Charges for Services
Primary Government		
Governmental Activities:		
General Government .....	\$ 2,751,944	\$ 452,892
Public Safety .....	2,910,160	199,572
Streets and Sanitation .....	228,622	42,138
Transportation .....	383,510	39,343
Health .....	123,055	1,751
Cultural and Recreational .....	146,283	14,454
Interest on Long-term Debt .....	460,660	-
Total Governmental Activities .....	7,004,234	750,150
Business-type Activities:		
Water .....	417,499	576,287
Sewer .....	195,911	253,912
Chicago Midway International Airport .....	225,867	201,749
Chicago-O'Hare International Airport .....	955,276	857,114
Chicago Skyway .....	10,621	-
Total Business-type Activities .....	1,805,174	1,889,062
Total Primary Government .....	\$ 8,809,408	\$ 2,639,212

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
\$ 521,362	\$ 11,615	\$ (1,766,075)	\$ -	\$ (1,766,075)
115,976	-	(2,594,612)	-	(2,594,612)
-	-	(186,484)	-	(186,484)
-	160,841	(183,326)	-	(183,326)
95,675	-	(25,629)	-	(25,629)
15,243	-	(116,586)	-	(116,586)
-	-	(460,660)	-	(460,660)
<u>748,256</u>	<u>172,456</u>	<u>(5,333,372)</u>	<u>-</u>	<u>(5,333,372)</u>
-	2,500	-	161,288	161,288
-	2,500	-	60,501	60,501
-	4,681	-	(19,437)	(19,437)
-	73,538	-	(24,624)	(24,624)
-	-	-	(10,621)	(10,621)
<u>-</u>	<u>83,219</u>	<u>-</u>	<u>167,107</u>	<u>167,107</u>
<u>\$ 748,256</u>	<u>\$ 255,675</u>	<u>(5,333,372)</u>	<u>167,107</u>	<u>(5,166,265)</u>
General Revenues				
Taxes:				
Property Tax .....		896,246	-	896,246
Utility Tax .....		548,682	-	548,682
Sales Tax .....		294,417	-	294,417
Transportation Tax .....		373,544	-	373,544
Transaction Tax .....		281,957	-	281,957
Special Area Tax .....		274,617	-	274,617
Recreation Tax .....		163,194	-	163,194
Other Taxes .....		131,086	-	131,086
Grants and Contributions not Restricted to				
Specific Programs .....		692,232	-	692,232
Unrestricted Investment Earnings .....		92,050	25,197	117,247
Miscellaneous .....		135,511	38,842	174,353
Total General Revenues .....		<u>3,883,536</u>	<u>64,039</u>	<u>3,947,575</u>
Change in Net Assets .....		(1,449,836)	231,146	(1,218,690)
Net Position - Beginning .....		(4,394,666)	1,785,109	(2,609,557)
Net Position - Ending .....		<u>\$ (5,844,502)</u>	<u>\$ 2,016,255</u>	<u>\$ (3,828,247)</u>

**Exhibit 3**  
**CITY OF CHICAGO, ILLINOIS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**December 31, 2012**  
**(Amounts are in Thousands of Dollars)**

	General	Federal, State and Local Grants	Special Taxing Areas
<b>ASSETS</b>			
Cash and Cash Equivalents .....	\$ 745	\$ 20,931	\$ 623,433
Investments .....	72,702	52,705	620,267
Cash and Investments with Escrow Agent .....	-	-	-
Receivables (Net of Allowances):			
Property Tax .....	-	-	350,032
Accounts .....	219,300	10,809	3,732
Due From Other Funds .....	165,078	29,694	258,238
Due From Other Governments .....	222,604	362,651	-
Inventories .....	20,885	-	-
Restricted Cash and Cash Equivalents .....	389	3,220	1
Restricted Investments .....	-	-	-
Other Assets .....	-	5,362	-
<b>Total Assets .....</b>	<b><u>\$ 701,703</u></b>	<b><u>\$ 485,372</u></b>	<b><u>\$ 1,855,703</u></b>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE</b>			
<b>Liabilities:</b>			
Voucher Warrants Payable .....	\$ 181,998	\$ 157,322	\$ 49,612
Bonds, Notes and Other Obligations Payable - Current .....	-	271	-
Accrued Interest .....	-	-	-
Due To Other Funds .....	139,397	281,434	11,534
Accrued and Other Liabilities .....	110,177	9,467	3,872
Claims Payable .....	37,685	-	-
Deferred Revenue .....	1,144	242,966	291,271
<b>Total Liabilities .....</b>	<b><u>470,401</u></b>	<b><u>691,460</u></b>	<b><u>356,289</u></b>
Deferred Inflows .....	-	-	-
<b>Fund Balance:</b>			
Nonspendable .....	20,885	-	-
Restricted .....	-	27,821	1,499,414
Committed .....	-	-	-
Assigned .....	177,000	-	-
Unassigned .....	33,417	(233,909)	-
<b>Total Fund Balance .....</b>	<b><u>231,302</u></b>	<b><u>(206,088)</u></b>	<b><u>1,499,414</u></b>
<b>Total Liabilities, Deferred Inflows and Fund Balance .....</b>	<b><u>\$ 701,703</u></b>	<b><u>\$ 485,372</u></b>	<b><u>\$ 1,855,703</u></b>

See notes to basic financial statements.

Service Concession and Reserve	Bond, Note Redemption and Interest	Community Development and Improvement Projects	Other Governmental Funds	Total Governmental Funds
\$ 202	\$ 10,922	\$ 442	\$ 72,420	\$ 729,095
40	128,886	528,111	223,936	1,626,647
-	399,260	1,781	98,713	499,754
-	470,746	-	437,870	1,258,648
1,305	37,658	2,204	10,910	285,918
-	30,068	67,799	93,854	644,731
-	3,017	-	51,040	639,312
-	-	-	-	20,885
674	-	211	-	4,495
622,628	-	-	-	622,628
-	-	-	-	5,362
<u>\$ 624,849</u>	<u>\$ 1,080,557</u>	<u>\$ 600,548</u>	<u>\$ 988,743</u>	<u>\$ 6,337,475</u>
\$ -	\$ -	\$ 99,249	\$ 76,771	\$ 564,952
-	89,970	-	5,910	96,151
-	208,254	-	2,159	210,413
-	-	97,857	205,273	735,495
-	-	3,032	19,255	145,803
-	-	-	-	37,685
-	435,614	-	364,254	1,335,249
-	<u>733,838</u>	<u>200,138</u>	<u>673,622</u>	<u>3,125,748</u>
<u>1,618,360</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,618,360</u>
-	-	-	-	20,885
-	189,883	400,410	215,383	2,332,911
624,849	156,836	-	100,442	882,127
-	-	-	-	177,000
(1,618,360)	-	-	(704)	(1,819,556)
<u>(993,511)</u>	<u>346,719</u>	<u>400,410</u>	<u>315,121</u>	<u>1,593,367</u>
<u>\$ 624,849</u>	<u>\$ 1,080,557</u>	<u>\$ 600,548</u>	<u>\$ 988,743</u>	<u>\$ 6,337,475</u>

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds .....	7,869,669
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds ....	1,259,145
Certain liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds .....	(16,566,683)
Net position of governmental activities	<u>\$ (5,844,502)</u>

**Exhibit 4**  
**CITY OF CHICAGO, ILLINOIS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended December 31, 2012**  
**(Amounts are in Thousands of Dollars)**

	General	Federal, State and Local Grants	Special Taxing Areas
<b>Revenues:</b>			
Property Tax .....	\$ -	\$ -	\$ -
Utility Tax .....	462,475	-	-
Sales Tax (Local and State) .....	572,185	-	-
Transportation Tax .....	177,890	-	-
State Income Tax .....	282,779	-	-
Transaction Tax .....	241,111	-	-
Special Area Tax .....	-	-	370,454
Recreation Tax .....	163,194	-	-
Other Taxes .....	112,188	-	-
Federal/State Grants .....	1,074	876,790	-
Internal Service .....	302,924	-	-
Licenses and Permits .....	117,568	-	-
Fines .....	290,799	-	-
Investment Income .....	5,439	-	29,771
Charges for Services .....	133,021	-	406
Miscellaneous .....	58,009	-	5,130
<b>Total Revenues .....</b>	<b>2,920,656</b>	<b>876,790</b>	<b>405,761</b>
<b>Expenditures:</b>			
<b>Current:</b>			
General Government .....	864,556	391,817	305,952
Health .....	24,371	101,558	38
Public Safety .....	1,956,152	112,429	954
Streets and Sanitation .....	178,065	-	116
Transportation .....	53,815	325,491	66,773
Cultural and Recreational .....	13	16,076	8,557
Employee Pensions .....	-	-	-
Other .....	2,237	8,564	-
Capital Outlay .....	-	5,259	-
<b>Debt Service:</b>			
Principal Retirement .....	1,645	-	-
Interest and Other Fiscal Charges .....	515	-	3
<b>Total Expenditures .....</b>	<b>3,081,369</b>	<b>961,194</b>	<b>382,393</b>
<b>Revenues (Under) Over Expenditures ..</b>	<b>(160,713)</b>	<b>(84,404)</b>	<b>23,368</b>

Continued on following pages.

Service Concession and Reserve	Bond, Note Redemption and Interest	Community Development and Improvement Projects	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 487,714	\$ -	\$ 453,684	\$ 941,398
-	22,324	-	63,883	548,682
-	22,105	-	-	594,290
-	18,635	-	177,019	373,544
-	-	-	108,506	391,285
-	-	-	40,846	281,957
-	-	-	-	370,454
-	-	-	-	163,194
-	82	-	18,816	131,086
-	-	-	-	877,864
-	-	-	16,361	319,285
-	-	-	-	117,568
-	-	-	15,711	306,510
18,084	29,153	4,812	3,626	90,885
-	-	-	37,297	170,724
21,033	23,160	4,422	23,757	135,511
<u>39,117</u>	<u>603,173</u>	<u>9,234</u>	<u>959,506</u>	<u>5,814,237</u>
100	-	-	244,116	1,806,541
-	-	-	1,600	127,567
-	-	-	6,424	2,075,959
-	-	-	49,919	228,100
-	-	-	68,224	514,303
-	-	-	77,738	102,384
-	-	-	458,951	458,951
-	-	-	924	11,725
-	-	339,912	90,429	435,600
-	296,084	-	43,025	340,754
-	431,588	-	29,856	461,962
<u>100</u>	<u>727,672</u>	<u>339,912</u>	<u>1,071,206</u>	<u>6,563,846</u>
<u>39,017</u>	<u>(124,499)</u>	<u>(330,678)</u>	<u>(111,700)</u>	<u>(749,609)</u>

**Exhibit 4 - Concluded**  
**CITY OF CHICAGO, ILLINOIS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended December 31, 2012**  
**(Amounts are in Thousands of Dollars)**

	General	Federal, State and Local Grants	Special Taxing Areas
Other Financing Sources (Uses):			
Issuance of Debt .....	\$ 55,000	\$ -	\$ -
Premium .....	-	-	-
Payment to Refunded Bond Escrow Agent .....	-	-	-
Transfers In .....	31,617	-	68,675
Transfers Out .....	(26,965)	-	(44,264)
Total Other Financing Sources (Uses) .....	<u>59,652</u>	<u>-</u>	<u>24,411</u>
Net Changes in Fund Balance .....	(101,061)	(84,404)	47,779
Fund Balance, Beginning of Year .....	335,533	(121,684)	1,451,635
Change in Inventory .....	(3,170)	-	-
Fund Balance, End of Year .....	<u>\$ 231,302</u>	<u>\$ (206,088)</u>	<u>\$ 1,499,414</u>

See notes to basic financial statements.

<u>Service Concession Agreements and 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>
\$ -	\$ 337,410	\$ 207,566	\$ 122,415	\$ 722,391
-	-	36,166	-	36,166
-	(268,397)	-	-	(268,397)
328	-	3,843	74,287	178,750
<u>(12,358)</u>	<u>(10,105)</u>	<u>(2,322)</u>	<u>(82,736)</u>	<u>(178,750)</u>
<u>(12,030)</u>	<u>58,908</u>	<u>245,253</u>	<u>113,966</u>	<u>490,160</u>
26,987	(65,591)	(85,425)	2,266	(259,449)
(1,020,498)	412,310	485,835	312,855	1,855,986
-	-	-	-	(3,170)
<u>\$ (993,511)</u>	<u>\$ 346,719</u>	<u>\$ 400,410</u>	<u>\$ 315,121</u>	<u>\$ 1,593,367</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, 2012**  
**(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 .....	\$ (259,449)
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 .....	278,635
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds .....	(63,855)
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 .....	(150,751)
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>(1,254,416)</u>
Change in the net position of governmental activities .....	<u>\$ (1,449,836)</u>

Exhibit 6  
**CITY OF CHICAGO, ILLINOIS**  
**STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
**GENERAL FUND (BUDGETARY BASIS)**  
**Year Ended December 31, 2012**  
**(Amounts are in Thousands of Dollars)**

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
<b>Revenues:</b>				
Utility Tax .....	\$ 475,306	\$ 475,306	\$ 462,475	\$ (12,831)
Sales Tax .....	250,748	250,748	272,312	21,564
Transportation Tax .....	174,271	174,271	177,890	3,619
Transaction Tax .....	192,167	192,367	241,111	48,744
Recreation Tax .....	160,956	160,956	163,194	2,238
Business Tax .....	94,146	94,146	108,278	14,132
State Income Tax .....	209,401	209,401	282,779	73,378
State Sales Tax .....	284,421	284,421	299,873	15,452
State Auto Rental .....	3,354	3,354	3,910	556
Federal/State Grants .....	1,568	1,568	1,074	(494)
Internal Service .....	362,398	362,398	302,924	(59,474)
Licenses and Permits * .....	135,110	135,110	117,568	(17,542)
Fines .....	290,131	292,631	290,799	(1,832)
Investment Income .....	4,200	4,200	5,439	1,239
Charges for Services .....	125,141	125,141	124,606	(535)
Municipal Utilities .....	8,667	8,667	8,415	(252)
Leases, Rentals and Sales .....	9,680	9,680	14,747	5,067
Miscellaneous .....	57,100	57,100	43,262	(13,838)
Issuance of Debt, Net of				
Original Discount .....	50,000	50,000	55,000	5,000
Budgeted Prior Years' Surplus				
and Reappropriations .....	143,549	143,549	72,347	(71,202)
Transfers In/Out .....	72,000	72,000	31,617	(40,383)
<b>Total Revenues .....</b>	<b>3,104,314</b>	<b>3,107,014</b>	<b>3,079,620</b>	<b>(27,394)</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General Government * .....	960,820	963,520	882,437	81,083
Health .....	25,407	25,407	25,896	(489)
Public Safety .....	1,881,453	1,881,453	1,938,657	(57,204)
Streets and Sanitation .....	178,644	178,644	178,338	306
Transportation .....	55,610	55,610	51,914	3,696
<b>Debt Service:</b>				
Principal Retirement .....	1,645	1,645	1,645	-
Interest and Other Fiscal Charges .....	735	735	733	2
<b>Total Expenditures .....</b>	<b>3,104,314</b>	<b>3,107,014</b>	<b>3,079,620</b>	<b>27,394</b>
<b>Revenues Over (Under) Expenditures ...</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

See notes to basic financial statements.

\* Housing Revenue Fund is included.

**Exhibit 7**  
**CITY OF CHICAGO, ILLINOIS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**December 31, 2012**  
**(Amounts are in Thousands of Dollars)**

	Business-type Activities - Enterprise Funds					
	Major Funds					
	Water	Sewer	Chicago Midway International Airport	Chicago- O'Hare International Airport	Chicago Skyway	Total
<b>ASSETS AND DEFERRED OUTFLOWS</b>						
<b>CURRENT ASSETS:</b>						
Cash and Cash Equivalents .....	\$ 84,429	\$ 17,722	\$ 11,785	\$ 38,226	\$ 837	\$ 152,999
Investments .....	44,188	16,952	36,079	72,758	396	170,373
Accounts Receivable (Net of Allowances) .....	128,805	74,328	13,663	91,589	58	308,443
Due from Other Funds .....	20,607	18,840	14,437	28,482	-	82,366
Due from Other Governments .....	-	-	-	28,170	-	28,170
Inventories .....	17,356	1,463	-	-	-	18,819
<b>Total Current Assets .....</b>	<b>295,385</b>	<b>129,305</b>	<b>75,964</b>	<b>259,225</b>	<b>1,291</b>	<b>761,170</b>
<b>RESTRICTED ASSETS:</b>						
Cash and Cash Equivalents .....	39,102	71,216	122,523	764,683	-	997,524
Investments .....	395,439	270,573	197,960	1,354,091	-	2,218,063
<b>Total Restricted Assets .....</b>	<b>434,541</b>	<b>341,789</b>	<b>320,483</b>	<b>2,118,774</b>	<b>-</b>	<b>3,215,587</b>
<b>NONCURRENT ASSETS:</b>						
Other Assets .....	16,446	11,694	134,927	341,223	10,187	514,477
<b>Property, plant, and equipment:</b>						
Land .....	5,083	560	112,840	893,588	12,609	1,024,680
Structures, Equipment and Improvements .....	3,462,288	2,072,542	1,415,216	7,014,287	490,818	14,455,151
Accumulated Depreciation .....	(868,311)	(434,774)	(430,549)	(2,566,099)	(212,871)	(4,512,604)
Construction Work in Progress .....	262,280	33,011	69,847	1,183,153	-	1,548,291
<b>Total Property, Plant and Equipment ....</b>	<b>2,861,340</b>	<b>1,671,339</b>	<b>1,167,354</b>	<b>6,524,929</b>	<b>290,556</b>	<b>12,515,518</b>
<b>Total Noncurrent Assets .....</b>	<b>2,877,786</b>	<b>1,683,033</b>	<b>1,302,281</b>	<b>6,866,152</b>	<b>300,743</b>	<b>13,029,995</b>
<b>Total Assets .....</b>	<b>3,607,712</b>	<b>2,154,127</b>	<b>1,698,728</b>	<b>9,244,151</b>	<b>302,034</b>	<b>17,006,752</b>
<b>DEFERRED OUTFLOWS .....</b>	<b>126,371</b>	<b>89,955</b>	<b>36,794</b>	<b>-</b>	<b>-</b>	<b>253,120</b>
<b>Total Assets and Deferred Outflows ....</b>	<b>\$ 3,734,083</b>	<b>\$ 2,244,082</b>	<b>\$ 1,735,522</b>	<b>\$ 9,244,151</b>	<b>\$ 302,034</b>	<b>\$ 17,259,872</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>						
Voucher Warrants Payable .....	\$ 31,875	\$ 4,639	\$ 21,738	\$ 62,408	\$ 265	\$ 120,925
Due to Other Funds .....	11,196	12,113	20,142	3,710	15	47,176
Accrued and Other Liabilities .....	82,296	26,869	774	7,190	-	117,129
Unearned Revenue .....	26,746	20,386	9,836	126,238	-	183,206
Total Current Liabilities .....	<u>152,113</u>	<u>64,007</u>	<u>52,490</u>	<u>199,546</u>	<u>280</u>	<u>468,436</u>
<b>PAYABLE FROM RESTRICTED ASSETS:</b>						
Current Liabilities Payable From						
Restricted Assets .....	130,427	138,032	74,793	468,011	-	811,263
Total payable from restricted assets ..	<u>130,427</u>	<u>138,032</u>	<u>74,793</u>	<u>468,011</u>	<u>-</u>	<u>811,263</u>
<b>NONCURRENT LIABILITIES:</b>						
Revenue Bonds Payable .....	2,061,696	1,386,443	1,412,016	7,167,495	-	12,027,650
Derivative Instrument Liability .....	126,371	89,955	36,794	-	-	253,120
Long-term Purchase Obligation .....	1,027	-	-	-	-	1,027
Total Noncurrent Liabilities .....	<u>2,189,094</u>	<u>1,476,398</u>	<u>1,448,810</u>	<u>7,167,495</u>	<u>-</u>	<u>12,281,797</u>
Total Liabilities .....	<u>2,471,634</u>	<u>1,678,437</u>	<u>1,576,093</u>	<u>7,835,052</u>	<u>280</u>	<u>13,561,496</u>
DEFERRED INFLOWS .....	-	-	-	-	1,682,121	1,682,121
<b>NET POSITION:</b>						
Net Investment						
in Capital Assets .....	1,073,309	455,195	(82,226)	651,476	290,556	2,388,310
Restricted Net Position:						
Debt Service .....	-	-	11,624	-	-	11,624
Capital Projects .....	1,308	50,014	807	121,001	-	173,130
Passenger Facility Charges .....	-	-	5,117	135,025	-	140,142
Contractual Use Agreement .....	-	-	26,234	115,332	-	141,566
Noise Mitigation Program .....	-	-	124,576	120,624	-	245,200
Other .....	-	-	36,725	234,130	-	270,855
Unrestricted Net Position .....	<u>187,832</u>	<u>60,436</u>	<u>36,572</u>	<u>31,511</u>	<u>(1,670,923)</u>	<u>(1,354,572)</u>
Total Net Position .....	<u>\$ 1,262,449</u>	<u>\$ 565,645</u>	<u>\$ 159,429</u>	<u>\$ 1,409,099</u>	<u>\$ (1,380,367)</u>	<u>\$ 2,016,255</u>

See notes to basic financial statements.

**Exhibit 8**  
**CITY OF CHICAGO, ILLINOIS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**Year Ended December 31, 2012**  
**(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 .....	\$ 562,572	\$ 252,943	\$ 70,912	\$ 436,909	\$ -	\$ 1,323,336
Rent .....	-	-	86,921	265,655	-	352,576
Other .....	13,715	969	-	-	-	14,684
<b>Total Operating Revenues .....</b>	<b>576,287</b>	<b>253,912</b>	<b>157,833</b>	<b>702,564</b>	<b>-</b>	<b>1,690,596</b>
<b>Operating Expenses:</b>						
Personal Services .....	109,525	21,254	44,463	163,542	-	338,784
Contractual Services .....	49,104	3,085	15,011	74,307	-	141,507
Repairs and Maintenance .....	1,671	57,527	37,990	88,784	-	185,972
Commodities and Materials .....	29,137	-	-	-	-	29,137
Depreciation and Amortization .....	48,887	27,735	55,119	216,762	10,621	359,124
Capital Asset Impairment .....	-	-	-	21,601	-	21,601
General Fund Reimbursements .....	68,183	31,709	-	-	-	99,892
Other .....	31,845	-	16,833	123,546	-	172,224
<b>Total Operating Expenses .....</b>	<b>338,352</b>	<b>141,310</b>	<b>169,416</b>	<b>688,542</b>	<b>10,621</b>	<b>1,348,241</b>
<b>Operating Income (Loss) .....</b>	<b>237,935</b>	<b>112,602</b>	<b>(11,583)</b>	<b>14,022</b>	<b>(10,621)</b>	<b>342,355</b>
<b>Nonoperating Revenues (Expenses):</b>						
Investment Income (Loss) .....	270	1,021	2,292	21,612	2	25,197
Interest Expense .....	(79,147)	(54,601)	(56,451)	(266,734)	-	(456,933)
Passenger Facility Charges .....	-	-	43,916	154,550	-	198,466
Other .....	(1,341)	(154)	2,126	19,565	18,646	38,842
<b>Total Nonoperating Revenues (Expenses) .....</b>	<b>(80,218)</b>	<b>(53,734)</b>	<b>(8,117)</b>	<b>(71,007)</b>	<b>18,648</b>	<b>(194,428)</b>
Capital Grants .....	2,500	2,500	4,681	73,538	-	83,219
<b>Net Income (Loss) .....</b>	<b>160,217</b>	<b>61,368</b>	<b>(15,019)</b>	<b>16,553</b>	<b>8,027</b>	<b>231,146</b>
Net Position (Deficit) - Beginning of Year .....	1,102,232	504,277	174,448	1,392,546	(1,388,394)	1,785,109
<b>Net Position (Deficit) - End of Year .....</b>	<b>\$ 1,262,449</b>	<b>\$ 565,645</b>	<b>\$ 159,429</b>	<b>\$ 1,409,099</b>	<b>\$ (1,380,367)</b>	<b>\$ 2,016,255</b>

See notes to basic financial statements.

**Exhibit 9**  
**CITY OF CHICAGO, ILLINOIS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**Year Ended December 31, 2012**  
**(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 .....	\$ 546,056	\$ 242,313	\$ 147,683	\$ 621,441	\$ -	\$ 1,557,493
Payments to Vendors .....	(84,738)	(28,740)	(65,722)	(224,786)	-	(403,986)
Payments to Employees .....	(109,525)	(43,280)	(36,136)	(143,905)	-	(332,846)
Transactions with Other City Funds .....	(80,972)	(26,720)	(8,510)	(58,987)	-	(175,189)
Cash Flows Provided By						
Operating Activities .....	270,821	143,573	37,315	193,763	-	645,472
<b>Cash Flows from Capital and Related</b>						
<b>Financing Activities:</b>						
Proceeds from Issuance of Bonds .....	447,538	309,488	34,639	1,327,899	-	2,119,564
Proceeds from Federal Government .....	-	-	-	28,500	-	28,500
<b>Acquisition and Construction of</b>						
Capital Assets .....	(253,684)	(149,442)	(65,684)	(366,583)	-	(835,393)
Capital Grant Receipts .....	-	2,500	7,413	71,074	-	80,987
Bond Issuance Costs .....	(2,604)	(1,973)	-	(6,981)	-	(11,558)
Payment to Refund Bonds .....	(35,595)	-	(31,876)	(1,372,342)	-	(1,439,813)
Principal Paid on Debt .....	(59,859)	(28,429)	(23,366)	(140,620)	-	(252,274)
Interest Paid .....	(91,514)	(55,427)	(65,227)	(381,764)	-	(593,932)
Passenger Facility Charges .....	-	-	46,542	173,648	-	220,190
Noise Mitigation Program .....	-	-	(23,591)	(32,385)	-	(55,976)
Termination of Swaption .....	-	-	(8,250)	-	-	(8,250)
Deposit .....	-	-	-	-	15	15
Other .....	-	38	2,126	-	-	2,164
Cash Flows (Used in) Provided By Capital and Related Financing Activities .....	4,282	76,755	(127,274)	(699,554)	15	(745,776)
<b>Cash Flows from Investing Activities:</b>						
Sale (Purchases) of Investments, Net .....	(212,113)	(162,467)	79,541	457,313	(403)	161,871
Investment Interest .....	2,457	1,512	3,080	25,320	2	32,371
Cash Flows (Used in) Provided By						
Investing Activities .....	(209,656)	(160,955)	82,621	482,633	(401)	194,242
<b>Net Increase (Decrease) in Cash and</b>						
Cash Equivalents .....	65,447	59,373	(7,338)	(23,158)	(386)	93,938
<b>Cash and Cash Equivalents,</b>						
Beginning of Year .....	58,084	29,565	141,646	826,067	1,223	1,056,585
<b>Cash and Cash Equivalents,</b>						
End of Year .....	\$ 123,531	\$ 88,938	\$ 134,308	\$ 802,909	\$ 837	\$ 1,150,523

See notes to basic financial statements.

**Exhibit 9 - Concluded**  
**CITY OF CHICAGO, ILLINOIS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**Year Ended December 31, 2012**  
**(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) .....	\$ 237,935	\$ 112,602	\$ (11,583)	\$ 14,022	\$ (10,621)	\$ 342,355
Adjustments to Reconcile:						
Depreciation and Amortization .....	48,887	27,735	55,119	238,363	10,621	380,725
Provision for Uncollectible Accounts .....	15,714	8,842	371	14,980	-	39,907
Change in Assets and Liabilities:						
(Increase) Decrease in Receivables .....	(42,570)	(22,658)	3,289	(5,716)	-	(67,655)
(Increase) Decrease in Due From Other Funds .....	(3,100)	4,305	(12,790)	(3,275)	-	(14,860)
Increase (Decrease) in Voucher Warrants						
Payable and Due to Other Funds .....	(8,549)	1,820	16,648	9,015	-	18,934
Increase (Decrease) in Deferred Revenue						
and Other Liabilities .....	23,515	10,068	(14,182)	(75,409)	-	(56,008)
(Increase) Decrease in Inventories and						
Other Assets .....	(1,011)	859	443	1,783	-	2,074
Cash Flows from						
Operating Activities .....	<u>\$ 270,821</u>	<u>\$ 143,573</u>	<u>\$ 37,315</u>	<u>\$ 193,763</u>	<u>\$ -</u>	<u>\$ 645,472</u>
<b>Supplemental Disclosure of</b>						
<b>Noncash Items:</b>						
Capital asset additions in 2012						
have outstanding accounts payable						
and accrued and other liabilities .....	<u>\$ 65,787</u>	<u>\$ 63,913</u>	<u>\$ 33,248</u>	<u>\$ 148,476</u>	<u>\$ -</u>	<u>\$ 311,424</u>

See notes to basic financial statements.

**Exhibit 10**  
**CITY OF CHICAGO, ILLINOIS**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**December 31, 2012**  
**(Amounts are in Thousands of Dollars)**

	Pension Trust	Agency
<b>ASSETS</b>		
Cash and Cash Equivalents .....	\$ 185,408	\$ 118,148
Investments .....	-	92,504
Investments, at Fair Value		
Bonds and U.S. Government		
Obligations .....	2,336,591	-
Stocks .....	5,343,390	-
Mortgages and Real Estate .....	664,762	-
Other .....	1,906,928	-
Cash and Investments with		
Escrow Agent .....	-	10,046
Property Tax Receivable .....	-	91,534
Accounts Receivable, Net .....	663,429	57,380
Due From City .....	55,574	-
Invested Securities Lending Collateral .....	1,126,065	-
Total Assets .....	<u>\$ 12,282,147</u>	<u>\$ 369,612</u>
Deferred Outflows .....	301	
Total Assets and Deferred Outflows .....	<u>12,282,448</u>	
<b>LIABILITIES</b>		
Voucher Warrants Payable .....	\$ 356,780	\$ 35,481
Accrued and Other Liabilities .....	-	334,131
Deferred Revenue .....	-	-
Securities Lending Collateral .....	1,126,065	-
Total Liabilities .....	<u>1,482,845</u>	<u>\$ 369,612</u>
<b>NET POSITION</b>		
Held in Trust for Employees .....	<u>10,799,603</u>	
Total Net Position .....	<u>\$ 10,799,603</u>	

See notes to basic financial statements.

**Exhibit 11**  
**CITY OF CHICAGO, ILLINOIS**  
**STATEMENT OF CHANGES IN PLAN NET POSITION**  
**FIDUCIARY FUNDS - PENSION TRUST FUNDS**  
**Year Ended December 31, 2012**  
**(Amounts are in Thousands of Dollars)**

	<u>Total</u>
<b>ADDITIONS</b>	
Contributions:	
Employees .....	\$ 295,990
City .....	<u>464,168</u>
Total Contributions .....	<u>760,158</u>
Investment Income:	
Net Appreciation in	
Fair Value of Investments .....	1,057,568
Interest, Dividends and Other .....	241,995
Investment Expense .....	<u>(49,831)</u>
Net Investment Income .....	<u>1,249,732</u>
Securities Lending Transactions:	
Securities Lending Income .....	3,741
Securities Lending Expense .....	<u>1,440</u>
Net Securities Lending Transactions .....	<u>5,181</u>
Total Additions .....	<u>2,015,071</u>
<b>DEDUCTIONS</b>	
Benefits and Refunds of Deductions .....	1,731,545
Administrative and General .....	<u>20,059</u>
Total Deductions .....	<u>1,751,604</u>
Net Increase in Net Position .....	263,467
Net Position:	
Beginning of Year .....	<u>10,536,136</u>
End of Year .....	<u>\$ 10,799,603</u>

See notes to basic financial statements.

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2012**

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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). Effective January 1, 2012, the City adopted the following GASB Statements:

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The objective of this Statement is to improve financial reporting by addressing uses related to service concession and reserve fund (SCAs), which are a type of public-private or public-public partnership. There was no impact on the City's Financial Statements as a result of the implementation of Statement No. 60.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This Statement incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which do not conflict with or contradict GASB pronouncements:

- Financial Accounting Standards Board Statements and Interpretations
- Accounting Principles Board Opinions
- Accounting Research Bulletins of the American Institute of Certified Public Accountants' Committee on Accounting Procedure

The Statement also supersedes Statement No. 20, *Accounting and Financial Reporting for Propriety Funds and Other Governmental Entities That Use Proprietary Fund Accounting*. Those entities who chose to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements can continue to apply those pronouncements as other accounting literature. The financial reporting impact resulting from the implementation of GASB Statement No. 62 was not material.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows or Resources, and Net Position*. Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effect on a government's net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed. The financial reporting impact resulting from the implementation of GASB Statement No. 63 is primarily the change in terminology from Net Assets to Net Position.

GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – An Amendment to GASB Statement No. 53*. Statement No. 64 clarifies whether an effective hedge relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. There was no impact on the City's Financial Statements as a result of the implementation of Statement No. 64.

Other accounting standards that the City is currently reviewing for applicability and potential impact on the financial statements include:

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, will be effective for the City beginning with its year ending December 31, 2013. The objective of this statement is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

**CITY OF CHICAGO, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2012**

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GASB Statement No. 66, *Technical Corrections -2012- an amendment of GASB Statements No. 10 and No. 62*, will be effective for the City beginning with its year ending December 31, 2013. The objective of this statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, establishes new financial reporting requirements for most governments that provide their employees with pension benefits through these types of plans. Statement No. 68 will be effective for the City beginning with its year ending December 31, 2015. GASB Statement No. 68 replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and GASB Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. GASB Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI).

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, establishes accounting and financial reporting standards related to government combinations and disposals of government operations. Statement No. 69 will be effective for the City beginning with its year ending December 31, 2014. GASB Statement No. 69 requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, establishes accounting and financial reporting standards for financial guarantees that are nonexchange transactions (nonexchange financial guarantees) extended or received by a state or local government. Statement No. 70 will be effective for the City beginning with its year ending December 31, 2014. GASB Statement No. 70 requires a government that has issued an obligation guaranteed in a nonexchange transaction to report the obligation until legally released as an obligor. This Statement also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. When a government is released as an obligor, the government should recognize revenue as a result of being relieved of the obligation. This Statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units and requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions.

- 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 include the following legal entities as fiduciary trust funds:

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.

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2012**

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

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

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

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

- b) **Government-wide and fund financial statements** - The government-wide financial statements (i.e., the statement of net position 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.

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2012**

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The City reports the following major governmental funds:

**The General Fund** is the City's primary operating fund. It accounts for and reports all financial resources not accounted for and reported in 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.

**Service Concession and Reserve Fund** accounts for monies committed for mid and long term uses. The Mid-term portion is subject to appropriation for neighborhood human infrastructure programs, health, and other initiatives. Whereas the Long-term portion is committed for future budgetary and credit rating stabilization. These reserves were created as a result of the Skyway Lease and Parking Meter System transactions. The deferred inflows result from long-term concession and lease transactions whose proceeds are recognized as revenue over the term of the leases.

**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.

Within the governmental fund types, fund balances are reported in one of the following classifications:

**Nonspendable** – includes amounts that cannot be spent because they are either: a) not in a spendable form; or b) legally or contractually required to be maintained intact.

**Restricted** - includes amounts that are restricted to specific purposes, that is, when constraints placed on the use of resources are either: a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

**Committed** – includes amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority (i.e., City Council); to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.

**Assigned** - includes amounts that are constrained by the City's intent to be used for specific purposes, but that are neither restricted nor committed. Residual fund balances in these fund types that are not restricted or committed are reported as assigned.

**Unassigned** – includes the residual fund balance that has not been restricted, committed, or assigned within the general fund and deficit fund balances of other governmental funds.

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.

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2012**

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**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 services. Midway Airport is conveniently located 10 miles from downtown 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 funds:

**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.

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 non-operating 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 and sewer 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 non-operating revenues and expenses.

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2012**

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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, deferred outflows, and net position 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 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 fair 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

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2012**

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portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

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

- iii) **Inventory** includes government-wide inventories, which are stated at cost determined principally, using the average cost method. For proprietary funds, the costs of inventories are recorded as expenses when used (consumption method). Governmental fund inventories are accounted for using the purchases method and represent nonspendable resources because they do not represent expendable available financial resources.
- iv) **Assets Held for Resale** includes land and buildings of \$5.4 million, recorded at lower of cost or market in the Federal, State and Local Grant Funds. These assets are purchased through the use of federal grants and City resources and are intended to be resold.
- v) **Restricted Assets** include certain proceeds of the City’s enterprise fund revenue bonds, as well as certain resources set aside for their repayment. These assets are classified as restricted or committed in the basic financial statements because they are maintained in separate bank accounts and their use is limited by applicable bond covenants or specific City Council action.

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 \$918.9 million, of which \$126.4 million was capitalized as part of the capital assets under construction projects in proprietary funds.

**CITY OF CHICAGO, ILLINOIS  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 YEAR ENDED DECEMBER 31, 2012**

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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.....	15 - 40 years
Airport runways, aprons, tunnels, taxiways, and paved roads.....	5 - 40 years
Bridge infrastructure.....	10 - 40 years
Lighting infrastructure.....	25 years
Street infrastructure.....	10 - 25 years
Transit infrastructure.....	40 years
Equipment (vehicle, office, and computer) .....	5 - 20 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 hedges.

**viii) Employee Benefits** are granted for vacation and sick leave, workers' compensation and health care. Unused vacation leave is accrued and may be partially 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.

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. 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

**CITY OF CHICAGO, ILLINOIS  
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statement of net position. 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 and/or cash flows 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 position and displayed in three components:
  - (1) Net investment in capital assets - 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 position - Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or are legally restricted through constitutional provisions or enabling legislation.

Restricted net position for business activities are provided in Exhibit #7, Statement of Net Position, Proprietary Funds.
  - (3) Unrestricted - All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

**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 position.**
  - i)** The governmental funds balance sheet includes a reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. 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 \$1,259.1 million are as follows (dollars in thousands):

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Deferred revenue - property tax and grants .....	\$ 1,238,382
Other assets - pension excess .....	57,757
Accounts payable - infrastructure retainage .....	<u>(36,994)</u>
Net adjustment to increase fund balance - total governmental funds - to arrive at net assets - governmental activities .....	<u>\$ 1,259,145</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 \$16,566.7 million are as follows (dollars in thousands):

Long-term liabilities:	
Total bonds, notes and certificates payable .....	\$ 9,182,943
Pension and other postemployment benefits .....	6,364,927
Lease obligation .....	163,013
Pollution remediation.....	8,373
Claims and judgments .....	<u>888,593</u>
Total Long-term liabilities .....	16,607,849
Bonds, notes and other obligations payable current .....	(95,479)
Other assets - issuance costs .....	(74,603)
Accrued interest .....	4,908
Derivative instruments .....	31,140
Accrued and other liabilities - compensated absences .....	<u>92,868</u>
Net adjustment to reduce fund balance - total governmental funds - to arrive at net assets - governmental activities .....	<u>\$ 16,566,683</u>

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

- i) The governmental funds statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net position - governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statements of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$278.6 million are as follows (dollars in thousands):

Capitalized asset expenditures .....	\$ 682,382
Depreciation expense .....	<u>(403,747)</u>
Net adjustment to increase net changes in fund balances - total governmental funds - to arrive at changes in net assets - governmental activities .....	<u>\$ 278,635</u>

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- ii) Another element of that reconciliation states that “Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.” The details of this decrease of \$150.8 million are as follows (dollars in thousands):

Proceeds of debt .....	\$	(728,638)
Premium .....		(36,166)
Payment of refunded bond escrow agent .....		268,397
Principal retirement .....		340,754
Payment of cost of issuance .....		6,035
Interest expense .....		<u>(1,133)</u>
Net adjustment to reduce net changes in fund balances - total governmental funds - to arrive at changes in net assets - governmental activities .....	\$	<u>(150,751)</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 decrease of \$1,254.4 million are as follows (dollars in thousands):

Claims and judgments .....	\$	(220,943)
Pension and other post employment benefit liabilities.....		(1,049,315)
Pollution remediation .....		2,862
Vacation .....		12,376
Lease obligations .....		3,774
Inventory .....		<u>(3,170)</u>
Net adjustment to reduce net changes in fund balances - total governmental funds - to arrive at changes in net assets - governmental activities .....	\$	<u>(1,254,416)</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.

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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 included in "Unassigned" fund balance 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, 2012 is as follows (dollars in thousands):

	<b>General Fund</b>
Revenues, GAAP Basis .....	\$ 2,920,656
Add:	
Proceeds of Debt .....	55,000
Transfers In .....	31,617
Prior Year's Surplus Utilized .....	72,347
Revenues, Budgetary Basis .....	<u>\$ 3,079,620</u>
Expenditures, GAAP Basis .....	\$ 3,081,369
Add:	
Transfers Out .....	26,965
Encumbered in 2012 .....	16,605
Deduct:	
Payments on Prior Years' Encumbrances .....	(39,045)
Provision for Doubtful Accounts and Other.....	(6,274)
Expenditures, Budgetary Basis .....	<u>\$ 3,079,620</u>

c) **Individual Fund Deficits** includes the Chicago Skyway Fund, an Enterprise Fund, has a fund deficit of \$1,380.4 million which management anticipates will be funded through recognition of deferred inflows. Federal State and Local Grants, a governmental fund, has a deficit of \$206.1 million and will be funded by the recognition of deferred grant revenues. Also, the Service Concession and Reserve Fund, a Special Revenue Fund, has a deficit fund balance of \$993.5 million which will be funded through the recognition of deferred inflows.

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

a) **Investments** As of December 31, 2012, the City had the following Investments (dollars in thousands):

Investment Type	Investment Maturities (in Years)				Total
	Less Than 1	1-5	6-10	More Than 10	
<b>City Funds</b>					
U.S. Treasuries.....	\$ -	\$ -	\$ 2,490	\$ 42,232	\$ 44,722
U.S. Agencies*.....	345,580	2,621,259	857,328	145,684	3,969,851
Commercial Paper.....	284,644	-	-	-	284,644
Corporate Bonds.....	44,151	232,284	39,904	104,812	421,151
Corporate Equities.....	881	26	-	-	907
Municipal Bonds.....	24,465	245,260	183,334	20,715	473,774
Supra national Bonds.....	10,024	-	-	-	10,024
Certificates of Deposit and Other Short-term.....	1,464,492	4,590	-	-	1,469,082
<b>Total City Funds.....</b>	<b>\$ 2,174,237</b>	<b>\$ 3,103,419</b>	<b>\$ 1,083,056</b>	<b>\$ 313,443</b>	<b>\$ 6,674,155</b>

\*U.S. Agencies include investments in government-sponsored enterprises such as Federal National Mortgage Association, Federal Home Loan Banks, and Federal Home Loan Mortgage Corp.

<b>Pension Trust Funds</b>					
U.S. and Foreign					
Government Agencies.....	\$ 280,778	\$ 351,620	\$ 172,501	\$ 441,450	\$ 1,246,349
Corporate Bonds.....	916,831	477,231	360,518	263,354	2,017,934
Corporate Equities.....	5,835,602	-	-	-	5,835,602
Pooled Funds.....	73,104	25,950	-	-	99,054
Real Estate.....	615,379	-	-	-	615,379
Securities Received from Securities Lending.....	1,126,065	-	-	-	1,126,065
Venture Capital.....	455,757	-	-	-	455,757
Certificates of Deposit and Other Short-term.....	125,245	-	-	-	125,245
Other.....	39,610	-	-	-	39,610
<b>Total Pension Trust Funds.....</b>	<b>\$ 9,468,371</b>	<b>\$ 854,801</b>	<b>\$ 533,019</b>	<b>\$ 704,804</b>	<b>\$ 11,560,995</b>
<b>Total.....</b>	<b>\$ 11,642,608</b>	<b>\$ 3,958,220</b>	<b>\$ 1,616,075</b>	<b>\$ 1,018,247</b>	<b>\$ 18,235,150</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

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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 (in thousands):

<u>Quality Rating</u>	<u>City</u>	<u>Quality Rating</u>	<u>Pension Trust Funds</u>
Aaa/AAA.....	\$ 163,532	Aaa/AAA.....	\$ 134,000
Aa/AA.....	4,230,548	Aa/AA.....	173,641
A/A.....	259,846	A/A.....	300,095
Baa/BBB.....	10,007	Baa/BBB.....	308,998
Ba/BB.....	-	Ba/BB.....	127,983
B/B.....	-	B/B.....	149,359
Caa/CCC.....	30,666	Caa/CCC.....	29,880
Ca.....	-	Ca.....	1,573
C/CC.....	-	C/CC.....	999
D/D.....	-	D/D.....	3,471
P1/A1.....	445,518	Not Rated.....	313,968
Not Rated*.....	1,534,038	Other.....	867,806
<b>Total Funds.....</b>	<b>\$ 6,674,155</b>		<b>\$ 2,411,773</b>

\* Not rated is primarily composed of money market mutual funds

- 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 102 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 \$532.3 million. 100 percent of the bank balance was either insured or collateralized with securities held by City agents in the City's name.
- 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. The City has no custodial credit risk exposure because investment securities are insured, registered and held by the City.

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- 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 (in thousands):

<b>Foreign Currency Risk</b>	
Australian dollar.....	\$ 89,116
Brazilian real.....	41,595
British pound.....	353,039
Canadian dollar.....	103,772
Chilean peso.....	5,333
Chinese yuan.....	(605)
Columbian peso.....	5,120
Czech Republic koruna.....	1,421
Danish krone.....	25,158
Egyptian pound.....	420
European euro.....	452,912
Hong Kong dollar.....	172,221
Hungarian forint.....	472
Indian rupee.....	32,856
Indonesian rupiah.....	19,054
Japanese yen.....	307,725
Malaysian ringgit.....	13,056
Mexican peso.....	25,976
Moroccan dirham.....	143
New Israeli shekel.....	8,696
New Taiwan dollar.....	23,085
New Zealand dollar.....	3,218
Nigeria Naira.....	1,555
Norwegian krone.....	21,313
Pakistan rupee.....	269
Peruvian Nuevo Sol.....	1
Philippines peso.....	3,503
Polish zloty.....	3,604
Qatari riyal.....	2,259
Singapore dollar.....	31,025
South African rand.....	37,723
South Korean won.....	51,593
Swedish krona.....	44,158
Swiss franc.....	106,680
Taiwan dollar.....	3,774
Thailand baht.....	21,703
Turkish lira.....	12,230
United Arab Emirates dirham.....	1,039
 Total Pension Trust Funds.....	 <u>\$ 2,026,212</u>

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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.....	\$ 6,674,155
Investments - Pension Trust Funds.....	11,560,995
	<u>\$ 18,235,150</u>
Per Financial Statements:	
Restricted Investments.....	\$ 2,840,691
Unrestricted Investments.....	1,797,020
Investments with Fiduciary Funds.....	10,344,175
Investments with Escrow Agent.....	509,800
Invested Securities Lending Collateral.....	1,126,065
Investments Included as Cash and Cash Equivalents on the Statements of Net Position.....	1,617,399
	<u>\$ 18,235,150</u>

**5) Property Tax**

The City's property tax becomes 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.

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

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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, 2012 represent due from/to balances among all funds (dollars in thousands):

<u>Fund Type/Fund</u>	<u>Due From</u>	<u>Due To</u>
Governmental Funds:		
General.....	\$ 165,078	\$ 139,397
Federal, State and Local Grants.....	29,694	281,434
Special Taxing Areas.....	258,238	11,534
Service Concession and Reserve.....	-	-
Bond, Note Redemption and Interest.....	30,068	-
Community Development and Improvement Projects....	67,799	97,857
Nonmajor Governmental Funds.....	93,854	205,273
<b>Total Governmental Funds.....</b>	<b>644,731</b>	<b>735,495</b>
Enterprise Funds:		
Water.....	20,607	11,196
Sewer.....	18,840	12,113
Chicago Midway International Airport.....	14,437	20,142
Chicago-O'Hare International Airport.....	28,482	3,710
Chicago Skyway.....	-	15
<b>Total Enterprise Funds.....</b>	<b>82,366</b>	<b>47,176</b>
Fiduciary activities:		
Pension Trust.....	55,574	-
<b>Total Fiduciary activities.....</b>	<b>55,574</b>	<b>-</b>
<b>Total.....</b>	<b>\$ 782,671</b>	<b>\$ 782,671</b>

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.

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b) The following balances at December 31, 2012 represent interfund transfers among all funds (dollars in thousands):

<u>Fund Type/Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
Governmental Funds:		
General.....	\$ 31,617	\$ 26,965
Federal, State and Local Grants.....	-	-
Special Taxing Areas.....	68,675	44,264
Service Concession and Reserve.....	328	12,358
Reserve.....		
Bond, Note Redemption and Interest.....	-	10,105
Community Development and Improvement Projects....	3,843	2,322
Nonmajor Governmental Funds.....	<u>74,287</u>	<u>82,736</u>
 Total Governmental Funds.....	 <u>\$ 178,750</u>	 <u>\$ 178,750</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.

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7) Capital Assets

a) Capital Assets activity for the year ended December 31, 2012 was as follows (dollars in thousands):

	Balance January 1, 2012	Additions	Disposals and Transfers	Balance December 31, 2012
Governmental activities:				
Capital assets, not being depreciated:				
Land.....	\$ 1,400,977	\$ 3,524	\$ -	\$ 1,404,501
Works of Art and Historical Collections.....	13,132	51	-	13,183
Construction in Progress.....	466,267	614,211	(436,153)	644,325
Total capital assets, not being depreciated.....	<u>1,880,376</u>	<u>617,786</u>	<u>(436,153)</u>	<u>2,062,009</u>
Capital assets, being depreciated:				
Buildings and Other Improvements.....	2,446,349	43,497	-	2,489,846
Machinery and Equipment.....	1,339,484	54,347	(28,186)	1,365,645
Infrastructure.....	6,965,900	413,971	-	7,379,871
Total capital assets, being depreciated.....	<u>10,751,733</u>	<u>511,815</u>	<u>(28,186)</u>	<u>11,235,362</u>
Less accumulated depreciation for:				
Buildings and Other Improvements.....	747,256	64,955	-	812,211
Machinery and Equipment.....	1,025,874	112,317	(28,186)	1,110,005
Infrastructure.....	3,279,011	226,475	-	3,505,486
Total accumulated depreciation.....	<u>5,052,141</u>	<u>403,747</u>	<u>(28,186)</u>	<u>5,427,702</u>
Total capital assets, being depreciated, net.....	<u>5,699,592</u>	<u>108,068</u>	<u>-</u>	<u>5,807,660</u>
Total governmental activities.....	<u>\$ 7,579,968</u>	<u>\$ 725,854</u>	<u>\$ (436,153)</u>	<u>\$ 7,869,669</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land.....	\$ 1,012,637	\$ 12,043	\$ -	\$ 1,024,680
Construction in Progress.....	1,310,364	739,488	(501,561)	1,548,291
Total capital assets, not being depreciated.....	<u>2,323,001</u>	<u>751,531</u>	<u>(501,561)</u>	<u>2,572,971</u>
Capital assets, being depreciated:				
Buildings and Other Improvements.....	13,069,921	751,994	(20,564)	13,801,351
Machinery and Equipment.....	651,105	8,654	(5,959)	653,800
Total capital assets, being depreciated.....	<u>13,721,026</u>	<u>760,648</u>	<u>(26,523)</u>	<u>14,455,151</u>
Less accumulated depreciation for:				
Buildings and Other Improvements.....	3,928,965	250,195	3,943	4,183,103
Machinery and Equipment.....	313,807	20,459	(4,765)	329,501
Total accumulated depreciation.....	<u>4,242,772</u>	<u>270,654</u>	<u>(822)</u>	<u>4,512,604</u>
Total capital assets, being depreciated, net.....	<u>9,478,254</u>	<u>489,994</u>	<u>(25,701)</u>	<u>9,942,547</u>
Total business-type activities.....	<u>\$ 11,801,255</u>	<u>\$ 1,241,525</u>	<u>\$ (527,262)</u>	<u>\$ 12,515,518</u>
Total Capital Assets.....	<u>\$ 19,381,223</u>	<u>\$ 1,967,379</u>	<u>\$ (963,415)</u>	<u>\$ 20,385,187</u>

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

Governmental activities:	
General Government.....	\$ 86,528
Public Safety.....	21,776
Streets and Sanitation.....	13,981
Transportation.....	235,258
Health.....	1,694
Cultural and Recreational.....	44,510
	<u>44,510</u>
Total Depreciation Expense - Governmental Activities.....	<u>\$ 403,747</u>
Business-type Activities:	
Water.....	\$ 48,275
Sewer.....	26,600
Chicago Midway International Airport.....	45,011
Chicago-O'Hare International Airport.....	140,258
Chicago Skyway.....	10,510
	<u>10,510</u>
Total Depreciation Expense - Business-type Activities.....	<u>\$ 270,654</u>

8) **Leases**

a) **Operating Leases**

The City leases building and office facilities under noncancelable operating leases. Total costs for such leases were approximately \$18.4 million for the year ended December 31, 2012.

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

2013.....	\$ 18,093
2014.....	12,231
2015.....	7,322
2016.....	2,950
2017.....	2,288
2018 - 2022.....	9,141
2023 - 2027.....	1,959
2028 - 2032.....	312
2033 - 2037.....	216
2038 - 2042.....	152
	<u>152</u>
Total Future Rental Expense.....	<u>\$ 54,664</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.

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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>
2013.....	\$ 104
2014.....	9,000
2015.....	9,000
2016.....	9,000
2017.....	9,000
2018 - 2022.....	35,631
2023 - 2027.....	76,370
2028 - 2032.....	<u>167,164</u>
 Total Minimum Future Lease Payments.....	 315,269
Less Interest.....	<u>152,256</u>
 Present Value of Minimum Future Lease Payments.....	 <u>\$ 163,013</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, 2012 (dollars in thousands):

2013.....	\$ 84,203
2014.....	83,796
2015.....	66,513
2016.....	66,510
2017.....	66,789
2018 - 2022.....	133,707
2023 - 2027.....	8,867
2028 - 2032.....	9,656
2033 - 2036.....	<u>5,738</u>
 Total Minimum Future Rental Income.....	 <u>\$ 525,779</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 \$365.8 million, including contingent rentals of \$86.0 million.

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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, 2012 (dollars in thousands):

2013.....	\$	30,900
2014.....		29,803
2015.....		27,282
2016.....		26,529
2017.....		<u>26,529</u>
 Total Minimum Future Rental Income.....	 \$	 <u>141,043</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 \$101.0 million, including contingent rentals of \$40.4 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, 2012, there was minor activity; the balance remained at \$0.7 million.

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**10) Long-term Obligations**

a) **Long-term Debt** activity for the year ended December 31, 2012 was as follows (in thousands):

	<u>Balance January 1, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2012</u>	<u>Amounts Due within One Year</u>
<b>Governmental activities:</b>					
<b>Bonds, notes and commercial paper payable:</b>					
General obligation debt and commercial paper.....	\$ 7,777,667	\$ 728,638	\$ 494,475	8,011,830	\$ 97,228
Tax increment .....	131,561	-	19,410	112,151	23,200
Revenue .....	776,027		5,715	770,312	17,150
	<u>8,685,255</u>	<u>728,638</u>	<u>519,600</u>	<u>8,894,293</u>	<u>137,578</u>
Less unamortized debt refunding transactions .....	166,065	19,931	15,816	170,180	-
Add unamortized premium .....	196,637	36,166	56,983	175,820	-
Add accretion of capital appreciation bonds .....	264,402	33,148	14,540	283,010	22,042
Total bonds, notes and certificates payable .....	<u>8,980,229</u>	<u>778,021</u>	<u>575,307</u>	<u>9,182,943</u>	<u>159,620</u>
<b>Other liabilities:</b>					
<b>Pension and other postemployment</b>					
benefits obligations .....	5,386,668	1,017,243	38,984	6,364,927	
Lease obligations .....	166,787	8,957	12,731	163,013	9,104
Pollution Remediation .....	11,235	-	2,862	8,373	-
Claims and judgments .....	667,650	363,348	142,405	888,593	111,996
Total other liabilities .....	<u>6,232,340</u>	<u>1,389,548</u>	<u>196,982</u>	<u>7,424,906</u>	<u>121,100</u>
Total governmental activities .....	<u>\$ 15,212,569</u>	<u>\$ 2,167,569</u>	<u>\$ 772,289</u>	<u>\$ 16,607,849</u>	<u>\$ 280,720</u>
<b>Business-type activities:</b>					
<b>Revenue bonds and notes payable:</b>					
Water .....	\$ 1,721,187	\$ 399,950	\$ 90,960	\$ 2,030,177	\$ 42,232
Sewer .....	1,112,022	280,249	28,497	1,363,774	29,690
Chicago-O'Hare International Airport .....	7,420,349	1,211,687	1,499,475	7,132,561	111,085
Chicago Midway International Airport .....	1,461,490	34,639	54,800	1,441,329	23,475
	<u>11,715,048</u>	<u>1,926,525</u>	<u>1,673,732</u>	<u>11,967,841</u>	<u>206,482</u>
Less unamortized debt refunding transactions .....	110,535	29,597	17,080	123,052	
Add unamortized premium .....	141,020	58,550	(109,714)	309,284	
Add accretion of capital appreciation bonds .....	84,188	9,114	4,493	88,809	8,750
Total business-type activities .....	<u>\$ 11,829,721</u>	<u>\$ 1,964,592</u>	<u>\$ 1,551,431</u>	<u>\$ 12,242,882</u>	<u>\$ 215,232</u>
Total long-term obligations .....	<u>\$ 27,042,290</u>	<u>\$ 4,132,161</u>	<u>\$ 2,323,720</u>	<u>\$ 28,850,731</u>	<u>\$ 495,952</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.

b) **Issuance of New Debt**

i) **Commercial Paper Notes**

During 2012, the City issued \$133.8 million in commercial paper notes for certain capital and operating uses. The City has excluded commercial paper from current liabilities, as it intends and has the ability to refinance the obligation on a long-term basis.

ii) **General Obligation Bonds**

General Obligation Bonds, Project Series 2012A (\$179.9 million), Taxable Project and Refunding Series 2012B (\$308.0 million), and Refunding Series 2012C (\$107.0 million) were sold at a premium in May 2012. The bonds have interest rates ranging from 4.0 percent to 5.432 percent and maturity dates from January 1, 2020 to January 1, 2042. Net proceeds of \$627.1 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 settlements agreements involving the City, including escrow accounts or other reserves needed for such purposes; payments of certain pension contributions; providing for facilities, services and equipment to protect and enhance public safety, and other uses permitted by the Ordinance (\$292.4 million), to refund certain maturities of bonds outstanding (\$268.2 million), and to fund capitalized interest (\$66.5 million). The current refunding of the bonds increased the City's total debt service payments by \$242.7 million, resulted in a net economic gain of approximately \$.8 million and a book loss of approximately \$19.9 million.

In February 2012, the City entered into a swap overlay agreement (i.e., basis trade) associated with the General Obligation Series 2005D variable rate bonds with PNC Bank, N.A. for a notional amount of \$207.9 million. The agreement is effective January 1, 2031 through January 1, 2040, and the City will pay SIFMA and receive 72.5 percent of one month LIBOR. The City received an upfront payment of \$4.0 million.

In February 2012, the City entered into a swap overlay agreement (i.e., Constant Maturity Swap (CMS) reversal) associated with the General Obligation Series 2003B variable rate bonds with PNC Bank, N.A. for a notional amount of \$144.6 million. The agreement is effective March 1, 2014 through November 1, 2014 and the City will pay 66.91 percent of 10 year LIBOR and receive 75 percent of one month LIBOR. 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 November 1, 2014, after which time the City will receive 66.91 percent of 10 year LIBOR through expiration (January 1, 2034). The City received an upfront payment of \$1.3 million.

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

Chicago O'Hare International Airport Senior Lien Revenue Bonds, Series 2012A-C (\$728.9 million) were sold at a premium in August 2012. The bonds have interest rates ranging from 1.0 percent to 5.0 percent and maturity dates from January 1, 2013 to January 1, 2032. Net proceeds of \$796.3 million and other monies \$155.3 million will be used to refund certain General Airport Revenue Bonds maturities of bonds outstanding (\$837.2 million), to fund debt service reserves (\$114.2 million), and to fund capitalized interest (\$.2 million). The current refunding of the bonds decreased the City's total debt service payments by \$156.2 million, resulted in a net economic gain of approximately \$118.2 million and a book loss of approximately \$19.7 million.

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Chicago O'Hare International Airport Passenger Facility Charge Revenue Refunding Bonds, Series 2012 (\$452.1 million) were sold at a premium in September 2012. The bonds have interest rates ranging from 2.5 percent to 5.0 percent and maturity dates from January 1, 2014 to January 1, 2032. Net proceeds of \$493.7 million and other monies \$55.9 million will be used to refund certain PFC maturities of bonds outstanding (\$511.1 million) and to fund debt service reserves (\$38.5 million). The current refunding of the bonds decreased the City's total debt service payments by \$100.3 million, resulted in a net economic gain of approximately \$73.5 million and a book loss of approximately \$9.0 million.

Second Lien Water Revenue Project Bonds, Series 2012 (\$399.4 million) were sold at a premium in May 2012. The bonds have interest rates ranging from 4.0 percent to 5.0 percent and maturity dates from November 1, 2016 to November 1, 2042. Net proceeds of \$444.4 million will be used to finance certain costs of improvements and extensions to the water system (\$400.0 million), to retire water commercial paper notes outstanding (\$35.9 million), and fund certain capitalized interest (\$8.5 million).

In 2012, the Water Fund drew \$0.5 million from the Illinois Environment Protection Agency loan agreement. The loan has no interest and has principal maturity dates from June 2, 2012 to December 2, 2031.

Second Lien Wastewater Revenue Project, Series 2012 (\$276.5 million) were sold at a premium in September, 2012. The bonds have interest rates ranging from 3.0 percent to 5.0 percent and maturity dates from January 1, 2014 to January 1, 2042. Net proceeds of \$303.8 million will be used to finance certain costs of improvements and extensions to the wastewater system (\$300.0 million), and fund certain capitalized interest (\$3.8 million).

In 2012, the Sewer Fund drew \$3.7 million from the Illinois Environment Protection Agency loan agreement. The loan has an interest rate of 2.5% with maturity dates from June 21, 2013 to June 21, 2031.

In 2012, \$30.6 million of Chicago O'Hare International Airport Commercial Paper Notes Series 2005 were issued. The proceeds were used to finance portions of the costs of authorized airport projects.

In 2012, \$34.6 million of Chicago Midway International Airport Commercial Paper Notes Series A, B, C & D were issued. The proceeds were used to finance portions of the costs of authorized airport projects.

- c) **Annual requirements** listed below for each year include amounts payable January 1 of the following year. Bonds maturing and interest payable January 1, 2013 have been excluded because funds for their payment have been provided for. Annual requirements to amortize debt outstanding as of December 31, 2012 are as follows (dollars in thousands):

Year Ending December 31,	General Obligation		Tax Increment	
	Principal	Interest	Principal	Interest
2013.....	\$ 112,132	\$ 408,456	\$ 26,114	\$ 5,931
2014.....	214,375	409,006	14,602	11,819
2015.....	236,206	403,012	8,965	3,951
2016.....	251,617	392,344	11,160	3,400
2017.....	274,802	380,870	11,685	2,666
2018-2022.....	1,534,410	1,711,157	33,715	4,737
2023-2027.....	1,475,610	1,371,842	-	-
2028-2032.....	1,568,684	1,023,299	-	-
2033-2037.....	1,186,826	577,348	-	-
2038-2041.....	918,641	163,143	-	-
	<u>\$ 7,773,303</u>	<u>\$ 6,840,477</u>	<u>\$ 106,241</u>	<u>\$ 32,504</u>

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Year Ending December 31,	Revenue		Business-type Activities	
	Principal	Interest	Principal	Interest
2013.....	\$ 18,040	\$ 36,140	\$ 263,342	\$ 582,754
2014.....	18,980	35,200	378,095	571,111
2015.....	18,400	34,228	381,052	553,539
2016.....	18,135	33,289	370,679	536,765
2017.....	18,525	32,355	423,016	519,332
2018-2022.....	107,075	147,318	1,951,670	2,312,220
2023-2027.....	132,903	121,499	2,181,607	1,845,583
2028-2032.....	119,841	135,032	2,708,989	1,204,226
2033-2037.....	191,334	71,914	2,194,130	582,979
2038-2041.....	109,930	11,172	866,590	100,285
	<u>\$ 753,163</u>	<u>\$ 658,147</u>	<u>\$ 11,719,170</u>	<u>\$ 8,808,794</u>

Debt service requirements above exclude commercial paper issues as the timing of payments is not certain. For the requirements calculated above, interest on variable rate debt was calculated at the rate in effect or the effective rate of a related swap agreement, if applicable, as of December 31, 2012. Standby bond purchase agreements or letters of credit were issued by third party financial institutions that are expected to be financially capable of honoring their agreements.

The City's variable rate bonds may bear interest from time to time at a flexible rate, a daily rate, a weekly rate, an adjustable long rate, or the fixed rate as determined by the remarketing agent, in consultation with the City. An irrevocable letter of credit provides for the timely payment of principal and interest. In the event the bonds are put back to the bank and not successfully remarketed, or if the letter of credit agreements expire without an extension or substitution, the bank bonds will convert to a term loan. There is no principal due on the potential term loans within the next fiscal year.

**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 and/or changes in cash flows, 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. The notional amounts related to bonds maturing on January 1, 2013 have been excluded below because funds for their payment have been provided for.

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	Changes in Fair Value		Fair Value at		Notional Amount
	Classification	Amount	Classification	December 31, 2012 Amount	
<b>Governmental Activities</b>					
Hedges:					
Pay-fixed Interest Rate SWAPS....	Deferred Outflow of Resources	\$ 7,777	Deferred Outflow of Resources	\$ (260,496)	\$ 781,630
Investment Derivative Instruments:					
Pay-fixed Interest Rate SWAPS....	Investment Income	3,167	Investment Revenue	(36,313)	199,040
<b>Business-type Activities</b>					
Hedges:					
Pay-fixed Interest Rate SWAPS....	Deferred Outflow of Resources	1,979	Deferred Outflow of Resources	(253,120)	957,030
Total.....				<u>\$ (549,929)</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, 2012, 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. The notional amounts related to bonds maturing on January 1, 2013 have been excluded below because funds for their payment have been provided for. 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. The terms, including fair values of the swaptions as of December 31, 2012, are as follows (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	11/8/2007 11/2014	Pay 3.998%; receive SIFMA Pay SIFMA; receive 72.5% of 1 Mo. LIBOR *	\$ (60,127) (19,839)	1/1/2042 1/1/2042	A2/A+ Baa1/A- Aa3/AA-
GO VRDB (Series 2005D).....	222,790	8/17/2005 1/1/2014 1/1/2030	Pay 4.104%; receive SIFMA Pay SIFMA; receive 72.5% of 1 Mo. LIBOR * Pay SIFMA; receive 72.5% of 1 Mo. LIBOR *	(69,632) (14,089) (5,918)	1/1/2040 1/1/2031 1/1/2040	A3/A- A2/A+ Aa1/AA- A2/A+ A2/A
GO VRDB (Neighborhoods Alive 21 Program, Series 2002B).....	206,700	10/3/2002	Pay 3.575%; receive 70% of 1 Mo. LIBOR	(51,858)	1/1/2037	Aa3/A+ A3/A
Sales Tax Revenue Refunding Bonds (VRDB Series 2002).....	113,240	6/27/2002	Pay 4.23%; receive 75.25% of 3 Mo. LIBOR	(32,559)	1/1/2034	Aa3/A+
Tax Increment Allocation Bonds (Near North TIF, Series 1999A).....	38,900	9/1/1999	Pay 5.084%; receive 67% of 1 Mo. LIBOR	(6,474)	1/1/2019	A3/A
<b>Business-type Activities:</b>						
Chicago Midway International Airport Revenue Bonds (Series 2004C&D).....	148,500	12/14/2004 4/21/2011	Pay 4.174%; receive SIFMA Plus .05% Pay 4.247%; receive SIFMA Plus .05%	(21,552) (15,242)	1/1/2035 1/1/2035	A3/A- Aa3/AA-
Wastewater Transmission Variable Rate Revenue Bonds (Series 2008C).....	99,670	7/29/2004	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%) or 67% of 1 Mo. LIBOR (if LIBOR is > 3%)	(62,760) (27,195)	1/1/2039 1/1/2039	A2/A+ Aa3/A+ A3/A
Water Variable Rate Revenue Refunding Bonds (Series 2004).....	185,780	4/16/2008	Pay 3.8694%; receive SIFMA	(42,949)	11/1/2025	A2/A
Water Variable Rate Revenue Refunding Bonds (Series 2004).....	190,520	8/5/2004	Pay 3.8669%; receive SIFMA	(49,862)	11/1/2031	Aa3/AA-
Second Lien Water Revenue Refunding Bonds (Series 2000).....	100,000	4/16/2008	Pay 3.8694%; receive SIFMA	(33,560)	11/1/2030	A2/A
<b>Investment Instruments</b>						
<b>Governmental Activities:</b>						
GO VRDB (Series 2003B).....	199,040	8/7/2003 3/1/2011 3/1/2014	Pay 4.052%; receive 66.91% of 10 Yr LIBOR Pay 66.91% of 10 Yr LIBOR; receive 75% of 1 Mo. LIBOR * receive 75% of 1 Mo. LIBOR *	(32,986) (2,070) (1,257)	1/1/2034 3/1/2014 11/1/2014	Aa3/AA- Aa3/A+ Aa1/AA- A2/A
<b>Total</b> .....	<b>\$ 1,937,700</b>			<b>\$ (549,929)</b>		

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.

VRDB means variable rate demand bonds.

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- (3) *Fair Value.* As of December 31, 2012, the swaps had a negative fair value of \$549.9 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 the combination of the negative fair value of \$549.9 million and the unamortized interest rate swap premium balance of \$5.1 million related to investment derivative instruments and \$36.3 million related to governmental cash flow hedges represent the total fair value of the derivative liability in the statement of net position.
- (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, 2013 have been excluded because funds for their payment have been provided for. As of December 31, 2012, 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):

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Year Ending	Variable-Rate Bonds		Interest Rate	Total
	Principal	Interest	Swaps, Net	
December 31,				
2013.....	\$ 22,070	\$ 4,844	\$ 71,650	\$ 98,564
2014.....	36,320	4,866	70,701	111,887
2015.....	37,865	4,818	69,379	112,062
2016.....	57,465	4,759	67,786	130,010
2017.....	60,150	4,563	65,663	130,376
2018 - 2022.....	390,265	19,706	291,232	701,203
2023 - 2027.....	383,250	13,566	213,664	610,480
2028 - 2032.....	445,040	9,035	144,946	599,021
2033 - 2037.....	360,745	3,754	60,522	425,021
2038 - 2042.....	133,855	441	10,943	145,239
	<u>\$ 1,927,025</u>	<u>\$ 70,352</u>	<u>\$ 1,066,486</u>	<u>\$ 3,063,863</u>

**ii) Swaptions**

During 2012, the City terminated all outstanding swaptions, as noted below.

In April 2012, the City terminated the swaption transaction with J.P. Morgan in relation to Chicago Midway International Airport bonds with an original notional amount of \$397.7 million and a trade date of October 27, 1999. The City paid \$8.2 million to terminate the swaption. Note that \$8.3 million of Chicago Midway Airport Commercial Paper Notes Series 2003 were issued to fund the swaption termination payment.

In May 2012, the City terminated three swaption transactions with J.P. Morgan in relation to Chicago Sales Tax Revenue bonds with notional amounts of \$69.3 million, \$60.6 million and \$23.3 million and a trade date of June 21, 2002. The City paid \$0.54 million, \$0.365 million and \$0.02 million respectively to terminate the swaptions. Note that \$1.0 million of General Obligation Commercial Paper Notes Series 2002 were issued to fund the Sales Tax Revenue Bonds swaptions termination payments.

In July 2012, the City terminated the swaption transaction with Goldman Sachs in relation to General Obligation bonds with a total notional amount of \$318.7 million and a trade date of December 18, 2003. The City paid a total of \$4.9 million to terminate the swaption. Note that \$4.9 million of General Obligation Commercial Paper Notes Series 2003 were issued to fund the swaption termination payment.

**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, 2012. The Water Rate Stabilization account had a balance in restricted assets of \$74.9 million at December 31, 2012.

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

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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, 2012.

- 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, 2012. The Sewer Rate Stabilization account had a balance in restricted assets of \$29.6 million at December 31, 2012.

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, 2012.

- iii) **Chicago Midway International Airport Fund** - The master indenture securing the issuance of Chicago Midway International Airport Revenue Bonds requires that the City set rates and charges for the use and operation of Midway so that revenues, together with any other available monies and the cash balance held in the Revenue Fund on the first day of such year not required to be deposited in any fund or account, will be at least sufficient (a) to provide for the operation and maintenance expenses for the year and (b) to provide for the greater of (i) the amounts needed to be deposited into the First and Junior Lien Debt Service Fund, the Operations & Maintenance Reserve Account, the Working Capital Account, the First Lien Debt Service Reserve Fund, the Repair and Replacement Fund, and the Special Project Fund and (ii) an amount not less than 125 percent of the Aggregate First Lien Debt Service for such fiscal year reduced by an amount equal to the sum of any amount held in any capitalized interest account for disbursement during such fiscal year to pay interest on First Lien Bonds. These requirements were met at December 31, 2012.

- 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, 2012. 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

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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, 2012.

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.

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g) **Defeased Bonds** have been removed from the Statement of Net Position 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, 2012, not including principal payments due January 1, 2013, are as follows (dollars in thousands):

	<b>Amount Defeased</b>	<b>Outstanding</b>
Emergency Telephone System - Series 1993 .....	\$ 213,730	\$ 123,115
General Obligation Refunding Bonds - Series 1993B .....	27,515	6,000
General Obligation Project and Refunding Bonds - Series 1998 .....	345,770	14,005
General Obligation Bonds - Series 2001A .....	404,131	131,515
General Obligation Project and Refunding Bonds - Series 2003A .....	108,000	67,690
General Obligation Project Bonds - Series 2003C .....	126,960	116,710
General Obligation Project Bonds - Series 2004A .....	276,620	256,060
General Obligation Project and Refunding Bonds - Series 2005A .....	72,690	59,630
General Obligation Project and Refunding Bonds - Series 2005B .....	8,725	4,465
General Obligation Direct Access Bonds - Series 2005E .....	22,186	10,835
General Obligation Project and Refunding Bonds - Series 2006A .....	23,775	13,285
General Obligation Direct Access Bonds - Series 2006 .....	4,755	2,635
General Obligation Project and Refunding Bonds - Series 2007A .....	10,505	9,710
General Obligation Project and Refunding Bonds - Series 2007C .....	23,805	11,530
General Obligation Project and Refunding Bonds - Series 2008 .....	210	105
Neighborhoods Alive 21 Program - Series 2001A .....	213,825	60,170
Neighborhoods Alive 21 Program - Series 2003 .....	90,600	83,440
Lake Millenium Project Parking Facilities Bonds - Series 1998 .....	149,880	43,880
Near South Redevelopment Project Tax Increment - Series 1994A .....	23,000	3,825
Chatham Ridge Redevelopment Project Tax Increment - Series 2002 .....	6,565	3,575
Special Transportation Revenue Bonds - Series 2001 .....	118,715	97,290
Midway 2nd Lien Series 2010D-1.....	4,435	4,435
Midway 2nd Lien Series 2010D-2.....	16,460	16,460
<b>Total .....</b>	<b>\$ 2,292,857</b>	<b>\$ 1,140,365</b>

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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 131 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 81 days. The Plans cannot pledge to sell collateral securities received unless the borrower defaults. Loans outstanding as of December 31, 2012 are as follows: market value of securities loaned \$1,122.8 million, market value of cash collateral from borrowers \$1,126.1 million and market value of non-cash collateral from borrowers \$17.3 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**  
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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).....	(a)	(a)	(a)	(a)	n/a
Plan members.....	8.5%	8.5%	9%	9.125%	n/a
Annual required contribution.....	\$ 690,823	\$ 77,566	\$ 431,010	\$ 271,506	\$ 1,470,905
Interest on net pension obligation.....	117,591	(10,377)	165,221	120,807	393,242
Adjustment to annual required contribution.....	(120,895)	10,668	(112,872)	(124,201)	(347,300)
Annual pension cost.....	687,519	77,857	483,359	268,112	1,516,847
Contributions made.....	148,859	11,853	197,886	81,522	440,120
Increase in net pension obligation....	538,660	66,004	285,473	186,590	1,076,727
Net pension obligation (excess), beginning of year.....	1,469,886	(129,712)	2,065,266	1,510,089	4,915,529
Net pension obligation (excess), end of year.....	<u>\$ 2,008,546</u>	<u>\$ (63,708) *</u>	<u>\$ 2,350,739</u>	<u>\$ 1,696,679</u>	<u>\$ 5,992,256</u>

\* Laborers' net pension excess is recorded in other assets in the statement of net position.

	<b>Municipal Employees'</b>	<b>Laborers'</b>	<b>Policemen's</b>	<b>Firemen's</b>
Actuarial valuation date.....	12/31/2012	12/31/2012	12/31/2012	12/31/2012
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).....	7.5%	7.5%	7.75%	8.0%
Projected salary increases (a):				
Inflation.....	3.0	3.0	3.0	3.0
Seniority/Merit.....	(b)	(c)	(d)	(e)
Postretirement benefit increases.....	(f)	(f)	(g)	(g)

- (a) Proceeds from a tax levy not more than the amount equal to the total amount of contributions by the employees to the Fund made in the calendar year, two years prior to the year for which the annual applicable tax is levied multiplied by 1.25 for Municipal, 1.00 for Laborers', 2.00 Policemen's and 2.26 for Firemen's
- (b) Service-based increases equivalent to a level annual rate increase of 1.4 percent over a full career.
- (c) Service-based increases equivalent to a level annual rate increase of 1.2 percent over a full career.
- (d) Service-based increases equivalent to a level annual rate increase of 2.8 percent over a full career.
- (e) Service-based increases equivalent to a level annual rate increase of 3.0 percent over a full career.
- (f) 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.
- (g) Uses 3.0 percent per year for annuitants age 55 or over, born before 1955 with at least 20 years of service and 1.5 percent per year for 20 years for annuitants age 60 or over, born in 1955 or later.

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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 (Asset) / Obligation</u>
<b>Municipal Employees':</b>			
2010.....	\$ 482,420	32.08 %	\$ 1,007,406
2011.....	609,491	24.12	1,469,886
2012.....	687,519	21.65	2,008,546
<b>Laborers':</b>			
2010.....	47,129	32.57	(174,585)
2011.....	57,651	22.17	(129,712)
2012.....	77,857	15.22	(63,707)
<b>Policemen's:</b>			
2010.....	403,228	43.28	1,791,146
2011.....	448,153	38.83	2,065,266
2012.....	483,359	40.94	2,350,739
<b>Firemen's:</b>			
2010.....	215,666	37.53	1,345,927
2011.....	247,031	33.55	1,510,089
2012.....	268,112	30.41	1,696,679

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

<u>Year</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued 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>							
2010.....	12/31/10	\$ 6,003,390	\$ 11,828,666	\$ 5,825,276	51 %	\$ 1,541,388	378 %
2011.....	12/31/11	5,552,291	12,292,930	6,740,639	45	1,605,993	420
2012.....	12/31/12	5,073,320	13,475,377	8,402,057	38	1,590,794	528
<b>Laborers':</b>							
2010.....	12/31/10	1,529,404	2,030,025	500,621	75	199,863	250
2011.....	12/31/11	1,422,414	2,152,854	730,440	66	195,238	374
2012.....	12/31/12	1,315,914	2,336,189	1,020,275	56	198,790	513
<b>Policemen's:</b>							
2010.....	12/31/10	3,718,955	9,210,056	5,491,101	40	1,048,084	524
2011.....	12/31/11	3,444,690	9,522,395	6,077,705	36	1,034,403	588
2012.....	12/31/12	3,148,930	10,051,827	6,902,897	31	1,015,171	680
<b>Firemen's:</b>							
2010.....	12/31/10	1,198,114	3,655,026	2,456,912	33	400,404	614
2011.....	12/31/11	1,101,742	3,851,919	2,750,177	29	425,385	647
2012.....	12/31/12	993,284	4,020,138	3,026,854	25	418,965	722

**CITY OF CHICAGO, ILLINOIS  
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The unfunded liability to the Plans poses significant financial challenges. The unfunded liability has consistently increased in recent years, and actuaries for the Municipal Employees' Plan and the Laborers' Plan indicate that the unfunded liability of those plans will continue to increase for the foreseeable future. Although the actuaries for the Policemen's and the Firemen's Plans project that the unfunded liabilities of those Plans will decrease in the future, such a decrease will result from significantly increased contributions to those Plans as a result of State Law. Furthermore, the contributions made by the City to the Plans have been lower than the cash outlays of the Plans in recent years. As a result, the Plans have used investment earnings or assets of the Plans to satisfy these cash outlays. The use of investment earnings or assets of the Plans for these purposes reduces the amount of assets on hand to pay benefits in the future and prevents the Plans from recognizing the full benefits of compounding investment returns. Since 2001, the City has contributed to the Plans as required by State Law. However, this amount has not been sufficient to fully fund the Normal Cost plus an amortized portion of the UAAL in each year as a result of a contribution limitation which has had the effect, and may have the effect in the future, of limiting the Pension Levy to an amount insufficient to fully fund the Plans to the amount of the Actuarially Required Contribution. No assurance can be made that the State Law applicable to the Plans will not be amended in the future.

- b) **Other Post Employment Benefits (OPEB)** - Under State law, certain health benefits are available to employees who retire from the City based upon their participation in the City's pension plans. The Pension Plans and the City agreed to share in the cost of the Settlement Health Care Plan (see Note 12). This single employee defined benefit plan is administered by the City. Substantially all employees who qualify as Municipal or Laborers' pension plan participants older than age 55 with at least 20 years of service and Police and 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, 2012**

	<u>Municipal</u>	<u>Laborers'</u>	<u>Policemen's</u>	<u>Firemen's</u>	<u>Total</u>
	<u>Employees'</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	\$ 14,632	\$ 3,070	\$ 10,474	\$ 4,276	\$ 32,452
Interest on Net OPEB Obligation	3,041	248	479	398	4,166
Adjustment to Annual - Required Contribution	<u>(3,970)</u>	<u>(324)</u>	<u>(380)</u>	<u>(520)</u>	<u>(5,194)</u>
Annual OPEB Cost	13,703	2,994	10,573	4,154	31,424
Contributions Made	<u>9,522</u>	<u>2,562</u>	<u>9,766</u>	<u>2,622</u>	<u>24,472</u>
Increase in Net OPEB Obligation	4,181	432	807	1,532	6,952
Net OPEB Obligation, Beginning of Year	<u>67,575</u>	<u>5,519</u>	<u>10,654</u>	<u>8,850</u>	<u>92,598</u>
Net OPEB Obligation, End of Year	<u>\$ 71,756</u>	<u>\$ 5,951</u>	<u>\$ 11,461</u>	<u>\$ 10,382</u>	<u>\$ 99,550</u>

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**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.

	<b>Municipal Employees'</b>	<b>Laborers'</b>	<b>Policemen's</b>	<b>Firemen's</b>
Actuarial Valuation Date	12/31/2012	12/31/2012	12/31/2012	12/31/2012
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 1.4 percent over a full career

( c ) Service-based increases equivalent to a level annual rate of increase of 1.2 percent over a full career

( d ) Service-based increases equivalent to a level annual rate of increase of 1.8 percent over a full career

( e ) Service-based increases equivalent to a level annual rate of increase of 1.8 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'	2010	\$ 22,375	42.68 %	\$ 55,045
	2011	22,047	43.16	67,575
	2012	13,703	69.49	71,756
Laborers'	2010	3,559	72.68	4,619
	2011	3,479	74.15	5,519
	2012	2,994	85.56	5,951
Policemen's	2010	10,736	87.13	9,619
	2011	10,627	90.25	10,654
	2012	10,573	92.37	11,461
Firemen's	2010	4,354	60.74	7,107
	2011	4,372	60.12	8,850
	2012	4,154	63.13	10,382

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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).

	<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets ( a )</b>	<b>Actuarial Accrued Liability (AAL) Entry Age ( b )</b>	<b>Unfunded (Surplus) UAAL ( b-a )</b>	<b>Funded Ratio ( a/b )</b>	<b>Covered Payroll ( c )</b>	<b>Unfunded (Surplus) AAL as a Percentage of Covered Payroll (( b-a ) / c )</b>
Municipal Employees'	12/31/2012	\$ -	\$ 162,083	\$ 162,083	-	\$ 1,590,794	10.19 %
Laborers'	12/31/2012	-	38,653	38,653	-	198,790	19.44
Policemen's	12/31/2012	-	168,811	168,811	-	1,015,171	16.63
Firemen's	12/31/2012	-	46,206	46,206	-	418,965	11.03

**12) Other Post Employment Benefits – City Obligation**

The annuitants who retired prior to July 1, 2005 received a 55 percent subsidy from the City and the annuitants who retired on or after July 1, 2005 received a 50, 45, 40 and zero percent subsidy from the City based on the annuitant's length of actual employment with the City for the gross cost of retiree health care under a court approved settlement agreement. The pension funds contributed \$65 per month for each Medicare eligible annuitant and \$95 per month for each Non-Medicare eligible annuitant to their gross cost. The annuitants contributed a total of \$67.8 million in 2012 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 2012, the net expense to the City for providing these benefits to approximately 24,408 annuitants plus their dependents was approximately \$97.5 million.

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

**Plan Description Summary-** The City of Chicago is party to a written legal settlement agreement outlining the provisions of the retiree health program, The Settlement Health Care Plans (the Plans), through June 30, 2013. The agreement does not require or extend continuation of the Plans after June 30, 2013. Pursuant to the Settlement, the City administers a single employer defined benefit healthcare plan (the Health Plan), for which the City pays a portion of the costs on a pay as you go method. Under the Settlement agreement, the City of Chicago sponsors health benefit plans for employees, former employees and retired former employees. The provisions of the program provide in general, that the City pay a percentage of the cost (based upon an employee's service) for hospital and medical coverage to eligible retired employees and their dependents for a specified period, until June 30, 2013 (see Note 17 for subsequent update).

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

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2012**

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 NPO valuation reports of the respective four Pension Funds (see Note 11).

**Special Benefits under the Collective Bargaining Agreements (CBA)** - Under the terms of the latest collective bargaining agreements for the Fraternal Order of Police and the International Association of Fire Fighters, certain employees who retire after attaining age 55 with the required years of service are permitted to enroll themselves and their dependents in the healthcare benefit program offered to actively employed members. They may keep this coverage until they reach the age of Medicare eligibility. These retirees do not contribute towards the cost of coverage, but the Police pension fund contributes \$95 per month towards coverage for police officers (which is assumed to continue); the Fire Pension Fund does not contribute. Once CBA early retirees reach Medicare eligibility age, their healthcare benefits are provided under the provisions of the Settlement Plan.

No extension of the CBA has been negotiated as of the end of the governing contract period (June 30, 2012), and therefore this valuation assumes the expiration of the early retirement special benefits as of December 31, 2012, but includes the liabilities for continuation of payments to those members already retired under the CBA as of December 31, 2012.

**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 one year (the remaining year of coverage under the Settlement agreement).

The following table shows the components of the City's annual OPEB costs for the year for the Health Plan and CBA Special Benefits, the amount actually contributed to the plan and changes in the City's net OPEB obligation. The *Net OPEB Obligation* is the amount entered upon the City's Statement of Net Position as of year end as the net liability for the other postemployment benefits – the retiree health plan. The amount of the annual cost that is recorded in the Statement of Changes in Net Position for 2012 is the *Annual OPEB Cost (expense)*.

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

	Retiree Settlement Health Plan	CBA Special Benefits	Total
Contribution Rates:			
City	Pay As You Go	Pay As You Go	Pay As You Go
Plan Members	N/A	N/A	N/A
Annual Required Contribution	\$ 194,291	58,456	\$ 252,747
Interest on Net OPEB Obligation	2,353	1,463	3,816
Adjustment to Annual Required Contribution	(159,200)	(20,386)	(179,586)
Annual OPEB Cost	37,444	39,533	76,977
Contributions Made	97,531	18,430	115,961
Decrease in Net OPEB Obligation	(60,087)	21,103	(38,984)
Net OPEB Obligation, Beginning of Year	156,847	97,498	254,345
Net OPEB Obligation, End of Year	\$ 96,760	118,601	\$ 215,361

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2012**

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2012 is as follows (dollars in thousands):

<b>Schedule of Contributions, OPEB Costs and Net Obligations</b>			
Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
<b>Settlement Plan</b>			
12/31/2012	\$ 37,444	260.5%	\$ 96,760
12/31/2011	48,954	202.4	254,345
12/31/2010	82,874	129.6	304,483
<b>CBA Special Benefits</b>			
12/31/2012	\$ 39,533	46.6%	\$ 118,601
<b>Total</b>			
12/31/2012	\$ 76,977	150.6%	\$ 215,361
12/31/2011	48,954	202.4	254,345
12/31/2010	82,874	129.6	304,483

**Funded Status and Funding Progress** - As of January 1, 2012, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$471.0 million all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,518.7 million and the ratio of the unfunded actuarial accrued liability to the covered payroll was 18.7 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	UAAL as a Percentage of Covered Payroll
<b>Settlement Plan</b>						
12/31/2011	\$ -	\$ 191,378	\$ 191,378	0%	\$ 2,518,735	7.6 %
<b>CBA Special Benefits</b>						
12/31/2011	\$ -	\$ 279,574	\$ 279,574	0%	\$ 1,471,692	19.0 %
<b>Total</b>						
12/31/2011	\$ -	\$ 470,952	\$ 470,952	0%	\$ 2,518,735	18.7 %

**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, 2012**

For the Settlement Plan benefits (not provided by the Pension Funds) in the actuarial valuation for the fiscal year ended December 31, 2012, the projected unit credit actuarial cost method was used. The actuarial assumptions included an annual healthcare cost trend rate of 10.5 percent initially, reduced by decrements to an ultimate rate of 10.0 percent. Both rates included a 3.0 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 1.5 percent. The Unfunded Accrued Actuarial Liability is being amortized as a level dollar amount over one year.

For the Special Benefits under the CBA for Police and Fire, the contract expiration date of June 30, 2012 is reflected, such that liabilities are included only for payments beyond 2012 on behalf of early retirees already retired and in pay status as of December 31, 2012. Assumptions and methods were selected to reflect the expiring obligation. The projected unit credit method was selected. The actuarial assumptions included an annual healthcare cost trend rate of 10.5% in 2012, reduced by decrements to an ultimate rate of 5.0% in 2030. Rates included a 3% inflation assumption. The plan has not accumulated assets and does not hold assets in a segregated trust. The funds expected to be used to pay benefits are assumed to be invested for durations which will yield an annual return rate of 1.50%. The remaining Unfunded Accrued Actuarial Liability is being amortized as a level dollar amount over five years.

**Summary of Assumptions and Methods**

	Settlement Health Plan	CBA Special Benefits
Actuarial Valuation Date	December 31, 2011	December 31, 2011
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Dollar	Level Dollar
Remaining Amortization Period	1 year	5 years
Asset Valuation Method	Market Value	Market Value
Actuarial Assumptions:		
Investment Rate of Return	1.50%	1.50%
Projected Salary Increases	3.0%	3.0%
Healthcare Inflation Rate	10.5% in 2012 to 10.0% in 2013	10.5% initial to 5.0% in 2030

**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 Position as claims payable along with amounts related to deferred compensatory time and estimated liabilities for questioned costs. As of December 31, 2012, the total amount of non-Enterprise Fund claims was \$556.5 million and Enterprise Fund was \$52.0 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):

**CITY OF CHICAGO, ILLINOIS  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 YEAR ENDED DECEMBER 31, 2012**

	<u>2012</u>	<u>2011</u>
Balance, January 1.....	\$ 554,797	\$ 555,285
Claims incurred and change in estimates.....	755,278	585,980
Claims paid on current and prior year events.....	<u>(701,590)</u>	<u>(586,468)</u>
Balance, December 31.....	<u>\$ 608,485</u>	<u>\$ 554,797</u>

**14) Expenditure of Funds and Appropriation of Fund Balances**

The City expends funds by classification as they become available, and "Restricted" funds are expended first. If/when City Council formally sets aside or designates funds for a specific purpose, they are considered "Committed". The Mayor (or his/her designee) may in this capacity, also set aside or designate funds for specific purposes and all of these funds will be considered "Assigned". Any remaining funds, which are not specifically allocated in one or more of the previous three categories, are considered "Unassigned" until such allocation is completed.

In addition to the categories above, any amounts which will be used to balance a subsequent year's budget will be considered "Assigned" as Budgetary Stabilization funds. The amounts may vary from fiscal year to fiscal year or depending on the City's budgetary condition, or may not be designated at all. The funds may be assigned by the Mayor or his designee, up to the amount of available "Unassigned" fund balance at the end of the previous fiscal year.

**a) Fund Balance Classifications**

On the fund financial statements, the Fund Balance consists of the following (dollars in thousands):

Nonspendable for Inventory .....	\$ 20,885
Restricted for Grants and Donations .....	27,821
Restricted for Debt Service .....	313,623
Restricted for TIF & Special Service Area	
Programs and Redevelopment .....	1,499,414
Restricted for Capital Projects .....	487,762
Committed for Debt Service .....	156,836
Committed for Budget and Credit Rating Stabilization .....	624,849
Committed for Repair, Maintenance and City Services .....	100,442
Assigned for Future Appropriated Fund Balance .....	160,395
Assigned for Encumbrances .....	16,605
Restricted for Special Events .....	4,291
Unassigned .....	<u>(1,819,556)</u>
Total Government Fund Balance .....	<u>\$ 1,593,367</u>

At the end of the fiscal year, total encumbrances for the General Operating Fund amounted to \$16.6 million, \$19.1 million for the Special Taxing Areas Fund, \$34.8 million for the Capital Projects Fund and \$10.8 million for the Non Major Special Revenue Fund.

**15) 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.

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2012**

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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, 2012, the Enterprise Funds have entered into contracts for approximately \$565.5 million for construction projects.

The City's pollution remediation obligation of \$8.4 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.

#### **16) Concession Agreements**

The major fund entitled Service Concession and Reserve Fund is used for the 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. The City recognizes \$15.3 million of revenue for each 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 agreement. 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. The City recognizes \$5.7 million of revenue for each 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 agreement. 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 agreement. The City recognizes \$18.5 million of revenue related to this transaction for each year through 2103. Skyway land, bridges, other facilities and equipment continue to be reported on the Statement of Net Position 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 Position.

#### **17) Subsequent Events**

As of December 31, 2012, the outstanding balance for Chicago General Obligation Commercial Paper Notes (G.O. CP) was \$166.5 million. As of the date of this report, the City has paid \$95.0 million of G.O. CP, issued \$69.1 million to fund various authorized capital projects, and had an outstanding balance of \$140.6 million.

Since January 2013, the City Motor Fuel Tax Revenue Bonds have been downgraded by Moody's Investors Service and Fitch Ratings. Moody's downgraded the rating from Aa3 to A3 in March and from A3 to Baa1 in June. Fitch downgraded the rating from A- to BBB+ in June. Moody's and Fitch currently have a negative outlook on the ratings. In January 2013, the City entered into two swap overlay agreements (i.e., Constant Maturity Swap (CMS) reversal) associated with the General Obligation Series 2003B variable rate bonds with PNC Bank, N.A. (PNC) for a notional amount of \$48.2 million and The Bank of New York Mellon (BNYM) for a notional amount of \$144.6 million. The

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2012**

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agreement with PNC is effective March 1, 2014 through January 1, 2019 and the agreement with BNYM is effective November 1, 2014 through January 1, 2019. Under both agreements the City will pay 66.91 percent of 10 year LIBOR and receive 75 percent of one month LIBOR. 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 January 1, 2019, after which time the City will receive 66.91 percent of 10 year LIBOR through expiration (January 1, 2034). The City received a total upfront payment of \$7.5 million.

In February 2013, the City increased the Letter of Credit (LOC) support for the Chicago Midway International Airport Commercial Paper Program from \$85.0 million to \$150.0 million. The \$65.0 million LOC is provided by PNC Bank. While the City has City Council authorization to issue up to an aggregate principal of \$250.0 million of Chicago Midway International Airport Commercial Paper Notes (Midway CP Notes), the LOC support provides only for the issuance of up to \$150.0 million aggregate principal amount of Midway CP Notes. The Midway CP Notes are authorized to be issued by the City for the financing and refinancing of certain projects (which may include payments on certain related bonds and notes) at Chicago Midway International Airport.

In March 2013, the City entered into a Revolving Credit Agreement with Bank of America, N.A., which allows the City to draw on the line of credit in an aggregate amount not to exceed \$200.0 million. The City's repayment obligation under the line of credit is a general obligation of the City. The line of credit expires March 1, 2016.

In May 2013, the City issued \$23.0 million aggregate principal amount of Midway CP Notes. The proceeds will be used to finance a portion of the costs of authorized airport projects.

In May 2013, the City extended the OPEB benefits for retirees under the OPEB Settlement Health Care Plans from June 30, 2013 until December 31, 2013, with a commitment to provide reduced subsidies after 2013, with a complete phase out in five years. The liability associated with six additional months of payments for the remaining Settlement Plan retirees is approximately \$45 million. The liability associated with the five year phase out is unknown since the level of subsidy and plan provisions are not yet determined.

In June 2013, the City entered into a loan agreement with the United States Department of Transportation under the Transportation Infrastructure Finance and Innovation Act (TIFIA) program to complete the Wacker Drive Reconstruction Project. The loan amount of \$98.66 million will fund the Chicago Riverwalk along the main branch of the Chicago River. The interest rate is 3.33% and the final maturity of the loan is 1/1/2048.

The 1996 Reauthorization Act, Title 49 United States Code §47134, authorized the Federal Aviation Administration ("FAA") to establish the Airport Privatization Pilot Program (the "Pilot Program"), pursuant to which the FAA is authorized to permit public airport sponsors to sell or lease an airport. The 2012 Reauthorization Act increased the number of airports that could participate in the program from five to ten. Only one of the ten airports can be a "large hub" airport (having enplanements that equal or exceed one percent of the enplanements at all U.S. commercial airports). On September 2006, the City applied to the FAA under the Pilot Program with respect to Chicago Midway International Airport ("Midway") with extensions requested periodically and most recently in April 2012. The City is currently pursuing bids for a lease of Midway under the provisions of the Pilot Program. The City is not under any obligation to accept any bids, and it is not possible at this time to predict whether or not the City will enter into a lease of Midway pursuant to the Pilot Program or when such a transaction might occur.

**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>							
2010 .....	12/31/2010	\$ -	\$ 223,564	\$ 223,564	- %	\$ 1,541,388	14.50 %
2011 .....	12/31/2011	-	163,242	163,242	-	1,605,993	10.16
2012 .....	12/31/2012	-	162,083	162,083	-	1,590,794	10.19
<b>Laborers'</b>							
2010 .....	12/31/2010	-	41,361	41,361	- %	199,863	20.69 %
2011 .....	12/31/2011	-	38,328	38,328	-	195,238	19.63
2012 .....	12/31/2012	-	38,654	38,654	-	198,790	19.44
<b>Policemen's</b>							
2010 .....	12/31/2010	-	164,796	164,796	- %	1,048,084	15.72 %
2011 .....	12/31/2011	-	165,955	165,955	-	1,034,404	16.04
2012 .....	12/31/2012	-	168,811	168,811	-	1,015,171	16.63
<b>Firemen's</b>							
2010 .....	12/31/2010	-	48,222	48,222	- %	400,404	12.04 %
2011 .....	12/31/2011	-	46,980	46,980	-	425,385	11.04
2012 .....	12/31/2012	-	46,206	46,206	-	418,965	11.03
<b>City of Chicago</b>							
2010 .....	12/31/2009	-	533,387	533,387	- %	2,546,961	20.94 %
2011 .....	12/31/2010	-	390,611	390,611	-	2,475,080	15.78
2012 .....	12/31/2011	-	470,952	470,952	-	2,518,735	18.70

## **INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON 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, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 29, 2013. Our report includes a reference to other auditors who 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 of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

*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 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. 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.

Our consideration of internal control 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 financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or

significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, as described in the accompanying summary of basic financial statement findings, that we consider to be significant deficiencies as items 2012-1 through 2012-3.

### **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, 2013.

### **The City's Response to Findings**

The City's responses to the findings identified in our audit are described in the accompanying summary of basic financial statement findings. The City's responses were not subjected to auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Deloitte & Touche LLP*

Chicago, Illinois  
June 29, 2013

## CITY OF CHICAGO, ILLINOIS

### SUMMARY OF BASIC FINANCIAL STATEMENTS FINDINGS OFFICE OF THE COMPTROLLER YEAR ENDED DECEMBER 31, 2012

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#### **FINDING 2012-1 — DEPARTMENT OF FINANCE, WATER MANAGEMENT AND AVIATION EXPENDITURE CUTOFF \* — SIGNIFICANT DEFICIENCY**

**Criteria** — GAAP requires the recording of expenditures in the period in which such expenditures have been incurred.

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

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

**Cause** — The City's expenditure cutoff policy does not encompass an estimate for expenditures incurred as of year-end, but for which no invoice had been received by the City. As a result, a number of invoices related to fiscal 2011 were inappropriately recorded as 2012 expenditures. The majority of these invoices recorded in error related to construction projects. The nature of construction activity can result in delays as to when the City receives invoices; however, an analysis or estimation of what services were performed and/or goods were received by fiscal year end was not consistently performed across the City's departments.

**Recommendations** — Consistently review all expenditures, with special consideration of construction projects, to ensure expenditures are recorded in accordance with GAAP. Continue to refine policies that centralize the invoicing function which may allow the Finance Department to direct or take ownership of departmental accounting and financial reporting requirements.

Continue to invest in appropriate departmental trainings and perform personnel needs assessments to ensure that departments have adequate personnel that are trained in GAAP accounting and financial reporting requirements.

**Views of Responsible Officials** — The City is working with vendors and departments to ensure that invoices are received and recorded on a timely basis. This would ensure that expenditures are recorded in the period that they are incurred in order to increase its compliance with GAAP. One hundred percent compliance remains a goal for the City, in addition to providing additional training for departmental finance officers and stricter enforcement of cutoff policies and procedures Citywide. Training is scheduled for completion by the end of 2013 with full implementation of enhanced cutoff policies and procedures anticipated by the end of 2014.

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\* Comment repeated from previous fiscal years.

## CITY OF CHICAGO, ILLINOIS

### SUMMARY OF BASIC FINANCIAL STATEMENTS FINDINGS YEAR ENDED DECEMBER 31, 2012

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#### **FINDING 2012-2 — DEPARTMENT OF FINANCE — GRANTS AND PROJECTS MANAGEMENT ACCOUNTING — SIGNIFICANT DEFICIENCY \***

**Criteria** — Revenue received from federal granting agencies should be accounted for under GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. GASB Statement No. 33 generally provides that revenue received from government mandated and voluntary non-exchange transactions should be recognized or deferred based on eligibility and availability criterion as defined in the standard.

**Condition** — The City continues to make significant improvements in accounting for, monitoring and reporting federal grant activity. However, management did not initially analyze all individual grant balances and/or activity consistently and in accordance with GASB Statement No. 33. Current year changes to the City's systems required that management analyze a portion of their grant activity manually.

**Effect** — Certain errors related to fiscal year 2011 were detected by management and corrected and recorded in the fiscal year 2012.

**Cause** — The City did not consistently reconcile individual grant activity on a grant-by-grant basis timely or in accordance with GASB Statement No. 33. Due to current year system changes, a portion of the City's analysis had to be performed manually.

**Recommendation** — Implement procedures that would require the timely analysis of grant activity to ensure that grant revenues are accounted and reported in accordance with the requirements of GASB Statement No. 33.

**Views of Responsible Officials** — Due to system limitations, the City was not able to accurately create a grant "life to date" report as of December 31, 2012, to assess the balance of "Due from Other Governments" and "Deferred Revenue" at year-end. Therefore, the report needed to be created manually which required adjustments to be made to obtain the final balances. The Grants and Project Accounting Division (GPAD) is currently working with the Department of Innovation and Technology to create a system generated life to date grant report, by fund number, that will automatically calculate the "Due from Other Governments" and "Deferred Revenue" account balances in accordance with GASB Statement No. 33. In addition, GPAD is creating a "one fund, one grant" system where each grant received by the City has an individual grant fund number assigned to it. This system will be fully implemented in 2014 and will ensure that each grant is properly accounted for in accordance with GASB Statement No. 33. GPAD will issue written policies and procedures to accounting management/staff related to the proper year-end recording of receivables and revenue transactions in accordance with GASB Statement No. 33 by the end of 2013.

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\* Comment repeated from previous fiscal years.

# CITY OF CHICAGO, ILLINOIS

## SUMMARY OF BASIC FINANCIAL STATEMENTS FINDINGS YEAR ENDED DECEMBER 31, 2012

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### FINDING 2012-3 — DEPARTMENT OF FINANCE — INTRA DEPARTMENTAL COMMUNICATIONS

**Criteria** — The City should record and/or disclose all financial obligations and/or account for all financial activity in accordance with GAAP; and, ensure the lines of communication are open to facilitate real-time communication amongst and within various City departments.

**Condition** — The City's Department of Finance was not updated timely on certain financial ramifications of all contracts and/or contract provisions or amendments initiated or executed by other departments, or within the same department unless processes are modified to ensure sufficient, timely communication.

**Effect** — If the Department of Finance is not timely made aware of certain contracts, contract provisions, and/or amendment initiated or executed by other City departments, there is increased risk for financial statement misstatement. As an example, in the prior years, the Department of Finance was unaware of certain other postemployment benefits (OPEB) obligations under the terms of the collective bargaining agreements for the Fraternal Order of Police and the International Association of Fire Fighters, and therefore, improperly excluded the obligations in financial statement considerations. In determining the OPEB obligation for purposes of financial reporting as of December 31, 2012, management determined that the prior-period impact of excluding such obligations was not significant to the basic financial statements as a whole.

Also, within the City's Department of Aviation (CDA), certain contract provisions and current-year activity pertaining to a previously recorded capital lease as well as the buyout of another lease were not initially captured and accounted for/reported properly. Ineffective communication within the CDA led to inefficiencies and/or inaccuracies in accounting analyses and financial reporting.

**Cause** — The Department of Finance or departmental finance personnel are not timely notified of certain new contracts and/or contract provisions or amendments initiated or executed by other departments, or within the same department. Inefficient and/or ineffective communications can lead to errors in accounting and reporting.

**Recommendation** — Record and/or disclose all financial obligations and/or account for all financial activity in accordance with GAAP. Ensure the lines of communication are open to facilitate real-time communication amongst and within various City departments.

**Views of Responsible Officials** — In response to this finding, the Department of Finance sent out internal management representation letters to all department heads for the 2012 audit and had attest to the fact that all transactions that have a financial impact have been reported to the Comptroller in writing. In addition, the Comptroller and CFO are communicating with the departments, such as Law, Budget, Procurement, CDA and the Mayor's Office, and are being notified of any new contracts or amendments to existing contracts that would have a significant financial impact to the City's financials.

**CITY OF CHICAGO**

Chicago, Illinois

REPORT ON FEDERAL AWARDS

For the Year Ended December 31, 2012

# CITY OF CHICAGO

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**INDEPENDENT AUDITORS' REPORT**

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

**Report on Schedule of Expenditures of Federal Awards**

We have audited the accompanying schedule of expenditures of federal awards of the City of Chicago, Illinois for the year ended December 31, 2012.

***Management's Responsibility***

Management is responsible for the preparation and fair presentation of the financial statement in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

***Auditors' Responsibility***

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

***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, 2012 in accordance with accounting principles generally accepted in the United States of America.

*Baker Tilly Virchow Krause, LLP*

Chicago, Illinois  
July 26, 2013

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2012

Agency/ Program/ Grant Title	Federal CFDA Number	Federal Grant/ State Pass-Through Number	2012 Federal Expenditures	2012 Non-Federal Expenditures	2012 Sub recipient Expenditures
<b>I. Department of Agriculture</b>					
<b>A. Food and Nutrition Service</b>					
Special Supplemental Nutrition Program for Women, Infants, & Children (passed through Illinois Department of Human Services)					
Women, Infants and Children Program 2009	10.557	L11GL087900	\$ 5,332	\$ -	-
All Our Kids Early Childhood Network 2009	10.557	L11GL097570	1,444	-	-
Women, Infants and Children Program 2010	10.557	M11GM087900	18,200	-	261
Women, Infants and Children Program 2011	10.557	Q11GQ01179	2,501,801	-	545,739
Women, Infants and Children Program 2012	10.557	FCSRE00825	1,695,402	-	-
			4,222,179	-	546,000
<b>Child Nutrition Cluster</b>					
Summer Food Services Program for Children (passed through Illinois Department of Public Health)					
Summer Food Program (passed through Illinois State Board of Education)	10.559	35282004A	38,425	-	-
Summer Food Service Program 2011	10.559	15016298P00	9,095	-	9,095
Summer Food Service Program 2012	10.559	15016298P00	774,255	-	618,484
			821,775	-	627,579
<b>Total Child Nutrition Cluster</b>			821,775	-	627,579
<b>Total Food and Nutrition Service</b>			5,043,954	-	1,173,579
<b>B. Forest Service</b>					
Urban and Community Forestry Program					
Emerald Ash Borer Grant for Forestry	10.675	11-DG-11420004-005	262,238	-	-
GLRI Development of Integrated Payments for Ecosystem Services	10.675	10-DG-1140004-367	52,600	-	-
			314,838	-	-
<b>Recovery Act of 2009: Wildland Fire Management</b>					
ARRA Forest Service Restoring Chicago's Jobs and Habitats	10.688	10DG11244419	320,617	-	-
			320,617	-	-
<b>Total Forest Service</b>			635,455	-	-
<b>Total Department of Agriculture</b>			5,679,409	-	1,173,579
<b>II. Department of Commerce</b>					
<b>A. Economic Development Administration</b>					
Economic Development Cluster					
Community Trade Adjustment Assistance					
Sustainable Industries Project	11.010	06-46-05628	612,217	-	-
			612,217	-	-
<b>Total Economic Development Cluster</b>			612,217	-	-
<b>Total Economic Development Administration</b>			612,217	-	-
<b>B. National Telecommunications and Information Administration</b>					
ARRA Broadband Technology Opportunities Program (BTOP)					
ARRA BTOP - Sustainable Broadband Technology Adoption	11.557	1743B10507	2,443,580	-	2,443,580
ARRA BTOP Public Computer Centers	11.557	1742B10553	4,237,507	22,356	3,632,072
			6,681,087	22,356	6,075,652
<b>Total National Telecommunications and Information Administration</b>			6,681,087	22,356	6,075,652
<b>Total Department of Commerce</b>			7,293,304	22,356	6,075,652
<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	775,207	-	-
			775,207	-	-
<b>Total Office of Housing - Federal Housing Commissioner</b>			775,207	-	-

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2012

Agency/ Program/ Grant Title	Federal CFDA Number	Federal Grant/ State Pass-Through Number	2012 Federal Expenditures	2012 Non-Federal Expenditures	2012 Sub recipient Expenditures
<b>B. Office of Community Planning and Development</b>					
<b>CDBG -- Entitlement Grants Cluster</b>					
<b>Community Development Block Grants/Entitlement Grants</b>					
Community Development Block Grant - YR28	14.218	B02MC170006	\$ 153	\$ -	\$ -
Community Development Block Grant - YR30	14.218	B04MC170006	3,800	-	-
Community Development Block Grant - YR31	14.218	B05MC170006	(564)	-	-
Community Development Block Grant - YR32	14.218	B06MC170006	(101)	-	-
Community Development Block Grant - YR33	14.218	B07MC170006	(696)	-	(696)
Community Development Block Grant - YR34	14.218	B08MC170006	9,104	-	-
Community Development Block Grant - YR35	14.218	B09MC170006	117,887	-	(1,095)
Community Development Block Grant - YR36	14.218	B10MC170006	305,641	-	(13,380)
Community Development Block Grant - YR37	14.218	B11MC170006	4,215,073	-	203,206
Community Development Block Grant - YR38	14.218	B12MC170006	68,959,291	-	21,559,207
Neighborhood Stabilization Program (NSP1) HERA	14.218	B08MN170002	8,400,800	-	8,400,394
			<u>82,010,388</u>	<u>-</u>	<u>30,147,636</u>
<b>Community Development Block Grant ARRA Entitlement Grants (CDBG-R) (Recovery Act Funded)</b>					
ARRA Community Development Block Grant - Recovery	14.253	B09MY170006	5,157,764	-	2,663,445
			<u>5,157,764</u>	<u>-</u>	<u>2,663,445</u>
<b>Total CDBG - Entitlement Grants Cluster</b>			<u>87,168,152</u>	<u>-</u>	<u>32,811,081</u>
<b>CDBG-State-Administered CDBG Cluster</b>					
<b>CDBG - State's Program and Non-entitlement Grants in Hawaii (passed through Illinois Department of Commerce and Economic Opportunity)</b>					
Ike Property Buyout Program	14.228	08-358002	320,032	-	-
			<u>320,032</u>	<u>-</u>	<u>-</u>
<b>Total CDBG State Administered CDBG Cluster</b>			<u>320,032</u>	<u>-</u>	<u>-</u>
<b>Emergency Solutions Grant Program</b>					
Emergency Shelter 2005	14.231	S-05-MC-17-0006	(525)	-	-
Emergency Shelter 2009	14.231	S-09-MC-17-0006	600	-	-
Emergency Shelter 2010	14.231	S-10-MC-17-0006	(165)	-	(65)
Emergency Shelter 2011	14.231	S-11-MC-17-0006	387,682	387,682	9,872
Emergency Solutions Grant 2011	14.231	E-11-SG-17-0001	55,147	55,147	-
Emergency Solutions Grant 2012	14.231	E-12-SG-17-0001	2,533,264	2,533,264	2,048,023
ESG Salvage Fund 2012	14.231	S-11-MC-17-0006	678,736	678,736	555,784
			<u>3,654,739</u>	<u>3,654,829</u>	<u>2,613,614</u>
<b>Supportive Housing Program</b>					
Supportive Housing Program	14.235	IL0132B5T101003	20,680	-	-
			<u>20,680</u>	<u>-</u>	<u>-</u>
<b>Shelter Plus Care</b>					
Shelter Plus Care	14.238	IL01XC31060	(342)	-	-
Shelter Plus Care	14.238	IL06C971019	481	-	-
Shelter Plus Care	14.238	IL01C310106	2,293	-	-
Shelter Plus Care	14.238	IL01C410130	(1,061)	-	-
Shelter Plus Care	14.238	IL01XC31060	(2,355)	-	-
Shelter Plus Care	14.238	IL01C510153	(887)	-	-
Shelter Plus Care	14.238	IL01C510152	920	-	-
Shelter Plus Care	14.238	IL01C510154	(478)	-	-
Shelter Plus Care	14.238	IL01C610140	(547)	-	-
Shelter Plus Care	14.238	IL01C610141	-	-	-
Shelter Plus Care	14.238	IL01C710125	(1,691)	-	-
Shelter Plus Care	14.238	IL01C210050	(5,838)	-	(5,838)
Shelter Plus Care	14.238	IL0116C5T100802	(600)	-	-
Shelter Plus Care	14.238	IL0190C5T100802	(582)	-	(582)
Shelter Plus Care	14.238	IL0111C5T1008	(950)	-	-
Shelter Plus Care	14.238	IL0403C5T100901	5,838	-	5,838
Shelter Plus Care	14.238	IL01C710116	14,848	-	14,848
Shelter Plus Care	14.238	IL01C710001	91,101	-	91,101
Shelter Plus Care	14.238	IL0374C5T101002	23,266	-	23,266
Shelter Plus Care	14.238	IL0143C5T101003	20,794	-	20,794
Shelter Plus Care	14.238	IL0151C5T101003	26,325	-	26,325
Shelter Plus Care	14.238	IL0225C5T101003	21,071	-	21,071
Shelter Plus Care	14.238	IL0148C5T101203	54,124	-	54,124
Shelter Plus Care	14.238	IL0171C5T101003	22,646	-	22,646
Shelter Plus Care	14.238	IL0137C5T101003	86,331	-	86,331
Shelter Plus Care	14.238	IL0149C5T101003	220,330	-	220,330
Shelter Plus Care	14.238	IL0220C5T101003	120,253	-	120,253
Shelter Plus Care	14.238	IL0371C5T101002	110,975	-	110,975
Shelter Plus Care	14.238	IL0401C5T101002	76,178	-	76,178
Shelter Plus Care	14.238	IL0134C5T101003	78,661	-	78,661
Shelter Plus Care	14.238	IL0130C5T101003	73,636	-	73,636
Shelter Plus Care	14.238	IL0138C5T101003	164,432	-	164,432
Shelter Plus Care	14.238	IL0176C5T101003	15,912	-	15,912

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2012

Agency/ Program/ Grant Title	Federal CFDA Number	Federal Grant/ State Pass-Through Number	2012 Federal Expenditures	2012 Non-Federal Expenditures	2012 Sub recipient Expenditures
Shelter Plus Care (cont.)					
Shelter Plus Care	14.238	IL0223C5T101003	\$ 121,659	\$ -	\$ 121,659
Shelter Plus Care	14.238	IL0136C5T101003	155,113	-	155,113
Shelter Plus Care	14.238	IL0190C5T101003	47,257	-	47,257
Shelter Plus Care	14.238	IL0400C5T101002	225,066	-	225,066
Shelter Plus Care	14.238	IL0208C5T101003	72,149	-	72,149
Shelter Plus Care	14.238	IL0152C5T101003	468,325	-	468,325
Shelter Plus Care	14.238	IL0226C5T101003	266,675	-	266,675
Shelter Plus Care	14.238	IL0135C5T101003	201,113	-	201,113
Shelter Plus Care	14.239	IL0172C5T101003	82,823	-	82,823
Shelter Plus Care	14.238	IL0224C5T101003	249,063	-	249,063
Shelter Plus Care	14.238	IL0107C5T101003	429,966	-	429,966
Shelter Plus Care	14.238	IL0150C5T101003	249,835	-	249,835
Shelter Plus Care	14.238	IL0112C5T101003	244,878	-	244,878
Shelter Plus Care	14.238	IL01C610007	40,749	-	40,749
Shelter Plus Care	14.238	IL01C610002	56,089	-	56,089
Shelter Plus Care	14.238	IL01C610005	120,477	-	120,477
Shelter Plus Care	14.238	IL0423C5T100900	27,056	-	27,056
Shelter Plus Care	14.238	IL0189C5T101003	161,236	-	161,236
Shelter Plus Care	14.238	IL0116C5T101003	178,486	-	-
Shelter Plus Care	14.238	IL0110C5T101003	143,713	-	-
Shelter Plus Care	14.238	IL0201C5T101002	118,491	-	-
Shelter Plus Care	14.238	IL0372C5T101002	223,915	-	-
Shelter Plus Care	14.238	IL0093C5T100800	95,439	-	95,439
Shelter Plus Care	14.238	IL0403C5T101002	45,985	-	45,985
Shelter Plus Care	14.238	IL0171C5T101104	26,576	-	26,576
Shelter Plus Care	14.238	IL0152C5T101	264,575	-	217,972
Shelter Plus Care	14.238	IL0137C5T101104	187,524	-	187,524
Shelter Plus Care	14.238	IL0201C5T101104	193,858	-	-
Shelter Plus Care	14.238	IL0226C5T101	118,733	-	118,733
Shelter Plus Care	14.238	IL0224C5T101	21,105	-	21,105
Shelter Plus Care	14.238	IL0112C5T101104	17,584	-	17,584
Shelter Plus Care	14.238	IL0176C5T101	21,600	-	21,600
Shelter Plus Care	14.238	IL0148C5T101104	269,445	-	269,445
Shelter Plus Care	14.238	IL0400C5T101	145,685	-	145,685
Shelter Plus Care	14.238	IL0401C5T101103	101,387	-	101,387
Shelter Plus Care	14.239	IL0138C5T101104	179,544	-	179,544
Shelter Plus Care	14.238	IL0220C5T101104	259,220	-	32,321
Shelter Plus Care	14.238	IL0208C5T101	35,851	-	35,851
Shelter Plus Care	14.238	IL0134C5T101104	90,583	-	90,583
Shelter Plus Care	14.238	IL0223C5T101104	117,146	-	117,146
Shelter Plus Care	14.238	IL0135C5T101	33,425	-	33,425
Shelter Plus Care	14.238	IL0189C5T101104	380,109	-	380,109
Shelter Plus Care	14.238	IL0130C5T101104	73,314	-	73,314
Shelter Plus Care	14.238	IL0151C5T101104	334,040	-	307,799
Shelter Plus Care	14.238	IL0190C5T101104	34,228	-	34,228
Shelter Plus Care	14.238	IL0172C5T101	5,442	-	5,442
Shelter Plus Care	14.238	IL0149C5T101104	422,348	-	422,348
Shelter Plus Care	14.238	IL0107C5T101104	36,785	-	36,785
Shelter Plus Care	14.238	IL0374C5T101103	153,792	-	153,792
Shelter Plus Care	14.238	IL0136C5T101104	123,036	-	123,036
Shelter Plus Care	14.238	IL0108C5T101	42,071	-	42,071
Shelter Plus Care	14.238	IL0482C5T101	93,933	-	93,933
Shelter Plus Care	14.238	IL0116C5T101104	256,069	-	-
Shelter Plus Care	14.238	IL0403C5T101	19,253	-	19,253
Shelter Plus Care	14.238	IL0225C5T101104	240,670	-	240,670
Shelter Plus Care	14.238	IL0371C5T101103	158,353	-	158,353
Shelter Plus Care	14.238	IL0110C5T001104	186,621	-	-
Shelter Plus Care	14.238	IL0143C5T101104	228,069	-	228,069
Shelter Plus Care	14.238	IL0150C5T101	17,564	-	17,564
Shelter Plus Care	14.238	IL0093C5T100800	59,394	-	59,394
Shelter Plus Care	14.238	IL01C610007	81,431	-	81,431
Shelter Plus Care	14.238	IL01C710116	91,322	-	91,322
Shelter Plus Care	14.238	IL0423C5T100900	244,551	-	244,551
Shelter Plus Care	14.238	IL0461C5T101000	39,852	-	39,852
Shelter Plus Care	14.238	IL01C710001	454,061	-	454,061
Shelter Plus Care	14.238	IL01C610005	306,053	-	306,053
Shelter Plus Care	14.238	IL06C971019	750	-	-
			11,407,594	-	9,811,165
HOME Investment Partnerships Program					
HOME01	14.239	M01MC170201	217	-	-
HOME05	14.239	M05MC170201	10,000	-	-
HOME06	14.239	M06MC170201	17,598	-	-
HOME08	14.239	M08MC170201	472,594	-	-
HOME09	14.239	M09MC170201	1,201,671	1,790	-
HOME10	14.239	M10MC170201	12,073,213	-	-
HOME11	14.239	M11MC170201	7,603,122	81,800	-
HOME12	14.239	M12MC170201	1,768,938	4,034,384	-
			23,147,353	4,117,974	-

See accompanying notes to schedule of expenditures of federal awards.

## CITY OF CHICAGO, ILLINOIS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2012

Agency/ Program/ Grant Title	Federal CFDA Number	Federal Grant/ State Pass-Through Number	2012 Federal Expenditures	2012 Non-Federal Expenditures	2012 Sub recipient Expenditures
<b>Housing Opportunities for Persons with AIDS</b>					
HOPWA 10	14.241	ILH10F001	\$ 310,359	\$ -	\$ 310,359
HOPWA 11	14.241	ILH11F001	198,877	-	198,243
HOPWA 12	14.241	ILH12F001	5,921,889	-	5,628,231
HOPWA SPNS	14.241	ILH090013	519,296	-	511,034
			<u>6,950,421</u>	<u>-</u>	<u>6,647,867</u>
<b>Community Development Block Grants/Brownfields Economic Development Initiative</b>					
Calumet Redevelopment Initiative - EDI	14.246	B06SP1L0790	46,114	-	-
			<u>46,114</u>	<u>-</u>	<u>-</u>
<b>Community Development Block Grants Section 108 Loan Guarantees</b>					
GX Chicago, LLC - Section 108 Loan	14.248	B10MV170006	3,196,843	-	-
			<u>3,196,843</u>	<u>-</u>	<u>-</u>
<b>Neighborhood Stabilization Program (Recovery Act Funded)</b>					
ARRA Neighborhood Stabilization Program (NSP II)	14.256	B09LNIL0025	11,126,994	-	8,262,616
			<u>11,126,994</u>	<u>-</u>	<u>8,262,616</u>
<b>ARRA Homelessness Prevention and Rapid Re-Housing</b>					
ARRA Homelessness Prevention and Rapid Re-Housing	14.257	S09MY170006	3,197,065	-	3,021,170
			<u>3,197,065</u>	<u>-</u>	<u>3,021,170</u>
<b>Neighborhood Stabilization Program</b>					
Neighborhood Stabilization Program 3	14.264	B11MN170002	1,145,944	-	868,293
			<u>1,145,944</u>	<u>-</u>	<u>868,293</u>
<b>Total Office of Community Planning and Development</b>			<u>151,381,931</u>	<u>7,772,803</u>	<u>64,035,806</u>
<b>C. Office of Public and Indian Housing</b>					
<b>Public and Indian Housing</b>					
(passed through Chicago Housing Authority)					
CHA Resident Service Coordinators Program	14.850	9027	12,478	-	-
Service Connector Program FY2006	14.850		(64)	-	-
Family Works Program FY2008	14.850		(13,993)	-	(13,993)
			<u>(1,579)</u>	<u>-</u>	<u>(13,993)</u>
<b>Housing Voucher Cluster</b>					
<b>Section 8 Housing Choice Vouchers</b>					
(passed through Chicago Housing Authority)					
CHA-2011	14.871		26,642	-	(906)
CHA-2012	14.871		1,221,266	-	510,695
CHA-2013	14.871		2,632	-	-
			<u>1,250,540</u>	<u>-</u>	<u>509,789</u>
<b>Total Housing Voucher Cluster</b>			<u>1,250,540</u>	<u>-</u>	<u>509,789</u>
<b>Choice Neighborhoods Implementation Grants</b>					
Choice Neighborhoods Implementation Grants	14.889	IL5A507CNI110	66	-	-
			<u>66</u>	<u>-</u>	<u>-</u>
<b>Total Office of Public and Indian Housing</b>			<u>1,249,027</u>	<u>-</u>	<u>495,796</u>
<b>D. Office of Healthy Homes and Lead Hazard Control</b>					
<b>Lead Hazard Reduction Demonstration Grant Program</b>					
Lead Hazard Reduction Demonstration Grant Program	14.905	ILLHD00221-11	69,518	-	-
			<u>69,518</u>	<u>-</u>	<u>-</u>
<b>Total Office of Healthy Homes and Lead Hazard Control</b>			<u>69,518</u>	<u>-</u>	<u>-</u>
<b>Total Department of Housing and Urban Development</b>			<u>153,475,683</u>	<u>7,772,803</u>	<u>64,531,602</u>

## CITY OF CHICAGO, ILLINOIS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2012

Agency/ Program/ Grant Title	Federal CFDA Number	Federal Grant/ State Pass-Through Number	2012 Federal Expenditures	2012 Non-Federal Expenditures	2012 Sub recipient Expenditures
<b>IV. Department of the Interior</b>					
<b>A. Fish and Wildlife Service</b>					
Coastal Wetlands Planning, Protection and Restoration Act Hegewisch Marsh National Coastal Wetlands Project	15.614	C-4-D-1	\$ 47,509 47,509	\$ - -	\$ - -
Migratory Bird Monitoring, Assessment and Conservation	15.655	F11SA00915	14,528 14,528	3,632 3,632	- -
<b>Total Fish and Wildlife Service</b>			<b>62,037</b>	<b>3,632</b>	<b>-</b>
<b>Total Department of the Interior</b>			<b>62,037</b>	<b>3,632</b>	<b>-</b>
<b>V. Department of Justice</b>					
<b>A. Violence Against Women Office</b>					
Supervised Visitation, Safe Havens for Children Safe Haven Supervised Visitation & Safe Exchange	16.527	2009CWAXK013	46,163 46,163	- -	37,608 37,608
Violence Against Women Formula Grants (passed through Illinois Criminal Justice Information Authority)					
DV Hotline	16.588	609115	326,087	81,522	-
2012 DV Hotline	16.588	611115	137,492	19,454	-
Domestic Violence Law Enforcement	16.588	60009007	191,435 655,014	- 100,976	- -
<b>Total Violence Against Women Office</b>			<b>701,177</b>	<b>100,976</b>	<b>37,608</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 FY 11/12	16.523	509026	84,190 84,190	15,260 15,260	- -
Juvenile Mentoring Program Mentoring Initiative for System Involved Youth	16.726	2006JUFXX012	(18,149) (18,149)	- -	- -
Enforcing Under Age Drinking Laws Program (passed through Illinois Department of Human Services)					
Enforcing Underage Drinking Laws FY10/11	16.727	11GM480000	(806)	-	-
Stop Alcohol to Minors FY 11/12	16.727	11GQ00480	19,612	18,206	-
Enforcing Underage Drinking Laws FY12/13	16.727	FCSRE00737	21,188 39,994	- 18,206	- -
<b>Total Office of Juvenile Justice and Delinquency Prevention</b>			<b>106,035</b>	<b>33,466</b>	<b>-</b>
<b>C. Bureau of Justice Assistance</b>					
Bulletproof Vest Partnership Program					
Bulletproof Vest 2009	16.607		49,510	-	-
Bulletproof Vest 2010	16.607		132,087	-	-
Bulletproof Vest 2011	16.607		6,888 188,485	- -	- -
Community Prosecution and Project Safe Neighborhoods (passed through University of Illinois) Project Safe Neighborhoods Program FY 11/12	16.609	200P9GBX0034	30,280 30,280	- -	- -
Gang Resistance Education & Training					
Gang Resistance Education & Training FY 08/11	16.737	2008JVFX0096	37,907	-	-
Gang Resistance Education & Training FY 10/12	16.737	2010JVFX0019	9,080 46,987	- -	- -
Second Chance Act Prisoner Reentry Initiative					
One Summer Chicago Plus (passed through Cook County)	16.812		231,570	-	231,570
Cook County Sheriff Grant BFY 10/12	16.812	2010CZBX0101	112,000 343,570	- -	112,000 343,570

See accompanying notes to schedule of expenditures of federal awards.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2012

Agency/ Program/ Grant Title	Federal CFDA Number	Federal Grant/ State Pass-Through Number	2012 Federal Expenditures	2012 Non-Federal Expenditures	2012 Sub recipient Expenditures
<b>JAG Program Cluster</b>					
Edward Byrne Memorial Justice Assistance Grant Program					
Edward Byrne Memorial Justice Assistance Grant 2006	16.738	2006DJBX0689	\$ 15,551	\$ -	\$ -
Edward Byrne Memorial Justice Assistance Grant 2007	16.738	2007DJBX1059	24,804	-	4,804
Edward Byrne Memorial Justice Assistance Grant 2008	16.738	2008DJBX0222	55,365	-	23,416
Edward Byrne Memorial Justice Assistance Grant 2009	16.738	2009DJBX0589	168,492	-	-
Edward Byrne Memorial Justice Assistance Grant 2010	16.738	2010DJBX0309	759,468	-	110,004
Edward Byrne Memorial Justice Assistance Grant 2011 (passed through Illinois Criminal Justice Information Authority)	16.738	2011DJBX2688	31,691	-	25,227
Edward Byrne Memorial Justice Assistance Grant 2005	16.738	408458	388,352	129,451	-
			1,443,723	129,451	163,451
<b>Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories (passed through Illinois Criminal Justice Information Authority)</b>					
ARRA Campaign to Break the Code of Silence	16.803	809019	112,944	-	-
ARRA ARC Community Partnership	16.803	809042	17,466	-	-
ARRA Ballistics Lab Equipment Project	16.803	809058	141,648	-	-
			272,058	-	-
<b>ARRA-Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to Units of Local Government</b>					
ARRA Recovery Justice Assistance Grant Program FY 2009 (passed through Illinois Criminal Justice Information Authority)	16.804	2009-SB-B9-0835	3,590,537	-	2,417,031
ARRA Gang Prevention Youth Outreach Program	16.804	809043	19,855	-	1,651
			3,610,392	-	2,418,682
<b>Total JAG Program Cluster</b>			<b>5,326,173</b>	<b>129,451</b>	<b>2,582,133</b>
<b>Total Bureau of Justice Assistance</b>			<b>5,935,495</b>	<b>129,451</b>	<b>2,925,703</b>
<b>D. Office of Victims of Crime</b>					
<b>Services for Trafficking Victims</b>					
FY 10/11 Human Trafficking Task Force & Victim Services	16.320	2010-VT-BX-0005	17,285	-	-
			17,285	-	-
<b>Crime Victim Assistance (passed through Illinois Criminal Justice Information Authority)</b>					
Service to Victims of Domestic Violence	16.575	209389	(7,476)	-	-
Service to Victims of Domestic Violence	16.575	211239	157,219	39,305	-
Victims of Crime Act (VOCA)	16.575	211289	172,424	-	-
			322,167	39,305	-
<b>Total Office of Victims of Crime</b>			<b>339,452</b>	<b>39,305</b>	<b>-</b>
<b>E. National Institute of Justice</b>					
<b>National Institute of Justice Research, Evaluation and Development Project Grants</b>					
Predictive Policing Demonstration and Evaluation Program Phase II	16.560	2011JCXK014	241,088	-	-
Solving Cold Cases with DNA FY 09/12	16.560	2009-DN-BX-K194	120,637	-	-
			361,725	-	-
<b>Total National Institute of Justice</b>			<b>361,725</b>	<b>-</b>	<b>-</b>
<b>F. Executive Office for Weed and Seed</b>					
<b>Community Capacity Development Office - The Weed and Seed Program</b>					
Weed & Seed Community - Garfield Yr. 4	16.595	200-WS-QX-0119	29,968	-	-
			29,968	-	-
<b>Total Executive Office for Weed and Seed</b>			<b>29,968</b>	<b>-</b>	<b>-</b>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2012

Agency/ Program/ Grant Title	Federal CFDA Number	Federal Grant/ State Pass-Through Number	2012 Federal Expenditures	2012 Non-Federal Expenditures	2012 Sub recipient Expenditures
<b>G. Office of Community Oriented Policing Services</b>					
Public Safety Partnership and Community Policing Grants					
COPS 2007 Technology Program	16.710	2007-CK-WX-0034	\$ 558,424	\$ 171,000	\$ -
COPS 2007 Methamphetamine Initiative	16.710	2007-CK-WX-0239	120,465	-	-
Secure Our Schools 2009	16.710	2009-CK-WX0682	249,591	-	-
ARRA Cops Hiring Recovery Program	16.710	2009-RJ-WX-0044	6,332,952	-	-
			7,261,432	171,000	-
<b>Total Office of Community Oriented Policing Services</b>			<b>7,261,432</b>	<b>171,000</b>	<b>-</b>
<b>Total Department of Justice</b>			<b>14,735,284</b>	<b>474,198</b>	<b>2,963,311</b>
<b>VI. Department of Labor</b>					
<b>A. Employment Training Administration</b>					
Senior Community Service Employment Program (passed through Illinois Department on Aging/ National Council for Senior Citizens)					
Senior Community Service Employment Program 2010	17.235	V-1112	26,186	-	-
Senior Community Service Employment Program 2011	17.235	V-1212	391,415	-	206,817
Senior Community Service Employment Program 2012	17.235	V-1312	324,650	-	136,844
			742,251	-	343,661
<b>WIA Cluster</b>					
<b>WIA Adult Program</b> (passed through Illinois Department of Commerce and Economic Opportunity)					
WIA Adult Program	17.258	06-681009	(2,760)	-	(2,760)
WIA Incentive PY 2008	17.258	08-672009	3,789	-	3,788
WIA Incentive PY 2009	17.258	09-672009	20,355	-	18,126
WIA PY 2009 Adult	17.258	09-681009	92,512	-	74,564
WIA PY 2010 Adult	17.258	10-681009	581,079	-	48,289
WIA PY 2011 Adult	17.258	11-681009	5,305,710	-	2,248,256
WIA Local Incentive	17.258	10-672009	37,643	-	1,367
ARRA - WIA Adult	17.258	08-761009	16,123	-	7,053
			6,054,451	-	2,398,683
<b>WIA Youth Activities</b> (passed through Illinois Department of Commerce and Economic Opportunity)					
WIA Work Experience	17.259	08-677009	(438,304)	-	(438,304)
WIA Youth Training	17.259	07-681009	(21,413)	-	(21,413)
WIA Youth Grant	17.259	08-681009	(38)	-	(38)
WIA Youth Training	17.259	09-681009	(3,117)	-	(2,510)
WIA Youth Training	17.259	06-681009	(29,766)	-	(29,766)
WIA Statewide Local Incentive	17.259	10-673009	437,890	-	437,890
WIA Youth Training	17.259	10-681009	484,209	-	314,249
WIA Youth Training	17.259	11-681009	4,662,604	-	3,736,482
WIA Statewide Local Incentive	17.259	10-672009	40,642	-	1,476
ARRA WIA Youth	17.259	08-762009	(5,369)	-	(5,369)
			5,127,338	-	3,992,697
<b>WIA Dislocated Workers</b> (passed through Illinois Department of Commerce and Economic Opportunity)					
WIA PY 2009 Dislocated Worker	17.260	09-681009	57,471	-	(570)
WIA PY 2010 Dislocated Worker	17.260	10-681009	981,618	-	(14,697)
WIA - Dislocated Worker	17.260	04-681009	(132)	-	-
WIA Local Incentive	17.260	09-672009	29,291	-	-
WIA Local Incentive	17.260	08-672009	4,631	-	5,027
ARRA - WIA Neg on the Job Training	17.260	09-741009	278,363	-	-
ARRA - WIA Dislocated Worker	17.260	08-761009	84,082	-	(653)
			1,435,324	-	(10,893)
<b>WIA Dislocated Worker Formula Grants</b> (passed through Illinois Department of Commerce and Economic Opportunity)					
WIA PY 2011 Dislocated Worker	17.278	11-681009	4,530,731	-	2,225,037
WIA - Dislocated Worker	17.278	10-672009	50,984	-	1,852
			4,581,715	-	2,226,889
<b>Total WIA Cluster</b>			<b>17,198,828</b>	<b>-</b>	<b>8,607,376</b>
<b>Total Employment and Training Administration</b>			<b>17,941,079</b>	<b>-</b>	<b>8,951,037</b>
<b>Total Department of Labor</b>			<b>17,941,079</b>	<b>-</b>	<b>8,951,037</b>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2012

Agency/ Program/ Grant Title	Federal CFDA Number	Federal Grant/ State Pass-Through Number	2012 Federal Expenditures	2012 Non-Federal Expenditures	2012 Sub recipient Expenditures
<b>VII. Department of Transportation</b>					
<b>A. Federal Aviation Administration</b>					
Airport Improvement Program					
Federal Airport O'Hare Field Development (passed through Illinois Department of Transportation)	20.106		\$ 62,212,251	\$ -	\$ -
Federal Airport Midway	20.106		4,681,832	-	-
			66,894,083	-	-
<b>Total Federal Aviation Administration</b>			66,894,083	-	-
<b>B. Federal Highway Administration</b>					
Highway Planning and Construction Cluster					
Highway Planning and Construction (passed through Illinois Department of Transportation)					
Vert CL IMP @ 2200 W. 43rd Street	20.205	VARIOUS	62,925	15,731	-
Halsted Street Bridge over North Branch	20.205	VARIOUS	22,100	10,400	-
Rock Island Park & Ride FAC	20.205	VARIOUS	451	113	-
Laramie Ave. Viaduct at Polk Street	20.205	VARIOUS	2,706,959	404,488	-
Expressway Overpass Construction Engineering	20.205	VARIOUS	4,512	1,128	-
Commuter Bicycle Parking and Promotion	20.205	VARIOUS	54,967	8,213	-
Installation of Pavement Marking and Signs for Bikeways	20.205	VARIOUS	6,682	1,671	-
Solidarity Drive Pedestrian Underpass & Traffic Circle Museum Campus	20.205	VARIOUS	115,653	25,387	-
Lake Front/Navy Pier Flyover	20.205	VARIOUS	415,230	161,478	-
LSD Underpass at North Avenue	20.205	VARIOUS	265,535	66,384	-
43rd Street Pedestrian Bride Ph 1	20.205	VARIOUS	6,094	1,523	-
Lakeshore Drive Viaduct Over LaSalle Drive	20.205	VARIOUS	17,711	4,428	-
Madison Street Viaduct Over Union Station	20.205	VARIOUS	886	222	-
Street for Cycling Project #3 Phase I & II	20.205	VARIOUS	142,071	35,518	-
Street for Cycling Project #2 Phase I & II	20.205	VARIOUS	178,032	44,508	-
Arterial Street ADA Ramps 2010 (Central)	20.205	VARIOUS	1,224,849	306,212	-
Arterial Street Resurfacing Project 59 - North Area	20.205	VARIOUS	1,270,940	3,812,819	-
Arterial Street Resurfacing Project 60 - Central Area	20.205	VARIOUS	1,201,418	4,259,573	-
Arterial Street Resurfacing Project 61 - South Area	20.205	VARIOUS	1,315,099	4,662,625	-
Arterial Street Resurfacing Project 62 - Far South Area	20.205	VARIOUS	586,789	1,858,166	-
91st St Viaduct Over Dan Ryan Expressway	20.205	VARIOUS	1,717	429	-
Lake Street @ Ogden : CTA Column Relocation	20.205	VARIOUS	489,963	122,491	-
Root Street Viaduct Over Dan Ryan Exp I-90/94	20.205	VARIOUS	100,182	11,131	-
Division St. Bridge Over N. Chicago	20.205	VARIOUS	143,046	35,762	-
Burley Avenue: 106th to 126th Place	20.205	VARIOUS	5,685	1,421	-
US 21 Mainline Relocation - Harbor Ave to 79th Street	20.205	VARIOUS	4,150,514	5,072,851	-
Congress Parkway Wells and Michigan	20.205	VARIOUS	1,791,149	3,986,751	-
Wacker Drive: Viaduct Utility Relocation	20.205	VARIOUS	1,895,392	210,599	-
Wacker Dr. Randolph St./Adams St.	20.205	VARIOUS	217,903	288,849	-
Wacker Drive (Congress to Adams Street)	20.205	VARIOUS	1,132,891	637,251	-
2010/2011 Transportation Planning and Programming	20.205	VARIOUS	344,867	38,319	-
Airport Rail Coordination & Plans	20.205	VARIOUS	10,233	2,558	-
Central Area Bus Rapid Transit - East/West Transit Corridor	20.205	VARIOUS	36,449	12,150	-
Preliminary Planning	20.205	VARIOUS	1,472	368	-
Preliminary Planning	20.205	VARIOUS	6,277	1,569	-
Development & Monitoring	20.205	VARIOUS	3,592	898	-
TIP Development and Monitoring	20.205	VARIOUS	3,673	-	-
Preliminary Planning	20.205	VARIOUS	141,936	-	-
Preliminary Planning	20.205	VARIOUS	499	2,621	-
South Lake Front Transportation Study	20.205	VARIOUS	18,710	-	-
Chicago Sustainable Infrastructure Standards	20.205	VARIOUS	2,340	75,660	-
Transportation Planning and Programming	20.205	VARIOUS	2,436	10,386	-
Transportation Planning and Programming	20.205	VARIOUS	46,175	283,644	-
West Loop Terminal Area Plan	20.205	VARIOUS	2,279	26,208	-
Crossway Treatment Methodology	20.205	VARIOUS	3,127	75,038	-
Lakefront Bicycle Trail Navy Pier Fly Over	20.205	VARIOUS	2,408	602	-
Far South RR Relocation Study	20.205	VARIOUS	63,337	15,834	-
Union Station Master Plan: Phase III	20.205	VARIOUS	15,033	3,758	-
Transportation Planning & Programming	20.205	VARIOUS	494,046	123,512	-
Halsted Street Bridge Over North Branch	20.205	VARIOUS	2,124,101	-	-
Lawrence Avenue Over Kennedy Expressway I-90	20.205	VARIOUS	278,475	97,843	-
Milwaukee Avenue: Montrose to Kilpatrick	20.205	VARIOUS	270,113	-	-
Morse Avenue Streetscape	20.205	VARIOUS	12,621	-	-
Parking Facility AT MSI	20.205	VARIOUS	210,977	52,744	-
LSD 79th St. to Harbor Avenue	20.205	VARIOUS	4,424	20,154	-
2005/2006 Structural Bridge Inspection	20.205	VARIOUS	275,774	68,943	-
Arterial Streets ADA Ramps 2011 (North)	20.205	VARIOUS	446,462	111,616	-

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
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Agency/ Program/ Grant Title	Federal CFDA Number	Federal Grant/ State Pass-Through Number	2012 Federal Expenditures	2012 Non-Federal Expenditures	2012 Sub recipient Expenditures
Highway Planning and Construction (cont.)					
Arterial Streets ADA Ramps 2011 (Central)	20.205	VARIOUS	\$ 99,609	\$ 24,902	\$ -
Arterial Street Resurfacing (North Area) Project	20.205	VARIOUS	770,603	-	-
Arterial Street Resurfacing (Central Area) Project	20.205	VARIOUS	4,118,154	-	-
Arterial Street Resurfacing (South Area) Project	20.205	VARIOUS	3,639,223	-	-
Arterial Street Resurfacing (Far South Area) Project	20.205	VARIOUS	1,776,235	-	-
Lake Park Ave @ 51 St and 57th Street	20.205	VARIOUS	101,200	-	-
2009 Bridge & Viaduct Painting Contract #A	20.205	VARIOUS	65,056	-	-
2009 Bridge & Viaduct Painting Contract #B	20.205	VARIOUS	72,060	-	-
130th St/Torrence Ave/Brainard Ave Main Contract	20.205	VARIOUS	16,220,635	14,384,337	-
Madison Street Viaduct Over Union Station	20.205	VARIOUS	935,070	233,767	-
STP-2007 Traffic Signal Modernization	20.205	VARIOUS	23,285	5,821	-
West Jackson Blvd. Over Union Station	20.205	VARIOUS	172,563	-	-
Grand Avenue: Fullerton - Jefferson	20.205	VARIOUS	310,695	77,674	-
Milwaukee Ave Improvements - Montrose Ave to Gale Street	20.205	VARIOUS	399,713	70,538	-
Arterial Street ADA Ramp 2007 Program	20.205	VARIOUS	51,315	12,829	-
Arterial Street ADA Ramp 2008 Program	20.205	VARIOUS	185,782	-	-
Kedzie Ave. Marquette Park Lagoon	20.205	VARIOUS	4,215,007	1,639,169	-
Laramie Avenue Viaduct At Polk Street	20.205	VARIOUS	11,821	2,421	-
Arterial Street - ADA Ramps Project #51 & 54	20.205	VARIOUS	1,576,547	394,137	-
Milwaukee Avenue: Lawrence to Erie	20.205	VARIOUS	53,001	13,250	-
63rd St. Western To Wallace	20.205	VARIOUS	17,749	6,236	-
City Wide Traffic Studies	20.205	VARIOUS	541	135	-
Lake St. from Canal to Western Avenue	20.205	VARIOUS	94,437	29,822	-
Traffic Control Signals at Various Locations City	20.205	VARIOUS	1,974	494	-
Torrence Avenue Over Calumet River	20.205	VARIOUS	22,534,668	-	-
Burnham Park, Gateway Landscaping (31st to Oakwood Blvd)	20.205	VARIOUS	64	20	-
Burnham Park, Gateway Landscaping (23rd St to 56th St)	20.205	VARIOUS	2,826	893	-
Roosevelt Road Improvements	20.205	VARIOUS	6,315	1,579	-
Montrose Harbor Bridges and Underpass	20.205	VARIOUS	15,557	3,889	-
Ashland Avenue Viaduct Over Pershing Road	20.205	VARIOUS	333	83	-
Ashland Ave. Viaduct Over Pershing Road	20.205	VARIOUS	557,628	139,407	-
Arterial Street Resurfacing PR	20.205	VARIOUS	950	-	-
Fullerton Streetscap - Ashland to Southport	20.205	VARIOUS	137,823	32,329	-
63rd Street: Western Avenue/Ashland Avenue	20.205	VARIOUS	10,968	4,265	-
Fullerton Drive Bridge Over Lincoln Park Lagoon	20.205	VARIOUS	148,106	121,178	-
Wells Street Bridge Over Main Branch of Chicago River	20.205	VARIOUS	21,517	5,379	-
Chicago Avenue Bridge Over the North Branch of Chicago River	20.205	VARIOUS	10,085	2,521	-
Well Street Bridge Over Main Branch Chicago River	20.205	VARIOUS	730,085	182,521	-
Fullerton Drive Bridge Over Lincoln Park Lagoon	20.205	VARIOUS	8,815,676	2,203,919	-
Wells Street Bridge Over Main Branch of Chicago River	20.205	VARIOUS	2,456,508	614,127	-
Torrence Avenue Bridge Rehab	20.205	VARIOUS	3,361	9,088	-
2003/2004 Structural Bridge Inspection	20.205	VARIOUS	17,634	4,409	-
Wacker Drive Riverwalk - Wabash Plaza	20.205	VARIOUS	5,934	1,484	-
Bloomingtondale Trail Phase - 1	20.205	VARIOUS	1,277,801	-	-
2008 Bridge and Viaduct Painting Contract B	20.205	VARIOUS	48,444	12,111	-
Arterial Streets ADA Ramps - 2009	20.205	VARIOUS	137,255	34,314	-
W. Grand Improvement Lamont to Pulaski Road	20.205	VARIOUS	266,219	66,555	-
Traffic Control at Various Locations Citywide (STP 2008 TSM Design)	20.205	VARIOUS	230,564	57,641	-
79th Street - Cicero to Ashland Signal Interconnect System (Design)	20.205	VARIOUS	385	96	-
Arterial Street Resurfacing Project #51 North Area	20.205	VARIOUS	187,786	46,947	-
Arterial Street Resurfacing Project #52 Central Area	20.205	VARIOUS	405,604	101,401	-
Arterial Street Resurfacing Project #53 South Area	20.205	VARIOUS	491,403	122,851	-
Arterial Street Resurfacing Project #54 Far South Area	20.205	VARIOUS	1,215,895	303,974	-
Structural Inspection of Bridge at Various Locations Citywide	20.205	VARIOUS	1,107,178	276,794	-
Procurement and Installation of Bicycle Parking	20.205	VARIOUS	89,369	22,342	-
Pershing Road Improvement Ashland Ave to Dan Ryan Expressway	20.205	VARIOUS	193,431	48,358	-
Arterial Street ADA-Ramps 2010 (South)	20.205	VARIOUS	1,367,040	341,760	-
Phase I & II of Bicycle Lane Pavement Markings and Signs	20.205	VARIOUS	683,530	170,883	-
Roosevelt Road, Western to LSD Traffic Control Interconnect	20.205	VARIOUS	25,552	6,388	-
Blue Island 19th to 21st Street Phase I and II	20.205	VARIOUS	72,512	18,128	-
Walk to Transit/Walk to Transit II Pedestrian Improvement	20.205	VARIOUS	8,140	2,035	-
Wacker Drive Congress Parkway Interchange Imp	20.205	VARIOUS	17,466,990	4,366,747	-
Wacker Drive Viaduct Reconstruction Randolph	20.205	VARIOUS	10,224,763	4,176,311	-
Wacker Drive Congress Interchange Improvement	20.205	VARIOUS	59,984,277	14,996,069	-
Safe Routes School	20.205	VARIOUS	9,676	-	-
Safe Routes to School Year II	20.205	VARIOUS	80,092	-	-
ARRA - Arterial Street Resurfacing ADA Ramps Project #47 (North Area)	20.205	VARIOUS	550,231	-	-
ARRA - Arterial Street Resurfacing ADA Ramps Project #48 (Central Area)	20.205	VARIOUS	228,893	-	-
ARRA - Arterial Street Resurfacing ADA Ramps Project #49 (South Area)	20.205	VARIOUS	949,845	-	-
ARRA - ARS ADA Ramps Project #50 (Far South Area)	20.205	VARIOUS	14,815	-	-
ARRA - Arterial Street Resurfacing (North Area) Project #47	20.205	VARIOUS	624,550	-	-
ARRA - Arterial Street Resurfacing (Central Area) Project #48	20.205	VARIOUS	458,160	-	-
ARRA - Arterial Street Resurfacing: (South Area) Project	20.205	VARIOUS	89,393	-	-
ARRA - Arterial Street Resurfacing: (Far South Area) Project	20.205	VARIOUS	39,296	-	-
ARRA - Arterial Street Resurfacing (North Area) Project	20.205	VARIOUS	1,091,140	-	-
ARRA - Arterial Street Resurfacing (Central Area) Project	20.205	VARIOUS	2,492,799	-	-

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Agency/ Program/ Grant Title	Federal CFDA Number	Federal Grant/ State Pass-Through Number	2012 Federal Expenditures	2012 Non-Federal Expenditures	2012 Sub recipient Expenditures
<b>Highway Planning and Construction (cont.)</b>					
ARRA - Arterial Street Resurfacing (South Area) Project	20.205	VARIOUS	\$ 3,145,482	\$ -	\$ -
ARRA - Arterial Street Resurfacing (North Area) Project #55	20.205	VARIOUS	2,967,548	-	-
ARRA - Lake Park Ave. @ 51 Street and 57th Street	20.205	VARIOUS	417,943	-	-
ARRA - Congress Parkway Wells and Michigan	20.205	VARIOUS	939,769	-	-
ARRA - 2009 Bridge & Viaduct Painting Contract #A	20.205	VARIOUS	682,031	-	-
ARRA - 2009 Bridge & Viaduct Painting Contract #B	20.205	VARIOUS	839,514	-	-
ARRA - City Wide Miscellaneous Viaduct Improvement	20.205	VARIOUS	4,125,236	-	-
ARRA - CDOT- Chicago Ave. Improvements - Grand to Laramie	20.205	VARIOUS	350,886	-	-
ARRA - LaSalle Drive/Clark Lake Shore Drive	20.205	VARIOUS	1,528,917	-	-
			211,847,848	72,466,875	-
<b>Total Highway Planning and Construction Cluster</b>			<b>211,847,848</b>	<b>72,466,875</b>	<b>-</b>
<b>Total Federal Highway Administration</b>			<b>211,847,848</b>	<b>72,466,875</b>	<b>-</b>
<b>C. Federal Transit Administration</b>					
<b>Federal Transit Cluster</b>					
<b>Federal Transit -- Capital Investment Grants (passed through Illinois Department of Transportation)</b>					
Grand/State Station Rehab	20.500	VARIOUS	4,643,182	143,604	-
DRBRN/JCKSN-STA-PLTFRM/MEZZ	20.500	VARIOUS	226,456	14,455	-
Mid - City Transitway PHSG Study	20.500	VARIOUS	38	278	-
Dan Ryan EXT MJR INV ANALYSIS	20.500	VARIOUS	44,682	99,454	-
Dan Ryan EXT MJR INV ANALYSIS	20.500	VARIOUS	1,628	11,941	-
Southwest Transit Ext Row	20.500	VARIOUS	1,103	766	-
La Salle/Congress Intermodel Transfer	20.500	VARIOUS	9,833	3,824	-
Clark/Division Subway Station	20.500	VARIOUS	6,788	22,723	-
State St. Subway Lake/Ran Mezz/PI	20.500	VARIOUS	70,348	7,816	-
			5,004,058	304,861	-
<b>Federal Transit-Formula Grants</b>					
Morgan Street El CTA Green Line Station	20.507	IL-90-X012	2,824,712	706,178	-
Union Station Transportation Center	20.507	IL-95-X013	139,520	34,880	-
			2,964,232	741,058	-
<b>Total Federal Transit Cluster</b>			<b>7,968,290</b>	<b>1,045,919</b>	<b>-</b>
<b>Alternatives Analysis</b>					
Carroll Avenue Alternatives Analysis	20.522	IL-95-X009	16,479	4,120	-
			16,479	4,120	-
<b>Metropolitan Transportation Planning</b>					
Clark/Division CTA Subway Station	20.505	VARIOUS	2,574,383	643,596	-
West Loop Terminal Plan Phase II	20.505	VARIOUS	75,916	18,979	-
2011-2012 Transportation Planning Grant Signal Systems O&M Pooled Fund Study	20.505	VARIOUS	25,000	-	-
2012-2013 Transportation Planning Grant	20.505	VARIOUS	22,693	5,673	-
2012-2013 Transportation Planning Grant	20.505	VARIOUS	50,888	12,722	-
			2,748,880	680,970	-
<b>Total Federal Transit Administration</b>			<b>10,733,649</b>	<b>1,731,009</b>	<b>-</b>
<b>D. National Highway Traffic Safety Administration</b>					
<b>Highway Safety Cluster</b>					
<b>State and Community Highway Safety (passed through Illinois Department of Transportation)</b>					
NHTSA Focus City Grant	20.600	DTNH22-09-H00281	153,570	-	-
Chicago Bicycle Safety Initiative FY 2011	20.600	PB1-1051-146	763	376	-
Chicago Bicycle Safety Initiative	20.600	PPB-1051-209	131,275	196,912	-
Chicago Pedestrian Safety Initiative	20.600	PB1-1051-147	7,424	7,424	-
Crosswalk Enforcement Initiative FY 11/12	20.600	PB2-1051-208	63,628	-	-
Chicago Pedestrian Safety Initiative	20.600	PB2-1051-211	163,292	163,292	-
Holiday Mobilization Grant FY09/10	20.600	AL01051576	8,174	-	-
Sustained Traffic Enforcement Program (STEP) FY 11/12	20.600	AL21051206	177,138	-	-
Sustained Traffic Enforcement Program (STEP) FY 12/13	20.600	AL13306	73,940	-	-
			779,204	368,004	-
<b>Alcohol Impaired Driving Countermeasures Incentive Grants I (passed through Illinois Department of Transportation)</b>					
Sustained Traffic Enforcement (Step) FY 10/11	20.601	AL11051237	6,312	-	-
DUI Strike force/Roadside Safety Check	20.601	AL11051205	352,841	-	-
Local Alcohol Program	20.601	OP13305	51,131	-	-
			410,284	-	-

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Agency/ Program/ Grant Title	Federal CFDA Number	Federal Grant/ State Pass-Through Number	2012 Federal Expenditures	2012 Non-Federal Expenditures	2012 Sub recipient Expenditures
Child Safety & Child Booster Seats Incentive Grants (passed through Illinois Department of Transportation) IDOT - CPS	20.613	OP13308	\$ 409 409	\$ - -	\$ - -
Total Highway Safety Cluster			1,189,897	368,004	-
Total National Highway Traffic Safety Administration			1,189,897	368,004	-
<b>E. Pipeline and Hazardous Materials Safety Administration</b>					
Intragency Hazardous Materials Public Sector Training and Planning Grants (passed through Illinois Emergency Management Agency)					
Hazardous Materials Emergency Preparedness 2011	20.703		7,000	-	-
Hazardous Materials Emergency Preparedness 2012	20.703		32,870	-	-
			39,870	-	-
Total Pipeline and Hazardous Materials Safety Administration			39,870	-	-
Total Department of Transportation			290,705,347	74,565,888	-
<b>VIII. National Endowment for the Arts</b>					
Promotion of the Arts Grants to Organizations and Individuals NEA Artworks Made in Chicago World Class Jazz	45.024	1231007172	20,000 20,000	- -	- -
Total National Endowment for the Arts			20,000	-	-
<b>IX. National Endowment for the Humanities</b>					
Promotion of the Humanities-Federal/State Partnership (passed through Illinois Humanities Council) 50th Anniversary of Brown V. The Board of Education	45.129	IHC3038	(98) (98)	- -	- -
Total National Endowment for the Humanities			(98)	-	-
<b>X. Institute of Museum and Library Services</b>					
<b>A. Office of Library Services</b>					
Grants to States Program (passed through Illinois State Library) Talking Book Center	45.310	09SL258007	490,262 490,262	- -	- -
Total Office of Library Services			490,262	-	-
Total Institute of Museum and Library Services			490,262	-	-
<b>XI. Department of Veterans Affairs</b>					
<b>A. VA Health Administration Center</b>					
Veteran Medical Care Benefits					
North Chicago VAMC 2010	64.009		3,239	-	-
Jesse Brown VAMC 2010	64.009		3,239	-	-
Edward Hines VAMC 2010	64.009		3,239	-	-
Veteran's Independence Program BFY 11/12	64.009		99,343	-	99,343
			109,060	-	99,343
Total VA Health Administration Center			109,060	-	99,343
Total Department of Veterans Affairs			109,060	-	99,343

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Agency/ Program/ Grant Title	Federal CFDA Number	Federal Grant/ State Pass-Through Number	2012 Federal Expenditures	2012 Non-Federal Expenditures	2012 Sub recipient Expenditures
<b>XII. Environmental Protection Agency</b>					
<b>A. Office of Air and Radiation</b>					
Climate Showcase Communities Grant Program					
Chicago Green Healthcare Initiative	66.041	AF834538010	\$ 135,134	\$ -	\$ -
			135,134	-	-
<b>Total Office of Air and Radiation</b>			135,134	-	-
<b>B. Office of Water</b>					
Capitalization Grants for Clean Water State Revolving Funds (passed through Illinois Environmental Protection Agency)					
Water Pollution Control Loan Program	66.458		236,038	-	-
			236,038	-	-
Capitalization Grants for Drinking Water State Revolving Funds (passed through Illinois Environmental Protection Agency)					
Public Water Supply Loan Program	66.468		6,593,838	-	-
			6,593,838	-	-
Great Lakes Program					
Calumet Hydrologic Master Plan	66.469	GL00E005510	35,895	-	-
Integrated Ring billed Gull Management	66.469	507026	51,553	-	-
			87,448	-	-
<b>Total Office of Water</b>			6,917,324	-	-
<b>C. Office of Chemical Safety and Pollution Prevention</b>					
Source Reduction Assistance					
Source Reduction Assistance Grant Program	66.717	X900E94701	39,035	-	-
			39,035	-	-
<b>Total Office of Chemical Safety and Pollution Prevention</b>			39,035	-	-
<b>D. Office of Solid Waste and Emergency Response</b>					
Brownfields Assessment and Cleanup Cooperative Agreements					
Brownfields Assessment and Cleanup Cooperative Agreement	66.818	BF00E683011	172,317	-	-
			172,317	-	-
<b>Total Office of Solid Waste and Emergency Response</b>			172,317	-	-
<b>E. Office of the Administrator</b>					
Performance Partnership Grants					
Air Control Pollution Program	66.605	FA - 13203	220,006	-	-
Air Control Pollution Program	66.605	FA - 12301	273,739	-	-
			493,745	-	-
<b>Total Office of the Administrator</b>			493,745	-	-
<b>Total Environmental Protection Agency</b>			7,757,555	-	-
<b>XIII. Department of Energy</b>					
State Energy Program (passed through Illinois Department of Commerce and Economic Opportunity)					
ARRA Thermal Efficiency for Public Facilities	81.041	09-468013	109,551	-	-
			109,551	-	-
Conservation Research and Development					
ARRA Chicago Area Alternative Fuel Deployment	81.086	DE-EE0002541	3,456,085	-	-
			3,456,085	-	-
Renewable Energy Research and Development					
Chicago Climate Action Plan Advanced Transportation Technologies Initiative	81.087	DEF G3605G086	77,704	-	-
			77,704	-	-
Energy Efficiency and Renewable Energy Information					
Dissemination, Outreach, Training and Technical Analysis/Assistance					
Sunshot Initiative Chicago Rooftop Solar Challenge	81.117	DEEE005681	742,524	-	-
			742,524	-	-

See accompanying notes to schedule of expenditures of federal awards.

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Agency/ Program/ Grant Title	Federal CFDA Number	Federal Grant/ State Pass-Through Number	2012 Federal Expenditures	2012 Non-Federal Expenditures	2012 Sub recipient Expenditures
Electricity Delivery and Energy Reliability, Research, Development and Analysis ARRA Local Energy Assurance Planning Initiative	81.122	DE0E0000367	\$ 149,556	\$ -	\$ -
			149,556	-	-
ARRA Energy Efficiency and Conservation Block Grant Program (EECBG) ARRA Energy Efficiency & Conservation Block Grant (passed through Chicago Metropolitan Agency for Planning)	81.128	DEEE000815	2,592,603	-	(910,646)
ARRA CMAP-EECBG Subgrant #1	81.128	C-11-0046	967,500	-	-
			3,560,103	-	(910,646)
<b>Total Department of Energy</b>			<b>8,095,523</b>	<b>-</b>	<b>(910,646)</b>
<b>XIV. Department of Health and Human Services</b>					
<b>A. Office of Population Affairs</b>					
Family Planning - Services (passed through Illinois Department of Human Services)					
HIV Testing and Prevention Project	93.217	Q11G1019244	23,800	39,565	-
Family Planning Services	93.217	011GQ087350	180,845	-	-
			204,645	39,565	-
<b>Total Office of Population Affairs</b>			<b>204,645</b>	<b>39,565</b>	<b>-</b>
<b>B. Administration on Aging</b>					
Aging Cluster					
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers (passed through Illinois Department on Aging)					
Senior Citizen Nutrition and Social Services Program 2009	93.044	T31012	123,472	403,551	-
Senior Citizen Nutrition and Social Services Program 2010	93.044	T31112	(265,306)	47,151	-
Senior Citizen Nutrition and Social Services Program 2011	93.044	T31212	2,679,379	4,441,950	735,380
Senior Citizen Nutrition and Social Services Program 2012	93.044	T31312	784,228	1,046,548	86,196
			3,321,773	5,939,200	821,576
Special Programs for the Aging - Title III, Part C - Nutrition Services (passed through Illinois Department on Aging)					
Senior Citizen Nutrition and Social Services Program 2009	93.045	T31012	1,097,412	-	-
Senior Citizen Nutrition and Social Services Program 2010	93.045	T31112	140,822	-	-
Senior Citizen Nutrition and Social Services Program 2011	93.045	T31212	2,830,394	-	1,039,362
Senior Citizen Nutrition and Social Services Program 2012	93.045	T31312	1,045,614	-	420,363
			5,114,242	-	1,459,725
Nutrition Services Incentive Program (passed through Illinois Department on Aging)					
Senior Citizen Nutrition and Social Services Program 2009	93.053	T31012	199,429	-	-
Senior Citizen Nutrition and Social Services Program 2011	93.053	T31212	2,952,974	-	2,952,974
Senior Citizen Nutrition and Social Services Program 2012	93.053	T31312	716,710	-	716,710
			3,869,113	-	3,669,684
<b>Total Aging Cluster</b>			<b>12,305,128</b>	<b>5,939,200</b>	<b>5,950,985</b>
Special Programs for the Aging - Title VII, Chapter 3 - Program for Prevention of Elder Abuse, Neglect and Exploitation (passed through Illinois Department on Aging)					
Senior Citizen Nutrition and Social Services Program 2009	93.041	T31012	11,388	-	-
Senior Citizen Nutrition and Social Services Program 2010	93.041	T31112	6,000	-	6,000
			17,388	-	6,000
Special Programs for the Aging - Title VII, Chapter 2 - Long- term Care Ombudsman Services for Older Individuals (passed through Illinois Department on Aging)					
Senior Citizen Nutrition and Social Services Program 2009	93.042	T31012	12,658	-	-
Senior Citizen Nutrition and Social Services Program 2010	93.042	T31112	(5,301)	-	-
Senior Citizen Nutrition and Social Services Program 2011	93.042	T31212	46,738	-	-
Senior Citizen Nutrition and Social Services Program 2012	93.042	T31312	11,012	-	-
			65,107	-	-
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services (passed through Illinois Department on Aging)					
Senior Citizen Nutrition and Social Services Program 2009	93.043	T31212	35	-	-
Senior Citizen Nutrition and Social Services Program 2011	93.043	T31212	249,617	-	249,617
Senior Citizen Nutrition and Social Services Program 2012	93.043	T31312	86,746	-	86,746
			336,398	-	336,363

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<b>National Family Caregiver Support</b>					
(passed through Illinois Department on Aging)					
Senior Citizen Nutrition and Social Services Program 2009	93.052	T31012	\$ 172,152	\$ -	\$ -
Senior Citizen Nutrition and Social Services Program 2010	93.052	T31112	(4,851)	-	3,109
Senior Citizen Nutrition and Social Services Program 2011	93.052	T31212	1,609,170	-	167,665
Senior Citizen Nutrition and Social Services Program 2012	93.052	T31312	521,802	-	24,094
			<u>2,298,273</u>	<u>-</u>	<u>194,868</u>
<b>Special Programs for the Aging - Title II and Title IV</b>					
Discretionary Projects and Programs (passed through AGE Options)					
Senior Medicare Patrol Program 2010	93.048	FY2011SMP	21,492	-	21,492
Senior Medicare Patrol BFY 12/13	93.048	FY2012SMP	11,916	-	11,916
			<u>33,408</u>	<u>-</u>	<u>33,408</u>
<b>Affordable Care Act - Medicare Improvements for Patients and Providers</b>					
(passed through Illinois Department of Insurance)					
Senior Health Insurance 2010	93.518		2,736	-	-
Senior Health Insurance 2011	93.518		16,552	-	-
Senior Health Insurance Program BFY 11/12	93.518		19,975	-	-
Senior Health Insurance Program BFY 12/13	93.518		22,827	-	-
(passed through Illinois Department of Aging)					
MIPPA 2 - 2010	93.518	MIPPA2 1112	86,888	22,629	-
MIPPA 2 - 2011	93.518	MIPPA2 1212	114,296	22,629	-
			<u>263,274</u>	<u>45,258</u>	<u>-</u>
<b>ARRA - Communities Putting Prevention to Work: Chronic Disease</b>					
Self-Management Program (passed through Illinois Department of Public Health)					
ARRA Chronic Disease Self Management	93.725	03288716	58,727	-	31,127
			<u>58,727</u>	<u>-</u>	<u>31,127</u>
<b>Total Administration on Aging</b>			<b>15,377,703</b>	<b>5,984,458</b>	<b>6,552,751</b>
<b>C. Administration for Children and Families</b>					
<b>TANF Cluster</b>					
Temporary Assistance for Needy Families (passed through Illinois Department of Human Services)					
Healthy Families of Illinois FY 10/11	93.558	M11QM097400	5,547	-	-
Healthy Families of Illinois FY 11/12	93.558	Q11QQ01560	207,794	-	140,764
Healthy Families of Illinois FY 09/10	93.558	L11GL097400	2,423	-	-
			<u>215,764</u>	<u>-</u>	<u>140,764</u>
ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program (passed through Illinois Department of Commerce and Economic Opportunity)					
ARRA - Illinois Youth Summer Employment	93.714	10-071009	(994)	-	(994)
			<u>(994)</u>	<u>-</u>	<u>(994)</u>
<b>Total TANF Cluster</b>			<b>214,770</b>	<b>-</b>	<b>139,770</b>
Refugee and Entrant Assistance-State Administered Programs (passed through Illinois Department of Public Health)					
Refugee Program	93.566	81XQ319000	290,153	-	-
			<u>290,153</u>	<u>-</u>	<u>-</u>
<b>CSBG Cluster</b>					
Community Services Block Grant (passed through Illinois Department of Commerce and Economic Opportunity)					
CSBG 2002	93.569	02-231036	1,150	-	-
CSBG 2006	93.569	06-231036	(1,439)	(1,600)	-
CSBG 2008	93.569	08-231036	(203)	-	-
CSBG 2010	93.569	10-231036	(12,459)	-	(799)
CSBG 2011	93.569	11-231036	144,496	48,310	119,151
CSBG 2012	93.569	12-231036	11,096,855	-	2,939,674
CSBG Loan Program Prepaid Principal	93.569	10-231036	834,182	-	817,058
			<u>12,062,582</u>	<u>46,710</u>	<u>3,875,084</u>
ARRA - Community Services Block Grant (passed through Illinois Department of Commerce and Economic Opportunity)					
ARRA - CSBG Stimulus FY'09	93.710	09-211036	(601)	-	(601)
			<u>(601)</u>	<u>-</u>	<u>(601)</u>
<b>Total CSBG Cluster</b>			<b>12,061,981</b>	<b>46,710</b>	<b>3,874,483</b>

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<b>CCDF Cluster</b>					
<b>Child Care and Development Block Grant</b> (passed through Illinois Department of Human Services)					
Childcare FY 11	93.575	81XM552000	\$ (4,734)	\$ -	\$ (4,734)
Healthy Childcare of Illinois 2010	93.575	M11GM087420	1,468	-	-
Childcare FY 12	93.575	81XG552000	1,035,112	-	957,996
			1,031,846	-	953,262
<b>Child Care Mandatory and Matching Funds of the Child Care and Development Fund</b> (passed through Illinois Department of Human Services)					
Childcare FY 05	93.596	81X5104CON	(10,489)	-	(10,489)
Childcare FY 08	93.596	81X8552000	(134)	-	-
Childcare FY 12	93.596	81XQ552000	6,363,539	10,813,223	5,889,456
Childcare FY 13	93.596	FCSR100434	8,665,685	-	7,237,104
			15,018,601	10,813,223	13,116,071
<b>Total CCDF Cluster</b>			16,050,447	10,813,223	14,069,333
<b>Head Start Cluster</b>					
<b>Head Start</b>					
Early Headstart 2004	93.600	05CH0101/40	(24,553)	-	(24,553)
Early Headstart 2005	93.600	05CH010141	(291)	-	(291)
Early Headstart 2007	93.600	05CH0101/43	(1)	-	-
Early Headstart 2011	93.600	05CH010147	202,543	9	105,238
Early Headstart 2012	93.600	05CH010148	6,213,540	-	5,096,534
Early Headstart 2013	93.600	05CH0101/49	497,780	-	392,731
Headstart 2002	93.600	05CH0101/38	(151)	-	-
Headstart 2003	93.600	05CH010139	456	-	-
Headstart 2007	93.600	05CH0101/43	(16,214)	-	(16,126)
Headstart 2008	93.600	05CH010144	(37)	-	-
Headstart 2008	93.600	05CH0101/44	(1)	-	-
Headstart 2009	93.600	05CH010145	(1,824)	-	-
Headstart 2010	93.600	05CH010146	(4,235)	-	(2,083)
Headstart 2011	93.600	05CH010147	96,335	-	75,784
Headstart 2012	93.600	05CH010148	109,689,900	-	93,352,585
Headstart 2013	93.600	05CH0101/49	5,404,942	-	4,623,885
			122,058,189	9	103,603,704
<b>ARRA-Head Start</b>					
ARRA Expansion H/S Year 2	93.708	05SH0101/02	(4,001)	-	(753)
ARRA Early Learning Mentor Coaches	93.708	90ST0025/01	15,517	-	14,799
ARRA Headstart COLA & Quality Improvement	93.708	05SE0101/01	(1,835)	-	(1,835)
			9,681	-	12,211
<b>Total Head Start Cluster</b>			122,067,870	9	103,615,915
<b>Social Services Block Grant</b> (passed through Illinois Department of Human Services)					
Empowerment Zone	93.667	N/A	(1,891)	-	(1,891)
Family Planning Services 2011	93.667	Q11GQ087350	60,475	-	-
Maternal and Child Health Services 2011	93.667	Q11GQ01366	558,897	-	13,693
Alternative Schools Network-Title XX 2010	93.667	81XM025000	26,573	8,857	-
Safer Foundation Program 2010	93.667	81XM025000	44,940	14,981	-
Title XX ASN FY 11/12	93.667	811XQ025000	349,141	156,763	320,193
Title XX Safer FY 11/12 Challenge	93.667	81XQ057000	131,763	61,591	114,121
Domestic Violence Special Project 2011	93.667	11GQ00994	16,245	59,669	-
Title XX - ASN - FY12/13	93.667	FCSRJ00048	270,329	1,814	264,888
Title XX-DARE - FY 12/13	93.667	FSRJ00231	220,499	73,988	212,090
Title XX - Challenge - FY 12/13	93.667	FCSRJ00229	89,711	29,417	78,640
Title XX Safer FY 11/12 DARE	93.667	81XQ0458000	445,598	148,532	404,024
			2,212,280	555,612	1,405,758
<b>Total Administration for Children and Families</b>			152,897,501	11,415,554	123,105,259
<b>D. Centers for Medicare and Medicaid Services</b>					
<b>Medicaid Cluster</b>					
<b>Medicaid Assistance Program (Medicaid; Title XIX)</b> (passed through Illinois Department of Healthcare and Family Services)					
Chicago Family Case Management - Medicaid	93.778	40C7001111	1,799,652	-	-
			1,799,652	-	-
<b>Total Medicaid Cluster</b>			1,799,652	-	-
<b>Total Centers for Medicare and Medicaid Services</b>			1,799,652	-	-

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2012

Agency/ Program/ Grant Title	Federal CFDA Number	Federal Grant/ State Pass-Through Number	2012 Federal Expenditures	2012 Non-Federal Expenditures	2012 Sub recipient Expenditures
<b>E. Centers for Disease Control and Prevention (CDC)</b>					
Public Health Emergency Preparedness (PHEP)					
Public Health Emergency Response - PHER	93.069	1H75TP000379-01	\$ 616,806	\$ -	\$ -
Public Health Preparedness and Response for Bioterrorism	93.069	5U90TP517008-11	5,406,404	-	199,153
HPP and PHEP Cooperative Agreement	93.069	1U90TP000507-01	2,147,904	-	187,975
Public Health Preparedness and Response for Bioterrorism	93.069	5U90TP517008-10	433,602	-	-
			8,604,716	-	387,128
<b>Project Grants and Cooperative Agreements for Tuberculosis Control Programs</b>					
TB Elimination and Laboratory	93.116	PS500444-30	4,944	-	-
TB Elimination and Laboratory	93.116	PS500444-31	1,792,953	-	136,157
			1,797,897	-	136,157
<b>Injury Prevention and Control Research and State and Community Based Programs</b>					
Dating Matters: Strategies to Promote Healthy Teen	93.136	1U88CE002054	107,487	-	18,529
Dating Matters: Strategies to Promote Healthy Teen	93.136	5U88CE002054	55,514	-	-
			163,001	-	18,529
<b>Childhood Lead Poisoning Prevention Projects - State and Local</b>					
Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children					
Childhood Lead Poisoning Prevention Program	93.197	SH64EH000157-05	24,772	-	-
			24,772	-	-
<b>Immunization Cluster</b>					
<b>Immunization Cooperative Agreements</b>					
Immunization and Vaccines for Children	93.268	H23IP522565-10	4,477,011	-	424,268
Immunization and Vaccines for Children	93.268	H23IP522562-09	293,420	-	158,617
			4,770,431	-	582,885
<b>ARRA - Immunization</b>					
ARRA-317 Immunization & Vaccines for Children	93.712	3H23IP522565	233,469	-	194,186
			233,469	-	194,186
<b>Total Immunization Cluster</b>			<b>5,003,900</b>	<b>-</b>	<b>777,071</b>
<b>Adult Viral Hepatitis Prevention and Control</b>					
Adult Viral Hepatitis	93.270	5U51PS000906	(619)	-	-
Adult Viral Hepatitis	93.270	5U51PS000906	131,328	-	-
			130,709	-	-
<b>Centers for Disease Control and Prevention - Investigations and Technical Assistance</b>					
Epidemiology & Lab Grant	93.283	1U50CK000225	254,021	-	-
Epidemiology & Lab Grant	93.283	U50/C1000490-03	82,520	-	-
Reach US (passed through Illinois Department of Public Health)	93.283	5U58DP000968	(309)	-	-
Breast and Cervical Cancer	93.283	26180005	322,150	-	-
Breast and Cervical Cancer (passed through Task Force for Global Health Inc.)	93.283	36180005A	456,966	-	-
CDC Inventory Management Tracking System	93.283		75,891	-	-
			1,191,239	-	-
<b>PPHF 2012 National Public Health Improvement Initiative</b>					
Public Health Infrastructure	93.507	5U58CD001271	200,748	-	-
Public Health Infrastructure	93.507	5U58CD001271	44,362	-	-
			245,110	-	-
<b>The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements</b>					
Building Epidemiology and Health IT Capacity Program	93.521	1U50CI000894	(8,790)	-	-
Building Epidemiology and Health IT Capacity Program	93.521	5U50CI000894	344,909	-	-
			336,119	-	-
<b>The Affordable Care Act: Human Immunodeficiency Virus (HIV) Prevention and Public Health Fund Activities</b>					
Enhanced Comprehensive HIV Prevention Planning	93.523	1U62PS003627-01	885,348	-	197,693
			885,348	-	197,693
<b>The Affordable Care Act: Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by 2012 Prevention and Public Health Funds</b>					
Immunization Infrastructure	93.539	1H123I000054	94,532	-	69,852
			94,532	-	69,852
<b>The Patient Protection and Affordable Care Act of 2010 (ACA)</b>					
Reach Us	93.541	5U58D0000968	377,807	-	145,476
			377,807	-	145,476

See accompanying notes to schedule of expenditures of federal awards.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2012

Agency/ Program/ Grant Title	Federal CFDA Number	Federal Grant/ State Pass-Through Number	2012 Federal Expenditures	2012 Non-Federal Expenditures	2012 Sub recipient Expenditures
<b>HIV Prevention Activities - Health Department Based</b>					
HIV Behavioral Surveillance	93.940	1U1BPS003260-01	\$ 8,087	\$ -	-
HIV Behavioral Surveillance	93.940	1U1BPS003260-02	465,548	-	160,626
HIV Behavioral Surveillance	93.940	1U1BPS003260-03	11	-	-
HIV Prevention Project	93.940	5U62PS523481-07	153,723	-	4,386
HIV Prevention Project	93.940	1U62PS003644-01	6,185,132	-	1,227,226
Enhanced Comprehensive HIV Prevention Planning (ECHPP)	93.940	5U65PS003627	12,381	-	-
			6,824,882	-	1,392,238
<b>HIV Demonstration, Research, Public and Professional Education Projects</b>					
HIV Prevention Strategies	93.941	5U62PS001042	(30,671)	-	-
			(30,671)	-	-
<b>Epidemiologic Research Studies of Acquired Immunodeficiency Syndrome (AIDS) and Human Immunodeficiency Virus (HIV) Infection in Selected Population Groups</b>					
Multi-Site Opt-Out Rapid HIV Testing	93.943	5U62PS003200-02	196,916	-	165,479
Multi-Site Opt-Out Rapid HIV Testing	93.943	1U62PS003200-01	576,811	-	426,942
			773,727	-	592,421
<b>Human Immunodeficiency Virus (HIV) / Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance</b>					
AIDS Surveillance and Seroprevalance	93.944	5U62PS001042-04	117,730	-	-
AIDS Surveillance and Seroprevalance	93.944	5U62PS001042-05	1,221,815	-	10,325
Morbidity/Risk Behavior Surveillance	93.944	5U62PS001610-03	206,180	-	-
Morbidity/Risk Behavior Surveillance	93.944	5U62PS001610-04	266,720	-	-
			1,812,445	-	10,325
<b>Preventive Health Services - Sexually Transmitted Diseases Control Grants</b>					
Comprehensive STD Prevention System	93.977	5H25PS001367	155,858	-	-
Comprehensive STD Prevention System	93.977	5H25PS001367	158,755	-	-
Comprehensive STD Prevention System	93.977	5H25PS001367	2,080,443	-	44,071
STD Surveillance Network	93.977	5H25PS001275	105,767	-	36,981
STD Surveillance Network	93.977	5H25PS001275	832	-	-
			2,501,655	-	81,052
<b>ARRA Prevention and Wellness - State, Territories and Pacific Islands</b>					
ARRA - Stimulus - Chronic Disease Nutrition/Headstart Project	93.723	03288702	(273)	-	(273)
			(273)	-	(273)
<b>Total Centers for Disease Control and Prevention</b>			<b>30,736,915</b>	<b>-</b>	<b>3,807,669</b>
<b>F. Office of the Secretary</b>					
<b>Teenage Pregnancy Prevention Program</b>					
Teen Pregnancy Prevention	93.297	2H89HA00008	112,103	-	-
			112,103	-	-
<b>National Bioterrorism Hospital Preparedness Program</b>					
Bioterrorism Hospital Preparedness Program	93.889	U3REP090230-03	2,337,965	-	1,852,188
Bioterrorism Hospital Preparedness Program	93.889	U3REP090230-02	(1,329)	-	(1,329)
HPP and PHEP Cooperative Agreement	93.889	1U90TP000507-01	363,353	-	31,888
			2,699,989	-	1,882,747
<b>Total Office of the Secretary</b>			<b>2,812,092</b>	<b>-</b>	<b>1,882,747</b>
<b>G. Health Resources and Services Administration</b>					
<b>HIV Emergency Relief Project Grants</b>					
Minority Aids Initiative (MAI)	93.914	5H3MHA08490	(9,225)	-	(9,225)
HIV Emergency Relief Project	93.914	H89HA00008-19	(202)	-	(202)
HIV Emergency Relief Project & Minority Aids Initiative Program	93.914	H89HA00008-20	(7,470)	-	(7,470)
HIV Emergency Relief Project & Minority Aids Initiative Program	93.914	H89HA00008-21	9,544,300	-	8,487,950
HIV Emergency Relief Project	93.914	H89HA00008-22	17,302,362	-	14,680,936
			26,829,765	-	23,151,989
<b>Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease</b>					
Ryan White Part C Out Patient EIS	93.918	5H76HA00114-19	53,091	-	-
Ryan White Part C Out Patient EIS	93.918	5H76HA00114-20	420,074	-	-
			473,165	-	-
<b>Healthy Start Initiative</b>					
Healthy Start	93.926	5H49MC00103	1,170	-	-
Healthy Start	93.926	5H49MC00103	271,698	-	-
Healthy Start	93.926	5H49MC00103	71,025	-	-
			343,893	-	-

See accompanying notes to schedule of expenditures of federal awards.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2012

Agency/ Program/ Grant Title	Federal CFDA Number	Federal Grant/ State Pass-Through Number	2012 Federal Expenditures	2012 Non-Federal Expenditures	2012 Sub recipient Expenditures
<b>Maternal and Child Health Services Block Grant to the States</b> (passed through Illinois Department of Public Health)					
Dental Sealant 2011	93.994	23480108	\$ 14,570	\$ -	\$ -
Dental Sealant 2012	93.994	33480107A	430	-	-
(passed through Illinois Department of Human Services)					
Maternal and Child Health Services 2009	93.994	L11GL087280	284,395	-	-
Maternal and Child Health Services 2011	93.994	Q11GQ01366	1,400,261	-	34,307
Maternal and Child Health Services 2012	93.994	FCS4301781	1,589,975	-	-
Chicago Family Case Management	93.994	FCSRE01742	862,045	-	-
			<u>4,151,676</u>	<u>-</u>	<u>34,307</u>
<b>Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program</b>					
Healthy Families of Illinois 2012	93.505	FCSRE00674	52,446	-	-
			<u>52,446</u>	<u>-</u>	<u>-</u>
<b>Total Health Resources and Services Administration</b>			<u>31,850,945</u>	<u>-</u>	<u>23,186,296</u>
<b>H. Substance Abuse and Mental Health Services Administration</b>					
<b>Block Grants for Prevention and Treatment of Substance Abuse</b> (passed through Illinois Department of Human Services)					
IDASA 2011	93.959	43CQN1111-43	519,488	-	519,488
Substance Abuse Prevention Program for the Deaf 2011	93.959	11GQ00066	26,985	32,213	-
Substance Abuse Prevention Program for the Deaf 2012	93.959	FCSRE00825	100,697	-	-
			<u>647,170</u>	<u>32,213</u>	<u>519,488</u>
<b>Block Grants for Community Mental Health Services</b> (passed through Illinois Department of Human Services)					
Mental Health	93.958	45CQ021111	4,119	-	-
Mental Health	93.958	45CRB00092	7,871	-	-
			<u>11,990</u>	<u>-</u>	<u>-</u>
<b>Substance Abuse and Mental Health Services_ Projects of Regional and National Significance</b>					
Minority Aids Initiative - Targeted Capacity Enhanced (MAI - TCE)	93.243	1U79SM060708	273,959	-	237,226
Minority Aids Initiative - Targeted Capacity Enhanced (MAI - TCE)	93.243	5U79SM060708	2,647	-	-
			<u>276,606</u>	<u>-</u>	<u>237,226</u>
<b>Total Substance Abuse and Mental Health Services Administration</b>			<u>935,766</u>	<u>32,213</u>	<u>756,714</u>
<b>I. National Institutes of Health</b>					
<b>Diabetes, Digestive and Kidney Diseases Extramural Research</b> (passed through The University of Chicago)					
Diabetes Translation Research Program	93.847	FP047431-A	35	-	-
			<u>35</u>	<u>-</u>	<u>-</u>
<b>Total Department of Health and Human Services</b>			<u>236,615,254</u>	<u>17,471,790</u>	<u>159,291,436</u>
<b>XV. Corporation for National and Community Service</b>					
<b>Foster Grandparent/ Senior Companion Cluster</b>					
<b>Foster Grandparent Program</b> (passed through Illinois Department on Aging)					
Foster Grandparent Program 2011	94.011	09SFNIL006	278,201	95,263	-
Foster Grandparent Program 2010	94.011	09SFNIL006	21,938	-	-
Foster Grandparent Program 2012	94.011	12SFNIL004	311,860	-	-
			<u>611,999</u>	<u>95,263</u>	<u>-</u>
<b>Senior Companion Program</b> (passed through Illinois Department on Aging)					
Senior Companion Program 2011	94.016	09SCNIL001	108,404	91,638	-
Senior Companion Program 2012	94.016	12SCNIL001	177,381	-	-
			<u>285,785</u>	<u>91,638</u>	<u>-</u>
<b>Total Foster Grandparent/ Senior Companion Cluster</b>			<u>897,784</u>	<u>186,901</u>	<u>-</u>
<b>Total Corporation for National and Community Service</b>			<u>897,784</u>	<u>186,901</u>	<u>-</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2012

Agency/ Program/ Grant Title	Federal CFDA Number	Federal Grant/ State Pass-Through Number	2012 Federal Expenditures	2012 Non-Federal Expenditures	2012 Sub recipient Expenditures
<b>XVI. Social Security Administration</b>					
Social Security -- Work Incentives Planning and Assistance Program					
Work Incentive Planning & Assist Program	96.008	5WIP06050253	\$ 118,464	\$ -	\$ -
			118,464	-	-
<b>Total Social Security Administration</b>			<b>118,464</b>	<b>-</b>	<b>-</b>
<b>XVII. Department of Homeland Security</b>					
Emergency Management Performance Grant (passed through Illinois Emergency Management Agency)					
Emergency Management Assistance Grant 2012	97.042	2012EMACHGO	373,418	-	-
			373,418	-	-
Assistance to Firefighters Grant					
2010 Assistance to Firefighters FY 11/12	97.044	EM22010F0047	210,435	53,045	-
Assistance to Firefighters FY 2009	97.044	EMW209F08580	169,260	42,307	-
Assistance to Firefighters-Fire Prevention	97.044	EM25010FP013	96,422	69,230	-
			476,117	164,582	-
Emergency Operations Center (passed through Illinois Emergency Management Agency)					
Emergency Operations Center	97.052	10EOCCHGO	636,536	212,179	-
			636,536	212,179	-
Port Security Grant Program					
Port Security Grant Program - 2007	97.056	2007GBT70136	213,338	71,113	-
Port Security Grant - 2007 Supplemental	97.056	2007-GB-T7-K284	370,633	-	-
Port Security Grant Program - 2008	97.056	2008GBT8K012	665,172	-	-
Port Security 2009 NATO	97.056	2009PUT9K046	1,235,569	-	-
			2,484,712	71,113	-
Port Security Grant Program (ARRA)					
ARRA 2009 - Port Security Grant Agreement	97.116	2009PURI0362	1,733,962	-	1,436,902
			1,733,962	-	1,436,902
Homeland Security Grant Program (passed through Illinois Emergency Management Agency)					
Urban Areas Security Initiative and Communications - 2007	97.067	CHICAGO UASI	23,400	-	-
Urban Areas Security Initiative and Communications - 2008	97.067	008CHGOUASI	5,975,016	-	-
Urban Areas Security Initiative and Communications - 2009	97.067	109UASICHIC	22,083,596	-	-
Urban Areas Security Initiative and Communications - 2010	97.067	09UASICHGO	27,553,779	-	(1,436,902)
Urban Areas Security Initiative and Communications - 2012	97.067	11UASICHIC	8,380,537	-	-
Metropolitan Medical Response System - 2008	97.067	08CHOMMRS	4,552	-	-
Metropolitan Medical Response System - 2009	97.067	09MMRSCHI	81,638	-	-
Citizen Corp Grant 2010	97.067	2010CCPCHGO	478	-	-
Citizen Corp Grant 2011	97.067	11CCPCHGO	4,000	-	-
			64,106,996	-	(1,436,902)
Metropolitan Medical Response System (Passed through Illinois Emergency Management Agency)					
Metropolitan Medical Response System FY 2007	97.071	007CHGOMMRS	7,842	-	-
			7,842	-	-
National Explosive Detection Canine Team Program					
National Explosive Detection Canine Team Program - Midway	97.072		149,418	-	-
National Explosive Detection Canine Team Program - O'Hare	97.072		562,098	-	-
National Explosive Detection Canine Team Program - Midway	97.072	HS5S0210HCAN	109,296	-	-
			820,812	-	-
Rail and Transit Security Grant Program (Passed through Chicago Transit Authority)					
Transit Security Grant Program FY 2007	97.075	07SVPCTCP2	1,360,801	527,974	-
NATO Transit Security	97.075	07TRCTA	260,974	-	-
Transit Security Grant Program FY 2008	97.075	08CTACPD	5,369,042	-	-
Transit Security Grant Program FY 2009	97.075	2009-RA-T9-K016	2,892,391	-	-
			9,883,208	527,974	-
Buffer Zone Protection Plan (BZPP) (passed through Illinois Emergency Management Agency)					
2008 Buffer Zone Protection Grant	97.078	08BZPP	589,767	-	-
2009 Buffer Zone Protection Program Grant	97.078	09BZFINANC	1,614,324	-	-
2010 Buffer Zone Protection Program CPD	97.078	VARIOUS	146,615	-	-
2010 Metropolitan Medical Response System	97.078	10CHGOMMRS	7,195	-	-
			2,357,901	-	-



# CITY OF CHICAGO

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended December 31, 2012

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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 Health and Human Services (“HHS”) 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	\$ 5,679,409
U.S. Department of Commerce	7,293,304
U.S. Department of Housing and Urban Development	153,475,683
U.S. Department of the Interior	62,037
U.S. Department of Justice	14,735,284
U.S. Department of Labor	17,941,079
U.S. Department of Transportation	290,705,347
U.S. National Endowment for the Arts	20,000
U.S. National Endowment for the Humanities	(98)
U.S. Institute of Museum and Library Services	490,262
U.S. Department of Veterans Affairs	109,060
U.S. Environmental Protection Agency	7,757,555
U.S. Department of Energy	8,095,523
U.S. Department of Health and Human Services	236,615,254
U.S. Corporation for National and Community Services	897,784
U.S. Social Security Administration	118,464
U.S. Department of Homeland Security	<u>108,269,438</u>
Total Expenditures of Federal Awards	<u>\$ 852,265,385</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 – BASIS OF PRESENTATION

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The accompanying schedule of expenditures of federal awards (the “schedule”) includes the federal grant activity of the City of Chicago under programs of the federal government for the year ended December 31, 2012. The information in this schedule is presented in accordance with the requirements of the Single Audit. The schedule presents only a selected portion of the operations of the City of Chicago and accordingly, it is not intended to and does not present the financial position, changes in net position or cash flows of the City of Chicago.

# CITY OF CHICAGO

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended December 31, 2012

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### NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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Expenditures reported on the schedule are reported on the accrual or modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

The underlying 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.

Certain financial awards were received by the City in the form of noncash awards. These noncash awards are discussed in Note 4. 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 2012 grant programs are based primarily on 2011 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 2012 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.

***Federal/State Commingled Funds*** – The City of Chicago receives various federal awards that are passed through the State of Illinois. Many of these contracts contain a blend of state and federal awards. To the extent practical, the federal funding has been segregated from the state funding based on information provided by the state agencies. In some instances, individual state contracts contain multiple federal CFDA numbers, and the City has segregated the federal dollars associated with each contract award based on information received by the pass-through state agency. Due to the timing differences between the pass through agency fiscal year end and the City's reporting period, allocation differences may result.

The state contract for the child care program (federal cluster 93.575/93.596), passed through IDHS, has been considered a Type A cluster for audit testing purposes each year. The final allocation of federal expenditures varies depending on the most recent available information provided by IDHS and may be reported under both CFDA numbers or just one of the individual CFDA numbers.

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### NOTE 4 – 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 vaccines, personnel, travel, vouchers, and asset forfeitures. Such noncash awards applicable to the year ended December 31, 2012, are as follows:

- U.S. Department of Health and Human Services;
  - CFDA No. 93.268: Vaccines valued at \$48,602,130 and personnel valued at \$282,290
  - CFDA No. 93.977: Personnel valued at \$891,900

## CITY OF CHICAGO

### NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended December 31, 2012

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#### NOTE 4 – NONCASH AWARDS (cont.)

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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 2012 vouchers totaled \$6,425,926.

U.S. Department of Justice;

CFDA No. 16.922: The Department of Justice Asset Forfeiture Program distributed equitable shares from asset forfeitures to the City of Chicago Police Department during 2012 in the amount of \$2,617,589 to fund programs and activities aimed at disrupting criminal enterprises and enhancing forfeiture capabilities.

U.S. Department of the Treasury;

CFDA No. 21.unknown: The Treasury Executive Office for Asset Forfeiture (TEOAF) through the Treasury Forfeiture Fund (TFF) provided equitable shares from asset forfeitures to fund programs and activities aimed at disrupting criminal enterprises and enhancing forfeiture capabilities during 2012 in the amount of \$112,151.

The City of Chicago had no non-cash federally-funded insurance in effect during 2012.

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#### NOTE 5 – LOAN GUARANTEES

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Certain federal financial assistance programs involve loans to the City for which the federal granting agency guarantees. Such loan programs applicable to the year ended December 31, 2012, are as follows:

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

CFDA No. 14.221: Balance of loans is: \$982,613. 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, 2012, the outstanding balance of the loans made by the City totals \$982,613.

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

CFDA No. 14.248: Balance of loans at December 31, 2012 for which the federal government is at risk: \$26,485,000.

<u>Note Amount</u>	<u>Note Number</u>	<u>Note Date</u>	<u>Loan Balance</u>
\$10,885,000	B-96-MC-17-0006	6/12/2008	\$ 6,685,000
\$ 6,835,000	B-98-MC-17-0006	6/12/2008	\$ 4,800,000
\$15,000,000	B-10-MC-17-0006	11/17/2011	\$15,000,000

## CITY OF CHICAGO

### NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended December 31, 2012

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#### **NOTE 6 – PRIOR PERIOD FEDERAL EXPENDITURES**

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As referenced in Note 3, the City of Chicago is the recipient of various grant programs funded by the U.S. Department of Health and Human Services and passed through the Illinois Department of Human Services (IDHS). In accounting for the federal and non-federal expenditure allocations related to this funding, estimates are made based on confirmations of federal funds received from the pass through agency.

In the FY2011 SEFA, expenditures for \$104,434 reported under CFDA 93.558 for the IDHS pass through Title XX Block Grant program funding were subsequently determined to be non-federal expenditures. Expenditures of \$22,718 related to the IDHS pass through funded Mental Health program and reported as non-federal should have been allocated as federal expenditures and reported under CFDA 93.958. Conversely, federal pass through expenditures were overstated in CFDA 10.557 for the All Our Kids program and 93.566 for the Refugee Resettlement program by \$27,432 and \$66,094, respectively.

For FY 2012 the City continues to report federal/state blended amounts in the SEFA based on confirmations received from the IDHS pass through agency. Due to the variance between the pass through agency reporting period and the City's reporting period, reconciliation of estimates may result. The 2012 SEFA includes Child Care program federal expenditures of \$1,035,112 allocated under CFDA 93.575 and \$6,363,539 allocated under CFDA 93.596 as confirmed by the pass through agency, IDHS, for the funding period July 1, 2011 through June 30, 2012. Final confirmation from the pass through agency of 93.575/93.596 federal expenditures for the remainder of calendar year 2012 is not expected prior to submission of the 2012 SEFA and will be noted in the City of Chicago 2013 Single Audit Report.

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY OMB CIRCULAR A-133

Independent Auditors' Report

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

***Report on Compliance for Each Major Federal Program***

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, 2012. The City of Chicago's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City of Chicago's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Chicago's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the City of Chicago complied, in all material respects, with the types of 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, 2012.

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

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2012-5, 2012-6, 2012-7, 2012-8, 2012-9, 2012-10, 2012-11, 2012-12, 2012-13, 2012-14, 2012-15, and 2012-16. Our opinion on each major federal program is not modified with respect to these matters.

### ***City of Chicago's Response to Findings***

The City of Chicago's response to the noncompliance findings identified in our audit is described in the accompanying corrective action plan. The City of Chicago's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### ***Report on Internal Control Over Compliance***

Management of the City of Chicago is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Chicago's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance 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 over compliance 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. *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.

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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2012-4, 2012-5, 2012-6, 2012-8, 2012-9, 2012-10, 2012-11, 2012-12, 2012-13, 2012-14, 2012-15, and 2012-16 that we consider to be significant deficiencies.

### ***City of Chicago's Response to Findings***

The City of Chicago's response to the internal control over compliance findings identified in our audit is described in the accompanying corrective action plan. The City of Chicago's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

***Purpose of this Report***

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Baker Tilly Virchow Krause, LLP*

Chicago, Illinois  
July 26, 2013

**CITY OF CHICAGO**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2012

**SECTION I – SUMMARY OF AUDITORS’ RESULTS**

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

Type of auditors’ report issued: *unmodified*

Internal control over financial reporting:

- > Material weakness(es) identified?                           yes              X   no
- > Significant deficiencies identified?                      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?                      X   yes                   none reported

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

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
11.557	ARRA – Broadband Technology Opportunities Program
14.218	CDBG Entitlement Grants Cluster – Community Development Block Grants/Entitlement Grants
14.231	Emergency Solutions Grant Program
14.238	Shelter Plus Care
14.241	Housing Opportunities for Persons with AIDS
14.248	Community Development Block Grants – Section 108 Loan Guarantees
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
16.710	Public Safety Partnership and Community Policing Grants
16.710	ARRA – Public Safety Partnership and Community Policing Grants
16.738	JAG Program Cluster – Edward Byrne Memorial Justice Assistance Grant Program



# CITY OF CHICAGO

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2012

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### SECTION III – FEDERAL FINDINGS AND QUESTIONED COSTS

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#### ***Finding 2012-4***

<b>CFDA No.</b>	Not applicable
<b>Federal Agency</b>	Not applicable
<b>Pass Through Agency</b>	Not applicable
<b>City Department</b>	Chicago Department of Finance

#### **Repeat of prior year finding 2011-13**

**Criteria:** Sufficient internal controls should be in place and operating effectively to ensure transactions are recorded in the proper accounting period. The Schedule of Expenditures of Federal Awards (SEFA) should include only federal expenditures related to the City's fiscal year ended December 31, 2012.

**Condition/Context:** 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. Cutoff errors were accumulated across all major programs and cross-cut testing. The total of all cutoff errors identified was not material to the SEFA.

**Effect:** The SEFA may not properly reflect federal award expenditures for the City's year ended December 31, 2012.

**Questioned Costs:** None noted

**Cause:** The cause is unknown.

**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.

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

# CITY OF CHICAGO

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2012

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

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#### ***Finding 2012-5***

<b>CFDA No.</b>	14.218 Community Development Block Grants/Entitlement Grants
<b>Federal Agency</b>	U.S. Department of Housing and Urban Development
<b>Pass Through Agency</b>	Not applicable
<b>City Department</b>	Chicago Department of Housing and Economic Development

**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:** The Department's "Delegate Agency Fiscal Monitoring and Audit Policy" dictates that an annual assessment of each subrecipient's risk category will be performed and subrecipients categorized as either high or medium risk will have a fiscal monitoring site visit performed each year. Subrecipients considered low risk that continue to participate in the delegate agency program will have a fiscal monitoring site visit performed, at least, once every three years. During our audit, we noted the following:

- > The Department's standardized checklist used to document the fiscal monitoring results of one subrecipient was not maintained. The Department considers that subrecipient to be low risk and not requiring a fiscal monitoring site visit each year. We were unable to obtain documentation of the annual risk assessment performed and conclusions reached for the Department's subrecipients to properly determine if a fiscal monitoring site visit was necessary for this subrecipient.

We tested during-the-award monitoring for 40 subrecipients of CDBG and CDBG-R funds across relevant City departments. Eleven of those subrecipients received CDBG and CDBG-R funds from the Department of Housing and Economic Development.

**Effect:** Failure to maintain documentation of the Department's fiscal monitoring plan for each subrecipient and site visit results, if necessary, increases the likelihood of noncompliance with program requirements.

**Questioned Costs:** None noted

**Cause:** The cause is unknown.

**Recommendation:** The Department should maintain documentation of the annual risk assessment and resulting monitoring plan for each subrecipient. If a fiscal monitoring site visit is considered necessary based on the assessment the standardized checklist used to document the results of the visit should also be maintained.

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

## CITY OF CHICAGO

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2012

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

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##### ***Finding 2012-6***

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

**Criteria:** The grant agreement with the Illinois Department of Human Services requires performance reporting to be filed on a quarterly basis outlining specific programmatic results of the MCH program. The reports submitted should include information that can be agreed to supporting documentation.

**Condition/Context:** The Department personnel were unable to provide two quarterly reports, as well as supporting documentation that agreed to the performance reports submitted for the two quarters selected for testing.

**Effect:** The quarterly performance reports that were submitted may contain errors.

**Questioned Costs:** None noted

**Cause:** The Department failed to maintain the programmatic reports.

**Recommendation:** We recommend that the Department ensure that supporting schedules are retained with the quarterly reports submitted to the State 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, 2012

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

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#### ***Finding 2012-7***

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

**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/Context:** The Department did not have documentation showing that the hemoglobin test was administered as required for one patient.

**Effect:** The required hematological test may not have been performed and the applicant may not be eligible for program services.

**Questioned Costs:** Unable to be determined

**Cause:** The documentation filing differs by WIC site, and in this case, it appears the documentation was misplaced.

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

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

# CITY OF CHICAGO

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2012

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

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#### ***Finding 2012-8***

<b>CFDA No.</b>	93.914 HIV Emergency Relief Project Grants
<b>Federal Agency</b>	U.S. Department of Health and Human Services
<b>Pass-through Agency</b>	Not applicable
<b>City Department</b>	Chicago Department of Public Health

**Criteria:** The City is required, under the terms of the grant agreement for the HIV Emergency Relief grant, to maintain a specific level of expenditures for women, infants, children and youths (WICY). The minimum set-aside amounts and percentages for each eligible metropolitan area/transition grant area is determined separately for each priority population and may not be less than the percentage ratio of each population to the total number of persons estimated to be living with AIDS within the area.

**Condition:** We noted during our testing that not all the delegate agencies (subrecipients), who expend funding related to WICY, were included in the population used for the calculation of level of effort. As a result, the City did not meet the required percentage of expenditures related to both the women and youth populations.

**Effect:** The City is not in compliance with the terms of the grant agreement and information submitted to the federal agency was incorrect.

**Questioned Costs:** The City was below the required expenditure levels for the woman and youth populations by \$175,746 and \$649,224, respectively.

**Cause:** We noted during our testing that some delegate agencies who receive funding for WICY were excluded from the calculations made by the Department to support this level of effort requirement.

**Recommendation:** We recommend that the Department ensure that all delegate agencies receiving funding for the WICY populations are included in the related WICY level of effort calculations. Supervisory review of these calculations should include additional procedures to ensure that all program expenditures are considered.

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

# CITY OF CHICAGO

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2012

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

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#### ***Finding 2012-9***

**CFDA Nos.** 93.889 National Bioterrorism Hospital Preparation Program  
93.914 HIV Emergency Relief Project Grants  
93.940 HIV Prevention Activities  
14.241 Housing Opportunities for Persons with AIDS (HOPWA)

**Federal Agencies** U.S. Department of Health and Human Services  
U.S. Department of Housing and Urban Development

**Pass-through Agency** Not applicable

**City Department** Chicago Department of Public Health

**Criteria:** According to both the Federal Funding Accountability and Transparency Act (FFATA) and the terms of the grant agreements, the City is required to report any first-tier subawards to the federal government. Any applicable original obligations and amendments must be reported no later than the last day of the following month in which the subaward was made or modified.

**Condition/Context:** The Department did not report to the federal government payments made to subawardees within the required timeframes for the federal programs listed above.

**Effect:** The City is not in compliance with the reporting guidelines required by FFATA and the related grant agreements.

**Questioned Costs:** None noted

**Cause:** The Department has not yet fully implemented the requirements of the Transparency Act.

**Recommendation:** We recommend that the Department ensure that reporting under FFATA is completed in a timely manner, and that the Department maintain documentation that the applicable timeframes were met.

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

# CITY OF CHICAGO

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2012

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

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#### ***Finding 2012-10***

<b>CFDA Nos.</b>	93.069 Public Health Emergency Preparedness 93.977 Preventive Health Services – Sexually Transmitted Diseases Control Grants 93.268 Immunization Cooperative Agreements
<b>Federal Agency</b>	U.S. Department of Health and Human Services
<b>Pass-through Agency</b>	Not applicable
<b>City Department</b>	Chicago Department of Public Health

**Criteria:** Payroll charges to a grant 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:** During our payroll testing for these programs, BT noted six instances where the employees were charged 100% to a grant but their salary certifications were inconsistent with that determination. Additionally, there were another six employees selected for testing that worked in multiple programs but did not have personnel activity reports or equivalent documentation to support the distribution.

**Effect:** The Department is at risk of incorrectly charging employees' salaries to the grant.

**Questioned Costs:** The excess payroll costs charged to the Public Health Emergency Preparedness program were \$1,221.

**Cause:** The Department failed to identify the differences in the certification forms and wages actually charged.

**Recommendation:** We understand the City, and specifically the Chicago Department of Public Health (CDPH), is developing a time and effort reporting system which CDPH plans to implement in order to have employees charge their time across multiple grants and meet the applicable A-87 requirements. Until implemented, the Department should continue to monitor employees' time allocations and maintain documentation required by OMB Circular A-87.

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

## CITY OF CHICAGO

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2012

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

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##### ***Finding 2012-11***

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

**Criteria:** Federal program requirements state that obligations should occur within the period of availability for the grants and activities should be allowable according to the program requirements.

**Condition/Context:** During expenditure testing, we noted that of the forty expenditures selected for testing, one of the expenditures was improperly charged to the grant. Specifically, we noted the expenditure was for fringe benefits for the period of July 1, 2010 through June 30, 2011.

**Effect:** The City is at risk of incorrectly charging fringe benefits to the grant.

**Questioned Costs:** We identified \$17,939 in expenditures charged to the grant outside the period of availability.

**Cause:** The cause is unknown.

**Recommendation:** We recommend the department incorporate additional review procedures to ensure that fringe benefits charged to the grant are for eligible employees during the period of availability.

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

# CITY OF CHICAGO

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2012

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

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#### ***Finding 2012-12***

<b>CFDA No.</b>	14.218 Community Development Block Grants/Entitlement Grants
<b>Federal Agency</b>	U.S. Department of Housing and Urban Development
<b>Pass-through Agency</b>	Not applicable
<b>City Department</b>	Chicago Office of Budget and Management

**Criteria:** Payroll charges to a grant 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:** Salaries were selected from various departments across the City that administer the CDBG program. For one employee selected for testing from the Office of Budget and Management, there was no salary certification form or other documentation supporting the salary charged to the grant as required by OMB Circular A-87.

**Effect:** The salaries charged to the grant may not be appropriate or allowable.

**Questioned Costs:** Unable to be determined

**Cause:** The Department did not maintain documentation as required by Circular OMB A-87 for employees working on the grant.

**Recommendation:** We understand the City is developing a time and effort reporting system to help overall compliance with OMB Circular A-87 requirements. Until implemented, all affected departments should ensure that appropriate documentation is maintained for any salaries charged to federal grants.

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

# CITY OF CHICAGO

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2012

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

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#### ***Finding 2012-13***

**CFDA No.** 97.100 Airport Checked Baggage Screening Program

**Federal Agency** U.S. Department of Homeland Security

**Pass-through Agency** Not applicable

**City Department** 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/Context:** 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 2012, 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.

**Questioned Costs:** Unable to be determined

**Cause:** The cause is unknown.

**Recommendation:** We recommend the City and the responsible airlines determine the most appropriate method to ensure that contractors are paying prevailing wage rates for the projects financed under this program. If responsibility to review contractors' payroll reports resides with the airlines, the City should implement monitoring procedures to ensure the airlines are fulfilling their contractual obligations.

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

# CITY OF CHICAGO

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2012

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

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#### ***Finding 2012-14***

**CFDA Nos.** 14.231 Emergency Solutions Grant Program  
14.257 Homelessness Prevention and Rapid Re-Housing Program (ARRA)  
14.238 Shelter Plus Care

**Federal Agency** U.S. Department of Housing and Urban Development

**Pass-through Agency** Not Applicable

**City Department** Chicago Department of Family and Support Services

**Criteria:** The A-102 Common Rule requires grantees maintain documentation that supports expenditures charged to grant programs. That documentation must agree to the amount claimed under the grant.

**Condition/Context:** We noted three instances in which the supporting voucher documentation provided by delegate agencies (subrecipients) was not mathematically accurate when compared to the amount of the voucher payment.

**Effect:** Agencies could receive more or less than their actual expenditures.

**Questioned Costs:** None noted. In two instances the supporting documentation was greater than the delegate agency payment. In one instance the supporting documentation was less than the delegate agency payment, but the projected error was less than the OMB Circular A-133 reporting threshold.

**Cause:** The cause is unknown.

**Recommendation:** The City should ensure that the supporting documentation agrees to the amount on the contract voucher form. This can be achieved by proper review of the supporting documentation provided by the agencies.

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

# CITY OF CHICAGO

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2012

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

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#### ***Finding 2012-15***

**CFDA Nos.** 17.258 WIA Cluster – WIA Adult Program (including ARRA)  
17.259 WIA Cluster – WIA Youth Activities (including ARRA)  
17.278 WIA Cluster – WIA Dislocated Worker Formula Grants (including ARRA)

**Federal Agency** U.S. Department of Labor

**Pass-through Agency** Illinois Department of Commerce and Economic Opportunity

**City Department** Chicago Department of Family and Support Services

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

**Condition/Context:** Program monitoring reviews for six out of the ten selected subrecipients were not conducted as required.

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

**Questioned Costs:** None noted

**Cause:** The workforce development programs transitioned from being administered by the City of Chicago to a private partnership effective July 1, 2012. As a result, the lapse in monitoring included the six month period for the first half of 2012.

**Recommendation:** We recommend that the Department follow its policy of monitoring its subrecipients to provide reasonable assurance they are complying with the regulations and provisions applicable to the program.

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

## CITY OF CHICAGO

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2012

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

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##### ***Finding 2012-16***

<b>CFDA No.</b>	97.126 National Security Special Event
<b>Federal Agency</b>	U.S. Department of Homeland Security
<b>Pass-through Agency</b>	Illinois Emergency Management Agency
<b>City Department</b>	Chicago Office of Emergency Management and Communication

**Criteria:** Awardees are responsible for providing performance reports to satisfy the programmatic reporting requirement. The SF-PPR form is used to report program performance and is due within 30 days after the end of the reporting period and should reflect the progress towards implementing plans described in the grant application.

**Condition/Context:** We noted that the Office of Emergency Management and Communication (OEMC) did not complete or submit the required performance report at the end of the reporting period.

**Effect:** OEMC's lack of filing the report resulted in program noncompliance.

**Questioned Costs:** None noted

**Cause:** Department staff were not aware the report needed to be filed.

**Recommendation:** The City should adequately review all grant agreements to ensure that all compliance requirements are identified and executed proper and timely.

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

**CITY OF CHICAGO, ILLINOIS  
CORRECTIVE ACTION PLAN  
YEAR ENDED DECEMBER 31, 2012**



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

**CORRECTIVE ACTION PLAN**  
**Year Ended December 31, 2012**

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See the views of responsible officials for findings 2012-1, 2012-2, and 2012-3 in the separate bound report titled "Basic Financial Statements as of and for the Year Ended December 31, 2012, 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, 2012."

**FINDING 2012-4**

The City is working with vendors and departments to ensure that invoices are received and paid on a timely basis. This would ensure that expenditures are recorded in the period that they are incurred in order to increase its compliance with GAAP. 100% compliance remains a goal for the City, in addition to providing additional training for departmental finance officers and stricter enforcement of cut-off policies and procedures Citywide. Training is scheduled for completion by the 2013 year audit with full implementation of enhanced cut off policies and procedures anticipated by the 2014 audit year.

**FINDING 2012-5**

The Department of Housing and Economic Development (HED) through its fiscal monitoring staff will maintain the necessary documentation of the annual risk assessment and resulting plan for each subrecipient. If a fiscal monitoring site visit is deemed necessary based on the assessment, the standardized checklist used to document the results of the visit will also be maintained.

The Director of Finance in charge of the fiscal monitoring staff will insure that the above-mentioned process is followed on a consistent basis in the future.

**FINDING 2012-6**

The Women and Children's Health Division has a standard process in place to ensure reports are completed and submitted to the State, as appropriate. This process includes the completion of site-specific Quarterly Unduplicated Client Reports. Upon completion of the site specific reports, each supervisor submits the completed report to the Assistant Director for Public Health Nursing who then aggregates the data and information from all site-specific reports into one departmental report, which is submitted to the State.

For FY 2012, this standard process was not followed for the final three quarters of the year. CDPH is able to verify that the site-specific reports were completed, but either the aggregate reports were not completed or were simply unable to be located by the responsible party. This is a departure from the standard procedure. Moving forward, CDPH will require the aggregate report to be submitted to both the Assistant Commissioner for Women and Children's Health, as well as the Deputy Commissioner prior to submission to the State. This will ensure additional control steps are in place to confirm accurate reporting and timely completion of reports. CDPH will also centralize the storage of these reports after submission to the State, which will further ensure that reports are easily accessible when requested.

# CITY OF CHICAGO

## CORRECTIVE ACTION PLAN Year Ended December 31, 2012

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### **FINDING 2012-7**

The Special Supplemental Nutrition Program for Women, Infants and Children (WIC) has a standard process in place for documenting the absence of the hematological test. The process includes the documentation of such findings in the case notes report in the Cornerstone data collection system.

As a consequence of this finding, targeted training of the WIC staff will occur to improve the data recording. This training will define the scope of documentation by providing detailed guidance and a template that will ensure that the staff is consistently capturing all relevant data. Furthermore, the Director of Nutrition or her designee will conduct a quarterly audit of a random sampling of charts to ensure that this documentation is completed.

### **FINDING 2012-8**

It was noted that the WICY (Women, Infants, Children and Youth) table that is used to report the amounts expended for the WICY population in the Ryan White Program did not include all the delegate agencies contracted to provide services in the Chicago EMA. Upon investigation, it was found that the template provided by HRSA was "locked" and additional lines to allow for all agencies to be listed could not be added. The Department has reached out to the HRSA Project Officer for guidance on this issue. The HRSA Project Officer could not provide guidance on how to open up the spreadsheet for the current program year's report due on July 28th. He did however note that there is no need for the Chicago EMA to re-submit the previous program years' WICY table to more accurately reflect the expenditures for the WICY population.

To ensure accurate reporting of the Chicago EMA on the most recently ended program year's report, the Ryan White Program Director has re-created the WICY table template to allow for the inclusion of all delegate agencies contracted to provide services in the Chicago EMA. This will provide a more accurate depiction of the services provided to the WICY population and ensure compliance with the percentages required.

### **FINDING 2012-9**

Staff from the Grant Development Unit and the Contracts Units will meet on the 15th day of each month to review which grants are in the FSRS.gov work queue. If a grant is missing, the Grant Development Unit will alert the funding agency. For grants that are in the work queue, the Contracts Unit will determine if any sub-awardee agreements have been fully executed within the previous month. If sub-awardee agreements have been fully executed, the required data will be collected and entered before the end of the month with the Contracts Unit entering the required data into FSRS.gov and the Grant Development Unit reviewing the report before it is submitted.

In addition, the Contracts Unit will utilize the email alert feature in eSmart, the City's delegate agency contracting system, to send an alert to the Contract Unit staff member in charge of maintaining the FFATA reports, notifying that individual via an automatically generated email that the Comptroller's Office has approved a sub-agency award agreement. This will signal the beginning of the 30-day data input countdown. This date, the date that each sub-awardee agreement is fully executed, and the date that the FFATA report is created and submitted are new fields that will be added to the spreadsheet that is used to input data into FSRS.gov.

## CITY OF CHICAGO

### CORRECTIVE ACTION PLAN Year Ended December 31, 2012

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#### **FINDING 2012-10**

CDPH is developing a Personnel Cost Allocation Plan as part of the 2014 budget process. A master spreadsheet of all staff salary allocations based on effort will be maintained by the Deputy of Administration. Any requested labor redistribution will require the completion of forms signed by the Program Director, Deputy of the Bureau/Office, and when appropriate, supporting documentation from the funding agency indicating authorization. The Finance Unit will utilize the Personnel Cost Allocation Plan to ensure that payroll is being charged appropriately across funding sources. The Plan will also be shared with the Grants Unit for reference. When new grants are awarded and changes are made to existing allocations, Grants will notify the Deputy of Administration to update the allocation and subsequently share with Finance for payroll purposes. Additionally, the Department is working on a daily time/effort reporting system with support from the Department of Innovation and Technology to meet the applicable A-87 requirements as it relates to supporting salary allocations.

#### **FINDING 2012-11**

The Department of Finance-Grant Project and Accounting Division has a process in place to review and ensure that the correct accounting period is identified when charging fringe benefits to a grant and management has recently provided reminder memorandum to staff and managers to reinforce adherence to these procedures.

The Director of Accounting in charge of fiscal approvals will ensure that staff reviews and confirms that the correct period of availability is used when charging fringe benefits to a grant.

#### **FINDING 2012-12**

The Office of Budget and Management (OBM) is aware of the OMB A-87 circular requirements and does follow the City's current policy in place for A-87 certification. However, due to an unanticipated change in personnel the collection of A-87 certifications for the second half of 2012 were not filed in a timely matter. OBM's Grants Division will correct this oversight by issuing certifications to all staff applicable and ensure the City's policy is adhered to moving forward.

#### **FINDING 2012-13**

The Chicago Department of Aviation agrees with the recommendation set forth and will determine the most appropriate method to ensure that contractors are paying prevailing wage rates in regards to the projects financed under the Airport Checked Baggage Screening Program.

#### **FINDING 2012-14**

The manager for the Voucher Audit Unit of the Department of Finance provided additional refresher training to the Voucher Audit staff in May 2013 concerning the review of vouchers and support as well as the proper entry of payment data into the City FMPS system. This training review emphasized the importance of accuracy and documentation support in the voucher audit process. Managerial assistance continues to be available to the staff to help resolve questions that may arise in the review and processing. Voucher Audit management will schedule additional training during 2013 and subsequent years as necessary and feasible toward a goal of compliance for accuracy and efficiency in the voucher audit process.

## **CITY OF CHICAGO**

### **CORRECTIVE ACTION PLAN Year Ended December 31, 2012**

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#### **FINDING 2012-15**

Both DFSS and CCWP are aware of their responsibility for monitoring their current programs and have the knowledge and experience to do it. The issue in this finding resulted from the transition of the WIA grant and staff to another entity. That was a unique occurrence. DFSS will follow its policies and procedures for the program monitoring of sub recipients to provide reasonable assurance of compliance.

#### **FINDING 2012-16**

The referenced grant was awarded July 3, 2012, reimbursement request was submitted July 3, 2012, and the reimbursement was received and processed August 14, 2012. Final documentation submitted at the time of drawing the reimbursement closed out the grant. The PPR report was presumed to not be necessary due to the unique circumstances surrounding this grant with how quickly it was opened and then subsequently closed. Since realizing the report was a necessity, the OEMC has submitted the report over the ND Grants federal site noting it as the "final report". No further action should be necessary and in the future the ND Grants site will be reviewed more thoroughly to ensure all programmatic compliance is met.

**CITY OF CHICAGO, ILLINOIS  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED DECEMBER 31, 2012**



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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**Year Ended December 31, 2012**

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**FINDING 2011-1**

**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.

**2012 STATUS**

The Department of Finance is unable to attest to the experiences of the operating departments in terms of training or hiring. Finance was able to fill several vacant positions at various levels during 2012, specifically a Director of Accounting in Grant & Project Accounting Division Systems and Audit Schedules unit and a Supervisor of Accounting in the General Accounting Division's Fixed Assets unit; however, many positions remained unfilled and the department experienced significant turnover, resulting in additional vacancies. Time was indeed devoted to professional development for existing staff who are part of the Accounting and Financial Reporting Bureau. Specifically, this included increasing technological capabilities as well as updating accounting knowledge and skills. Additionally, we revisited existing policies and procedures via hands on training, additional reference materials and webinar instructional presentations. Staff were cross trained to perform multiple functions.

Notwithstanding the hiring challenges, an indication of the effectiveness of the described corrective action can be found in the successful completion of the City's most recent A-133 Single Audit within an expedited timeline that resulted in the submission of the audit report to the Federal Clearinghouse two months earlier than the effective due date.

The Department of Finance will continue to pursue adequate staffing needs that are vital in providing fiscal support and control to the various operating departments that receive and administer grant awards on behalf of the City of Chicago.

**FINDING 2011-2**

**BASIC FINANCIAL STATEMENT FINDINGS**

**OFFICE OF THE COMPTROLLER – EXPENDITURE CUTOFF**

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

# CITY OF CHICAGO

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS Year Ended December 31, 2012

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### **FINDING 2011-2** (cont.)

#### **2012 STATUS**

The City is working with vendors and departments to ensure that invoices are received and paid on a timely basis. This would ensure that expenditures are recorded in the period that they are incurred in order to increase its compliance with GAAP. 100% compliance remains a goal for the City, in addition to providing additional training for departmental finance officers and stricter enforcement of cut-off policies and procedures Citywide.

### **FINDING 2011-3**

#### **BASIC FINANCIAL STATEMENT FINDINGS**

#### **OFFICE OF THE COMPTROLLER**

#### **DEPARTMENT OF AVIATION – CAPITAL ASSET ALLOCATION AND DISPOSAL**

During 2011, the Chicago Department of Aviation (CDA) identified certain current and prior period capital asset disposals with related assets not removed from capital asset records. Through the DOA's review of capital assets, management identified capital assets relating to O'Hare International Airport's Military Site that were improperly allocated and recorded between cost of land and buildings in the capital asset records. As a result, the incorrect original allocation resulted in excess depreciation expense being recorded in each year since the acquisition. Although the DOA identified the adjustment and the DOA's new disposal review process has improved the reporting environment, the process has not been operating for a reasonable enough period of time to ensure the process is operating effectively and consistently.

#### **2012 STATUS**

The Chicago Department of Aviation ("CDA") implemented a process of annually reviewing and recording capital assets that have been impaired or disposed. In addition to the above, CDA is also investigating computer software that would account for the purchase and subsequent disposal of all fixed assets electronically.

In accordance with Governmental Accounting Standards Board Statement No. 42, *Accounting & Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, the following journal voucher has been recommended for the year ended December 31, 2012:

Accumulated Depreciation	\$ 9,568,270
Loss on Write-Off	\$ 5,731,950
Fixed Asset	\$15,300,220

# CITY OF CHICAGO

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS Year Ended December 31, 2012

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### FINDING 2011-4

<b>CFDA Nos.</b>	10.557 Special Supplemental Nutrition Program for Women, Infants, & Children 93.268 Immunization Grants 93.994 Maternal and Child Health Services Block Grant 93.069 Bioterrorism Public Health Preparedness & Public Health Emergency Response
<b>Federal Agencies</b>	Department of Agriculture Department of Health and Human Services
<b>Pass Through Agency</b>	Illinois Department of Human Services (programs 10.557 and 93.994)
<b>City Department</b>	Chicago Department of Public Health

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 Chicago Department of Public Health programs, the Department was unable to produce semi-annual certification forms for 4 of the payroll charges selected in our samples.
- > When employees are charged to multiple grants, the Department 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.
- > In one instance, the employee's certification form did not reconcile to the amount reported as a program expenditure.

### 2012 STATUS

The new online reporting tool which allows for daily tracking of time and effort was created. The personnel activity (PAR) report feature was reviewed/modified by a team of staff at Department of Innovation and Technology (DoIT) and demonstrated to the Chicago Department of Public Health (CDPH). Three additional changes occurred within the next 10 days, at which point, training would be needed and a pilot of the system will be conducted with the applicable staff being funded across multiple sources.

The above referenced changes were made and the system was demonstrated to members of the City's cost allocation committee. As a result, it was determined that additional changes were required to make the system easier for the end user, including removal of the funding sources whereby the user would solely select effort based on cost objectives. Written instructions were drafted and required finalization based on system changes. The Department, through the cost allocation committee, encouraged the Chicago's Department of Budget and Management Grants Unit to develop standardized effort reporting policies so that all departments would be following the same practices and any IT application developed would be responsive to the policies. Training on and implementation of the Department's PAR system will not occur until all proposed changes are made and tested. The latest version is scheduled to be tested by the end of May 2013. The CDPH Department used the on-line system to collect A87 forms for fiscal year 2012. The process and the accuracy of the forms were analyzed utilizing various data points and measures as part of a Lean Six Sigma project.

# CITY OF CHICAGO

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS Year Ended December 31, 2012

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### FINDING 2011-5

<b>CFDA Nos.</b>	14.241 Housing Opportunities for Persons with AIDS 93.889 Bioterrorism Hospital Preparedness Program 93.268 Immunization Grants 93.069 Bioterrorism Public Health Preparedness & Public Health Emergency Response
<b>Federal Agencies</b>	Department of Housing and Urban Development Department of Health and Human Services
<b>Pass Through Agency</b>	N/A
<b>City Department</b>	Chicago Department of Public Health

The delegate agency procurement files include checklists which contain items the City must consider when approving a contract award to a delegate agency. In prior years, we noted that a field was included in the checklist to indicate that the procurement officer had determined that the agency was not suspended or debarred. However, in 2011, we noted that this field was not included in the procurement checklist for delegate agency contract awards funded by the programs listed above, and therefore, we cannot determine that this control procedure was performed before the award was made to the delegate agency.

### 2012 STATUS

The federal government converted from the Central Contract Registration (CCR) to the new System for Award Management (SAM) system. On all contracts supported with federal funds, the Chicago Department of Public Health (CDPH) Contracts Unit uses the website to conduct a search for the delegate agency's account in SAM, whether the delegate agency is scheduled to receive an initial or subsequent award, places a printout of the SAM system detail information for the delegate agency in the contract folder, and confirms that the delegate agency's status is "active". If the status is "inactive" or no account is found for the delegate agency in SAM, then the delegate agency is advised that until their account is reflected as "active" in SAM, their contract cannot be submitted to the Comptroller's Office for further processing.

### FINDING 2011-6

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

As part of our audit, we tested that the inventory records for the above mentioned program were properly updated for 2011 activity. We discovered that an inventory item was purchased with federal awards in 2011 in the amount of \$52,500, but omitted from the 2011 inventory listing.

### 2012 STATUS

The Chicago Department of Public Health (CDPH) has assigned a .5 FTE to review equipment purchased in the fiscal year and match the corresponding amount to the existing inventory listing for completeness. Additional personnel will further assure that equipment purchased with federal awards is being properly maintained on the inventory listing.

# CITY OF CHICAGO

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS Year Ended December 31, 2012

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### FINDING 2011-7

<b>CFDA Nos.</b>	93.116 Project Grants and Cooperative Agreements for Tuberculosis Control Programs 93.283 Centers for Disease Control and Prevention – Investigations and Technical Assistance 93.914 HIV Emergency Relief Project Grants
<b>Federal Agency</b>	Department of Health and Human Services
<b>Pass-through Agencies</b>	Illinois Department of Public Health Task Force for Global Health Inc.
<b>City Department</b>	Chicago Department of Public Health

The City of Chicago Office of Compliance is responsible for conducting an initial review of A-133 reports submitted by sub recipients (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 2011, we noted that the Department of Public Health did not appropriately address or respond to two 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 two 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 both communications received from the Office of Compliance.

### 2012 STATUS

The Chicago Department of Public Health (CDPH) Finance and Administration Bureau and the Risk Management Bureau Compliance Unit have recently implemented new policies and procedures for sub recipients expending \$500,000 or more in federal awards and where audit deficiencies have been identified. Specifically, the new policies and procedures address how to identify, respond and the proper corrective action to be taken to assure noncompliance by any sub recipient is addressed.

City of Chicago Internal Audit (formerly part of the Office of Compliance) has worked with and provided monitoring updates to CDPH and other funding departments over the past year to assist in ensuring that the required Management Decisions are properly completed and submitted within the required timeframe to Internal Audit. Internal Audit also provided recommendations to CDPH to assist in the development of CDPH's new policies.

Additionally, a Compliance Unit Site Visit tool has been developed to measure the City's compliance with the new policies and procedures implemented above. Additionally, Program Site Visits for 2012 began in late October and Compliance Unit Site Visits began in March 2013.

## CITY OF CHICAGO

### SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS Year Ended December 31, 2012

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#### **FINDING 2011-8**

<b>CFDA No.</b>	16.738 Edward Byrne Memorial Justice Assistance Grant Program
<b>Federal Agency</b>	Department of Justice
<b>Pass-through Agency</b>	N/A
<b>City Department</b>	Chicago Police Department, Chicago Department of Finance

During our testing of the Justice Assistance Grant (JAG), we found one invoice that did not contain evidence of proper review and approval of expenditures charged to the program.

#### **2012 STATUS**

In July 2011, the Central Invoice Processing Unit (CIP) within Cash Management implemented the process whereby invoices and vouchers require initials on each to reflect proper review and approval of expenditures prior to payment.

As of current, these control procedures exist and are continuing to being monitored in the CIP unit within Cash Management to assure the City's compliance with OMB Circular A-87.

#### **FINDING 2011-9**

<b>CFDA No.</b>	97.113 Rail and Transit Security Grant Program (Recovery Act Funded)
<b>Federal Agency</b>	Department of Homeland Security
<b>Pass-through Agency</b>	Chicago Transit Authority
<b>City Department</b>	Chicago Police Department

During a follow-up to our prior year program testing, it was noted that quarterly reports were not being submitted within 15 days of year end, as required by the City's agreement with the Chicago Transit Authority. It is our understanding that the City implemented these requirements starting in January 2012.

#### **2012 STATUS**

To ensure compliance with submitting the quarterly fiscal reports for each Transit Security Grant Program, this responsibility was redistributed from one individual to four individuals in the Chicago Police Department Finance Division. One finance staff member has been assigned to one of the four Transit Security Grant Programs to prepare and submit the quarterly fiscal report. This redistribution of staff allows for each staff member to meet the necessary deadline.

# CITY OF CHICAGO

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS Year Ended December 31, 2012

### FINDING 2011-10

<b>CFDA Nos.</b>	14.231 Emergency Shelter Grant 17.259 Workforce Investment Act Youth Activities (including Recovery Act Funding) 93.569 Community Services Block Grant 93.600 Head Start
<b>Federal Agencies</b>	Department of Housing and Urban Development Department of Labor Department of Health and Human Services
<b>Pass-through Agency</b>	Illinois Department of Commerce and Economic Opportunity (programs 17.259 and 93.569)
<b>City Department</b>	Chicago Department of Family and Support Services

During our testing, we noted the following deficiencies in the Department's compliance with A-87 requirements:

- > There was one instance where the Department was unable to provide an approved time sheet for one employee (93.569 Community Services Block Grant).
- > When employees were charged to multiple grants, the Department was unable to provide an after-the-fact personnel activity report supporting the wage distribution for three employees (17.259 Workforce Investment Act Youth Activities, 93.569 Community Services Block Grant, and 93.600 Head Start).
- > We noted three instances in which the grant certification forms for the employee being charged to the grant indicated that the employee was to be charged to a different grant (14.231 Emergency Shelter Grant and 17.259 WIA Youth Activities).
- > We noted two instances in which the department was unable to provide semi-annual certification forms for employees charged to the grant (17.259 WIA Youth Activities)

### 2012 STATUS

The process for charging salaries and wages to federal grants was reviewed. Employee salary certifications for A-87 are reviewed thoroughly to identify incorrect information. Procedures have been established to properly utilize personnel activity reports for allocating costs for program staff who work on multiple programs or from different funding sources.

### FINDING 2011-11

<b>CFDA No.</b>	20.106 Airport Improvement Program
<b>Federal Agency</b>	Department of Transportation
<b>Pass-through Agency</b>	Not Applicable
<b>City Department</b>	Chicago Department of Aviation

For the calendar year 2011 grant activity, the City did not file the first quarter SF-425, Federal Financial Report for the Airport Improvement Program. This report was filed for the second, third, and fourth quarters as required, however, some of the data reported was not able to be reconciled to supporting documentation.

# CITY OF CHICAGO

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS Year Ended December 31, 2012

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### **FINDING 2011-11** (cont.)

#### **2012 STATUS**

Per the Airport Improvement Program Grant Payment and Sponsor Financial Reporting policy, the SF-425, Federal Financial Report must be submitted annually for each open grant and is due within 90 days after the fiscal year end of September 30th. For fiscal year 2012, the Department of Aviation submitted the SF-425 by the respective due date.

### **FINDING 2011-12**

<b>CFDA Nos.</b>	93.569 Community Services Block Grant 14.218 Community Development Block Grant
<b>Federal Agencies</b>	U.S. Department of Health and Human Services U.S. Department of Housing and Urban Development
<b>Pass-through Agency</b>	Illinois Department of Commerce and Economic Opportunity (program 93.569)
<b>City Department</b>	Chicago Department of Procurement Services

We tested 34 contract files with active 2011 expenditures and found two contract files that 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. The contracts that did not contain all of the necessary documentation were contracts dating back to the 1990's.

#### **2012 STATUS**

The Chicago Department of Procurement Services (DPS) continues to remain diligent in its pursuit of implementing all necessary processes and procedures required to preserve and maintain the integrity of all contract-related files. Ongoing success of these efforts was evidenced pursuant to the 2010 Single Audit that had no related findings.

Two contract files were found to have deficiencies per the 2011 audit. The first was inadvertently destroyed over five years ago, prior to many of the control procedures that have been implemented since this occurrence. DPS is now implementing an additional protective measure, in which the Department of Procurement Services (DPS) Attorney overseeing contract disputes and related issues will be the only person capable of signing off on a certificate of destruction for any contract. This will include review of the file, current contract status and any possible outstanding issues that might dictate preservation of the contract file. Further, it will be the policy of DPS not to destroy any contract file for a minimum of two years after the contract's formal expiration date. DPS attorney will immediately consult the Chief Procurement Officer regarding any outstanding or mitigating issues prior to destruction of any contract file. These new procedures are effective immediately.

DPS was unable to locate the missing documents from the second incomplete contract file. As a further precaution, DPS, under the direction of the First Deputy Commissioner has effectively improved the processes for removal, use and return of contracts from storage, both in-house and off-site. Under the First Deputy's supervision, three individuals now perform related functions as contract file administrators and serve as gatekeepers for access to all stored contract files. The new file inventory form which was provided last year is now required as part of the process for requesting a contract file. This new process ensures the safe and timely return of contracts. This process was implemented last August.

# CITY OF CHICAGO

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS Year Ended December 31, 2012

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### **FINDING 2011-12** (cont.)

#### **2012 STATUS** (cont.)

Scanning all of the components of working files at the time of the award was implemented in October 2012. This procedure creates an electronic version of all contract award/processing related documentation and now serves as a key back-up to the actual master file. The scanned files will be maintained indefinitely on a "shared drive" on the DPS server.

Procurement Services remains vigilant in the proper processing and management of all contract files and will continue to review procedures and incorporate technological advances to refine and improve its record-keeping operations. Additionally, we are currently implementing a new color-coded folder process to further differentiate contract files from other departmental document files.

### **FINDING 2011-13**

<b>CFDA Nos.</b>	Not Applicable
<b>Federal Agency</b>	Not Applicable
<b>Pass-through Agency</b>	Not Applicable
<b>City Department</b>	Chicago Department of Finance

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. Cutoff errors were accumulated across all major programs and cross-cut testing. The total of all cutoff errors identified was not material to the SEFA.

#### **2012 STATUS**

The City is working with vendors and departments to ensure that invoices are received and paid on a timely basis. This would ensure that expenditures are recorded in the period that they are incurred in order to increase its compliance with GAAP. 100% compliance remains a goal for the City, in addition to providing additional training for departmental finance officers and stricter enforcement of cut-off policies and procedures Citywide.

### **FINDING 2011-14**

<b>CFDA No.</b>	14.218 Community Development Block Grants/Entitlement Grants
<b>Federal Agency</b>	U.S. Department of Housing and Urban Development
<b>Pass-through Agency</b>	Not Applicable
<b>City Departments</b>	Chicago Mayor's Office for People with Disabilities Chicago Department of Buildings

Two of the employees selected for testing did not complete either a semi-annual certification or a personnel activity report to document actual time spent on grant activities.

# CITY OF CHICAGO

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS Year Ended December 31, 2012

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### **FINDING 2011-14** (cont.)

#### **2012 STATUS**

The City's projected goal of March 2013 to have a new system in place for tracking time distribution was not realized. The system developments did not generate the expected outcomes and the team working group continues to review all related processes and capabilities within the City's current systems to enhance the overall process for charging salaries and wages to federal grants in compliance with federal regulations. The team is considering using an outside source to assist in development of the payroll tracking initiative. To date, the outside source has not been selected. The new timeline for system implementation will be September 2013. In the interim, the policy issued in January 2012 requiring grant funded personnel to keep Personnel Activity Reports remains in effect.

### **FINDING 2011-15**

<b>CFDA No.</b>	14.253 Community Development Block Grant ARRA Entitlement Grants (CDBG-R) (Recovery Act Funded)
<b>Federal Agency</b>	U.S. Department of Housing and Urban Development
<b>Pass-through Agency</b>	Not Applicable
<b>City Department</b>	Chicago Department of Housing and Economic Development

It is the Department's general practice to monitor sub recipients from both a fiscal and programmatic perspective on an annual basis and document those results. During our audit, we noted that programmatic monitoring for two sub recipients receiving CDBG-R funds was completed, however, there was no checklist used to document the items reviewed and the conclusions made.

We tested during-the-award monitoring for 40 sub recipients of CDBG and CDBG-R funds across relevant City departments. Two of those sub recipients received CDBG-R funds from the Department of Housing and Economic Development.

#### **2012 STATUS**

As a result of programmatic findings, the Department of Housing and Economic Development (HED) reviewed its monitoring processes, and developed a written plan for the final monitoring of the sub recipients and close-out of the CDBG-R grant. This process included creating a final reporting document for the sub recipients to report their training and placement outcomes. These were submitted prior to each site visit so results could be discussed. In addition, prior to the site visits, HED created a list of written questions and a checklist of items to review for eligibility and compliance.

HED documented this monitoring process and followed the plan for final review, evaluation and close-out of this grant. After the final reporting and site visits, HED wrote up notes that included conclusions and evaluations from the project reviews and site visits for each sub recipient.

# CITY OF CHICAGO

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS Year Ended December 31, 2012

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### FINDING 2011-16

<b>CFDA No.</b>	14.256 Neighborhood Stabilization Program (Recovery Act Funded)
<b>Federal Agency</b>	U.S. Department of Housing and Urban Development
<b>Pass-through Agency</b>	Not Applicable
<b>City Department</b>	Chicago Department of Housing and Economic Development

During our audit, we noted that the quarterly reports required under Section 1512 of ARRA did not present accurate expenditure data, reimbursement data, or sub-award data. Due to a timing difference between the sub recipient's expenditures and when reimbursements are made to the sub recipient, expenditures reported by the sub recipient, and subsequently reported by the City in the ARRA reports, are not connected directly with the City's own expenditures. In addition, the City incurred indirect and administrative costs that were not reported at all. Expenditures and reimbursements from the grantor should be reported on a cumulative basis whereas the City reported expenditures incurred by the sub recipient for the respective quarter only. Sub-award payments were not updated on a quarterly basis.

### 2012 STATUS

The Chicago Department of Housing and Economic Development resubmitted the 2011 quarterly reports to reflect accurate information. Specifically, cumulative data as well as indirect and administrative costs were reported on the quarterly report and submitted to the City's Office of Budget Management.

The City's Office of Budget Management combines all section 1512 reports and submits one report to the federal agency. The City submitted accurate quarterly reports as required under Section 1512 of the American Recovery Reinvestment Act (ARRA).

### FINDING 2011-17

<b>CFDA No.</b>	81.128 Energy Efficiency and Conservation Block Grant (Recovery Act Funded)
<b>Federal Agency</b>	U.S. Department of Energy
<b>Pass-through Agency</b>	Not Applicable
<b>City Department</b>	Chicago Department of Fleet and Facility Management

The Department of General Services is not currently maintaining the appropriate records for equipment acquired through this grant as required by the A-102 Common Rule. The types of equipment acquired with federal funds generally include lighting and heating units installed in city-owned buildings.

### 2012 STATUS

The Department of Fleet and Facility Management (2FM) has begun, in June of 2013, an assessment of all facilities in order to inventory equipment and determine its condition. This process has been undertaken to develop and implement a quality preventative maintenance program, and to facilitate long term capital planning. 2FM has also undertaken and completed an upgrade of its existing work order tracking system to include clear information regarding repairs and maintenance to facility systems and equipment on location by location basis. Finally, 2FM has instituted a process to ensure that all expenditures are captured at the facility level starting in 2012.

# CITY OF CHICAGO

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS Year Ended December 31, 2012

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### **FINDING 2011-17** (cont.)

#### **2012 STATUS** (cont.)

These three process changes directly relate to the preliminary audit findings as they constitute the structural changes required to support the subject grant requirements. These three processes will therefore support our current efforts to review each schedule of values invoice, for all work performed under this grant, in order to match the expenditures related to the acquisition of new equipment to specific facility locations. Once all equipment and its related acquisition costs are associated to a location, these locations will be prioritized for assessment and the appropriate inventory and preventative maintenance procedures will be defined. This process is anticipated to be completed by the third quarter of this year. Physical assessments of equipment will be completed no less than every two years thereafter and maintenance records will be tracked through the recently upgraded work order tracking system. These process improvements, assessments and maintenance records will be monitored and implemented by the Bureau of Architecture, Engineering, Construction and Trades under the management of Derek Messier, Deputy Commissioner, Fleet and Facility Management.

### **FINDING 2011-18**

<b>CFDA No.</b>	81.128 Energy Efficiency and Conservation Block Grant (Recovery Act Funded)
<b>Federal Agency</b>	U.S. Department of Energy
<b>Pass-through Agency</b>	Not Applicable
<b>City Department</b>	Chicago Department of Budget and Management

The second quarter SF-425 report for calendar year 2011 was not submitted by the reporting deadline. We selected two quarters in 2011 for testing. The other report was submitted by the deadline. The second quarter report was submitted 10 days subsequent to the deadline.

#### **2012 STATUS**

In fiscal year 2011, the U.S. Department of Energy changed their reporting system to an online database named PAGE. The new system required reporting of different financial data relative to the SF-425 than previously required. In fiscal year 2011, the Office of Budget and Management (OBM) submitted one quarterly report subsequent to the deadline due to the reporting changes required by the federal agency. OBM thereafter has submitted timely as well as accurate quarterly reports. Additionally, the last payment received for this grant occurred in September 2012. Subsequently, OBM submitted the last report for the quarter ending September 2012 in a timely manner before the respective due date.

For reporting purposes, there exist a loan loss reserve but the Department of Energy has not provided any guidance relative to these funds. As such, there has been no spending in this fiscal year until further guidance and/or directives are provided by the Department of Energy.

## CITY OF CHICAGO

### SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS Year Ended December 31, 2012

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#### **FINDING 2011-19**

<b>CFDA No.</b>	14.248 Section 108 Loan Guarantee
<b>Federal Agency</b>	U.S. Department of Housing and Urban Development
<b>Pass-through Agency</b>	Not Applicable
<b>City Department</b>	Chicago Department of Housing and Economic Development

The City did not have controls in place to identify and monitor reporting requirements and did not comply with reporting requirements which were stated in the Loan Guarantee Contract between HUD and the City. Neither of the above reports was submitted to HUD.

#### **2012 STATUS**

The Department of Finance created and submitted to the U.S. Department of Housing and Urban Development (HUD) in compliance with Section 108 a Guarantee Loan and Loan Repayment Investment Account Report. The Guarantee Loan Report reflects the balance and any withdrawals made from the account. The Loan Repayment Investment Account Report reflects repayments of funds to the account.

After notification of the applicable finding, the Department of Finance created the above reports and submitted each in August 2012 to the Housing and Urban Development. Additionally, as of August 2012, all funds in the Guarantee Loan Account had been depleted and therefore the report submitted in August 2012 met the compliance requirement. The Department of Finance will submit the monthly Loan Reserve Account Report to be in compliance.

#### **FINDING 2011-20**

<b>CFDA No.</b>	14.248 Section 108 Loan Guarantee
<b>Federal Agency</b>	U.S. Department of Housing and Urban Development
<b>Pass-through Agency</b>	Not Applicable
<b>City Department</b>	Chicago Department of Housing and Economic Development

The City was unable to provide documentation proving the Guaranteed Loan Funds are electronically transferred in a separately identifiable account. Additionally, the City acknowledged that the funds are held in an interest bearing account but was unable to provide documentation of tracking of interest earned on the deposited funds.

#### **2012 STATUS**

This fund has been properly identified and added to the City's list of funds requiring interest to be tracked. For fiscal year 2012, interest earned relative to this fund has been calculated and properly recorded.

Additionally, the City revised its Interest Earned Policy effective October 2012 which reflects a grant file checklist as well as specific procedures on interest reporting and tracking.