



MEMORANDUM

To: CMAP Board

Date: December 3, 2008

From: Dolores Dowdle
Deputy Executive Director Finance and Administration

Re: Annual Financial Report for the Year Ended June 30, 2008

In June 2007 the Board of Directors approved a three-year contract (with two one-year options) with Virchow Krause & company (VK) to conduct the annual financial audit. The financial statements for fiscal year (FY) 2008 have been completed and are enclosed. The report issued by VK is an unqualified opinion of the financial statements. The report reflects the first year of CMAP financial operation. The FY 2007 financial statements were issued to NIPC.

Following are the financial highlights of the annual statement:

- During FY 2008, the net assets increased from \$291,000 to \$1,226,000.
- The statement reflects a reduction of the accounts payable, from \$2,190,301 to \$1,089,474. The higher amount of accounts payable in 2007 was a result of withholding of funds by IDOT.
- In FY 2007 the expenditures did not include the full cost for CATS. The FY 2008 expenditures increased by \$3,632,640, which reflected the full year of operation of CMAP.

The Internal Control Report reflects new financial procedures and policies, which have been implemented since January 1, 2008. The report also identified issues with the accounting system and appropriate separation of duties. The installation of the new financial system this year will address these issues and will also provide an opportunity to appropriately reassign duties.

At the Board meeting, representatives from VK will present their findings for consideration by the Board.

December 3, 2008

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Enclosure:

(1) Annual Financial Report

(2) Management Letter

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**CHICAGO METROPOLITAN
AGENCY FOR PLANNING**

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2008**

CHICAGO METROPOLITAN AGENCY FOR PLANNING

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INDEPENDENT AUDITORS' REPORT

To the Honorable Chairman and Board Members
Chicago Metropolitan Agency for Planning
233 South Wacker, Suite 800
Chicago, Illinois 60606

We have audited the accompanying financial statements of the business-type activities and the remaining fund information of the Chicago Metropolitan Agency for Planning as of and for the year ended June 30, 2008, which are identified as the basic financial statements in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these financial statements based on our audits.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the remaining fund information of Chicago Metropolitan Agency for Planning as of June 30, 2008, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated XXXXX XX, 2008, on our consideration of the Chicago Metropolitan Agency for Planning's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audits.

The Management's Discussion and Analysis, the historical pension information and the budgetary comparison schedule as listed in the table of contents are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Honorable Chairman and Board Members
Chicago Metropolitan Agency for Planning

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Our audits were made for the purpose of forming opinions on the financial statements that collectively comprise the Chicago Metropolitan Agency for Planning's basic financial statements. The supplementary information included is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis, as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements of the Chicago Metropolitan Agency for Planning. The supplementary information and schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information as listed in the table of contents has not been subjected to auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Oak Brook, Illinois
XXXXXXX XX, 2008

Chicago Metropolitan Agency for Planning Management's Discussion and Analysis June 30, 2008

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Background

The Chicago Metropolitan Agency for Planning (CMAP) was created in 2005 as the comprehensive regional planning organization for the northeastern Illinois counties of Cook, DuPage, Kane, Kendall, Lake, McHenry, and Will. Through the Regional Planning Act (Public Act 094-510) in 2005, there was a merger of the Northeastern Illinois Planning Commission (NIPC) and the Chicago Area Transportation Study (CATS) to create the new Regional Planning Board, which was renamed as CMAP in 2006. The merger was completed at the end of fiscal year 2007. During fiscal year 2007, NIPC was the financial agent for CMAP and NIPC, though the financial statements did not include the full funding and activities for CATS. Management's discussion and analysis reflects the financial record of CMAP for fiscal year 2008 and NIPC for fiscal year 2007.

By state and federal law, CMAP is responsible for producing the region's official, integrated plan for land use and transportation. The agency projects that metropolitan Chicago will gain 2.8 million new residents and 1.8 million jobs in the next three decades. The *GO TO 2040* planning campaign will develop and implement strategies to address that projected growth. Scheduled for completion in 2010, the plan will shape the region's transportation system and development patterns, while also addressing the natural environment, economic development, housing, education, human services and other factors shaping quality of life. See www.cmap.illinois.gov and www.goto2040.org for more information.

CMAP has published an annual report highlighting the accomplishments for fiscal year 2008. A copy of the CMAP annual report can be obtained at www.cmap.illinois.gov.

Management's Discussion and Analysis

This section of CMAP's financial statements presents management's discussion and analysis (MD&A) of the financial activities of CMAP during the fiscal year ended June 30, 2008. Please read it in conjunction with the basic financial statements, including the accompanying notes to financial statements, which follow this section.

Financial Highlights

- The 2008 financial statements, as noted above, reflect the first fiscal year of full operation of CMAP.
- In Management's discussion and analysis, the fiscal year 2007 reflects only expenditures from NIPC and a partial CMAP. Some of the CATS expenditures were paid directly by the Illinois Department of Transportation (IDOT).

Government-wide Financial Statements

The two main components to the government-wide financial statements are: (1) the statement of net assets and (2) the statement of revenues, expenses and changes in net assets. These are the two major statements that are analyzed in terms of obtaining a broad overview of the finances, value and annual operations of CMAP.

**Chicago Metropolitan Agency for Planning
Management's Discussion and Analysis
June 30, 2008**

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Generally, governmental-wide statements can present two different components: governmental activities, which are operations primarily supported by tax revenues, and business-type activities, which are those activities that are self-funded. All the operations of CMAP are considered to be business-type activities.

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. CMAP uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. CMAP is unique to many governments since it is an entity with only one fund, proprietary in nature.

Notes to the financial statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the entity-wide and fund financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information.

Government-wide Financial Analysis

Net assets may serve over time as a useful indicator of the entity's financial position. The following tables highlight the increase in net assets of the entity from \$290,608 for June 30, 2007 to \$1,225,453 as of June 30, 2008.

**Chicago Metropolitan Agency for Planning
Management's Discussion and Analysis
June 30, 2008**

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Table 1		
Condensed Statement of Net Assets		
(in thousands)		
	Business-type	
	Activities	
	2008	2007
Current and other assets	\$3,274	\$3,512
Capital assets	<u>1,019</u>	<u>790</u>
Total assets	<u>4,293</u>	<u>4,302</u>
Other liabilities	<u>\$3,067</u>	<u>\$4,011</u>
Total liabilities	<u>3,067</u>	<u>4,011</u>
Net assets		
Invested in capital assets, net of debt	\$1,019	\$ 790
Restricted	248	152
Unrestricted	<u>-41</u>	<u>-651</u>
Total net assets, as restated	<u>\$1,226</u>	<u>\$291</u>

The statement of net assets is a snapshot as of the end of the fiscal year, reporting information on all CMAP assets and liabilities, with the difference between the two reported as net assets. The net assets may serve over time as a useful indicator of whether the financial position of an organization is improving or deteriorating. The assets of CMAP exceeded liabilities by \$1,225,453 as of June 30, 2008, as compared to net assets of \$290,608 as of June 30, 2007, an increase of \$934,845 or 321.7%. The largest component of net assets reflects CMAP's investment in capital assets (e.g. furniture, equipment and software). Restricted net assets represent those grant projects that have provided advance funds for restricted purposes.

NIPC entered into a new office lease in the fiscal year ended June 30, 2006. As an incentive to enter into the lease, NIPC was granted rent abatements for certain months throughout the term of the lease, including the first twelve months of the lease and two months of this fiscal year. The benefit of these abatements is being recognized evenly over the life of the lease. Consequently, a liability is reported ("unearned rent credit") for the portion of the abatements received since the beginning of the lease that will be recognized over the remaining lease term. As part of the enabling legislation, CMAP assumed all of NIPC obligations and is now responsible for the office lease.

The largest component of the assets is receivables, which consist primarily of amounts due under grant agreements (\$2,847,610 and \$2,403,708 at June 30, 2008 and 2007, respectively), and amounts due from other local government agencies in the form of annual contributions (\$50,000 and \$342,585 at June 30, 2008 and 2007, respectively).

**Chicago Metropolitan Agency for Planning
Management's Discussion and Analysis
June 30, 2008**

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The largest components of the total liabilities are accounts payable, which had a balance of \$1,089,474 and \$2,190,301 at June 30, 2008 and 2007, respectively, and the value of the rent abatement of \$1,279,096 and \$1,174,940 on June 30, 2008 and 2007, respectively. The higher amount of accounts payable in 2007 was a result of withholding of funds by IDOT.

**Chicago Metropolitan Agency for Planning
Management's Discussion and Analysis
June 30, 2008**

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<i>Table 2</i>				
<i>Changes in Net Assets</i>				
<i>(in thousands)</i>				
	<i>2008</i>	<i>% of Total</i>	<i>2007</i>	<i>% of Total</i>
Operating revenues				
Grant revenue				
Federal	\$10,848	66	\$7,003	60
State	573	3	1,445	12
Other	1,300	8	1,634	14
Comprehensive Regional Planning Fund	3,500	21	-	-
Contributions	109	1	1,125	9
Miscellaneous	137	1	533	5
Total Operating revenues	<u>16,467</u>	<u>100%</u>	<u>11,740</u>	<u>100%</u>
Operating expenses				
Personnel services	7,902	52	5,031	44
Operating expenses	531	3	488	4
Commodities	749	5	160	1
In-kind expenses	760	5	1,181	10
Professional services	160	1	78	1
Contractual services	1,307	8	1,292	11
Subcontractor expense	3,675	24	3,292	28
Miscellaneous	236	2	166	1
Total operating expenses	<u>15,320</u>	<u>100%</u>	<u>11,688</u>	<u>100%</u>
Non-operating income				
Interest	18	100%	66	100%
Total Non-operating income	18	100%	66	100%
Non-operating expenses				
Depreciation and amortization	162	70	107	98
Bad debt expense	51	22	-	-
Interest expense	17	8	2	2
Total non-operating expenses	<u>230</u>	<u>100%</u>	<u>109</u>	<u>100%</u>
Increase in net assets	<u>\$935</u>		<u>\$ 9</u>	

Chicago Metropolitan Agency for Planning Management's Discussion and Analysis June 30, 2008

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The largest component of operating revenues is federal grants. The federal grants are passed to CMAP through the appropriate state agency—primarily Illinois Department of Transportation and Illinois Environmental Protection Agency. The federal and state grants of \$11,420,889 and \$8,446,458 at June 30, 2008 and 2007, respectively, increased by \$2,974,431, or 35%. The increase is a reflection of the completion of the merger of CATS and NIPC. In fiscal year 2007, some of the federal funds were provided directly from IDOT for the CATS employees, who had not transferred to CMAP.

In 2007, the Regional Planning Act was amended and included the creation of the Comprehensive Regional Planning Fund (CRPF). The CRPF distributes 70% of its annual General Revenue Fund allocation to CMAP. The CRPF is used for matching grant funds and other comprehensive regional planning purposes.

The operating expenses of \$15,320,340 and \$11,687,700 at June 30, 2008 and 2007, respectively, increased by \$3,632,640 or 31%.

Capital Assets

The capital assets are the furniture, office equipment and software owned by CMAP. The capital assets of \$1,019,048 and \$789,954 at June 30, 2008 and 2007, respectively, increased by \$229,094, or 29%.

Summary and Future Considerations

In 2007, CMAP initiated the development of the Regional Comprehensive Plan, now known as the *GO TO 2040* plan. The plan will guide growth and investment for Cook, DuPage, Kane, Kendall, Lake, McHenry, and Will Counties for the rest of this century. In addition to land use and transportation, *GO TO 2040* also addresses the full range of quality-of-life issues, including the natural environment, economic development, housing, and human services such as education, health care and other social services.

Requests for Information

The financial report is designed to provide a general overview of the financial operations of the Chicago Metropolitan Agency for Planning. Questions concerning any of the information in this report or requests for additional information should be sent to the Deputy Executive Director for Finance and Administration, Chicago Metropolitan Agency for Planning, 233 South Wacker Drive, 8th Floor, Chicago, Illinois 60606.

CHICAGO METROPOLITAN AGENCY FOR PLANNING

STATEMENT OF NET ASSETS

JUNE 30, 2008

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Business-type
Activities

Assets

Cash and cash equivalents	\$ 348,822
Receivables	2,897,610
Prepaid expenses	27,435
Capital assets, net of accumulated depreciation	<u>1,019,048</u>
Total assets	<u>4,292,915</u>

Liabilities

Accounts payable	1,089,474
Accrued payroll	403,771
Compensated absences payable	295,121
Rent abatement	<u>1,279,096</u>
Total liabilities	<u>3,067,462</u>

Net Assets

Invested in capital assets, net of related debt	1,019,048
Restricted for grant projects	247,436
Unrestricted	<u>(41,031)</u>
Total net assets	<u>\$ 1,225,453</u>

See accompanying notes to financial statements.

CHICAGO METROPOLITAN AGENCY FOR PLANNING
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSTS
FOR THE YEAR ENDED JUNE 30, 2008

DRAFT Business-type Activities

Operating revenues:	
Grant revenue:	
Federal	\$ 10,847,770
State	573,119
Other	1,300,429
Comprehensive Regional Planning Fund	3,500,000
Contributions	108,976
Miscellaneous	<u>137,159</u>
Total operating revenues	<u>16,467,453</u>
Operating expenses:	
Personnel services	7,901,920
Operating expenses	531,593
Commodities	748,764
In-kind expenses	760,313
Professional services	159,623
Contractual services	1,307,250
Subcontractor expense	3,674,803
Miscellaneous	<u>236,074</u>
Total operating expenses	<u>15,320,340</u>
Operating income	<u>1,147,113</u>
Nonoperating revenue (expense):	
Depreciation and amortization	(161,933)
Bad debt expense	(51,309)
Interest income	17,799
Interest expense	<u>(16,825)</u>
Total nonoperating expense	<u>(212,268)</u>
Change in net assets	934,845
Net assets, beginning of the year	<u>290,608</u>
Net assets, end of the year	<u>\$ 1,225,453</u>

See accompanying notes to financial statements.

CHICAGO METROPOLITAN AGENCY FOR PLANNING

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008

DRAFT Business-type Activities

Cash flows from operating activities:	
Received from other local governments	\$ 246,135
Received from operating grants	15,271,146
Paid to suppliers for goods and services	(7,523,598)
Paid to employees for services	<u>(7,670,546)</u>
Net cash flows from operating activities	<u>323,137</u>
Cash flows from investing activities:	
Investment income	<u>17,799</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(498,916)</u>
Cash flows from noncapital financing activities:	
Proceeds from line of credit	330,000
Repayment of a line of credit	(495,000)
Interest paid on line of credit	<u>(16,825)</u>
Net cash flows used in noncapital financing activities	<u>(181,825)</u>
Net change in cash and cash equivalents	(339,805)
Cash and cash equivalents, beginning of the year	<u>688,627</u>
Cash and cash equivalents, end of the year	<u>\$ 348,822</u>
Reconciliation of operating income to net cash flows from operating activities:	
Operating income	\$ 1,147,113
Adjustments to reconcile operating loss to net cash flows from operating activities:	
Changes in:	
Receivables	(176,687)
Prepaid expenses	23,291
Accounts payable	(1,100,827)
Accrued payroll	126,783
Compensated absences payable	104,591
Deferred revenue	(13,170)
Deferred rent credit	<u>212,043</u>
Net cash flows from operating activities	<u>\$ 323,137</u>
Noncash operating activities:	
Contribution of subcontractor services	<u>\$ 760,313</u>

See accompanying notes to financial statements.

CHICAGO METROPOLITAN AGENCY FOR PLANNING

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

FIDUCIARY FUND

FOR THE YEAR ENDED JUNE 30, 2008

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Assets

Cash and cash equivalents

\$ 63,215

Liabilities

Deposits held for others

\$ 63,215

Total Liabilities

\$ 63,215

See accompanying notes to financial statements.

CHICAGO METROPOLITAN AGENCY FOR PLANNING

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

On August 8, 2005, Illinois state legislature approved the Regional Planning Act to create a Regional Planning Board, also known as the Chicago Metropolitan Agency for Planning (the Agency). The Act called for the merger of the functions of the Chicago Area Transportation Study (“CATS”), the region’s federally designated metropolitan planning organization, and the Northeastern Illinois Planning Commission. Effective July 1, 2007, these entities were merged to form the Agency. These financial statements for the Agency reflect this broadened organization. No assets, liabilities and net assets from CATS were acquired or combined as a result of the merger. Before the merger, CATS was supported entirely by the Illinois Department of Transportation.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accompanying financial statements report information on all the activities of the Agency. The accounts of the Agency are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose, and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The Agency utilizes a single proprietary fund (enterprise fund) to account for its operations. The Agency also maintains a fiduciary fund (agency fund) to account for contributions received and deposited on behalf of the Phillip D. Peters Foundation. Fiduciary funds are excluded from the government-wide financial statements.

Proprietary funds are accounted for on the flow of economic resources measurement focus, and use the accrual basis of accounting. Under this method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred. The Agency accounts for operating expenses by project activity and cost category. Indirect expenses are allocated to projects based on a percentage of direct payroll (Note 4). The Agency applies all applicable FASB pronouncements issued before November 30, 1989 in accounting and reporting for its proprietary operations, to the extent that those standards do not contradict the guidance of the Government Accounting Standards Board. Proprietary funds include the following fund type:

Enterprise Fund – Used to account for those operations that are financed and operated in a manner similar to private business, or where the Board has decided that the intent is that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

CHICAGO METROPOLITAN AGENCY FOR PLANNING

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008



NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Additionally, the Agency reports the following fund type:

Agency Fund – Used to report resources held by the Agency in a purely custodial capacity (assets equal liabilities).

Net assets are classified into three components: invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

Invested in Capital Assets, Net of Related Debt – This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation, and reduced by outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This component of net assets consists of net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Agency considers all highly liquid investments, including bank money market accounts and Illinois Funds accounts, to be cash equivalents.

Federal and State Agency Grant Revenues

Project funds authorized under federal and state agency grants are requisitioned from such agencies, either on an advance basis, or for reimbursement of eligible costs incurred, up to maximum amounts of established under each grant. Revenues are generally recognized as eligible costs or requirements are incurred or met. A local matching contribution is required for many federal and state grants. The Agency requests, and has been successful in the past in obtaining, contributions from local government agencies to provide for the local matching portion of the grants. Such contributions are generally recognized as revenue when received. Grants receivable represent amounts earned under grant agreements but not yet received. The balance in grants receivable was \$2,847,610 at June 30, 2008.

CHICAGO METROPOLITAN AGENCY FOR PLANNING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008



NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Accounts Receivable

Accounts receivable, which represent amounts due from other local governments in the form of an annual contribution or as payment for services, totaled \$50,000 at June 30, 2008. Grants receivable was \$2,847,610, for a total receivable balance of \$2,897,610. Accounts receivable are stated at the amount billed to the customer. The Agency does not charge interest or late fees on amounts past due. Accounts past due over 90 days at June 30, 2008 totaled \$62,814. The Agency has determined that an allowance for doubtful accounts is not necessary at June 30, 2008, based on management's evaluation of the aged accounts receivable. This evaluation of the collectibility of accounts receivable is based on past experience, known and inherent risks in the accounts, adverse situations that may affect the borrower's ability to repay, and current economic conditions. Accounts deemed uncollectible are charged to expense.

Capital Assets

Capital assets, which consist of office equipment, furniture and fixtures, and leasehold improvements with an initial cost of greater than \$3,000 and a useful life greater than one year, are reported in the government-wide financial statements. Capital assets are capitalized at cost or estimated fair value if donated. Major additions are capitalized, while replacements, maintenance and repairs which do not improve or extend the lives of the respective assets are expensed in the period incurred. Interest incurred during the construction phase of proprietary fund fixed assets is reflected in the capitalized value of the asset constructed.

Depreciation has been provided on the straight-line method over the estimated useful lives of the assets, as follows:

Furniture and fixtures	5 – 10 years
Office equipment	3 – 6 years
Software	3 years

Leasehold improvements had been amortized using the straight-line method over the term of the related leases.

Compensated Absences Payable

The Agency accrues for vesting and accumulating unused sick leave and vacation time. Sick leave is earned at a rate of 1 day per month for full-time employees, and a pro-rated amount for regular part-time staff based on the percentage of time worked. There is no limit on the overall amount of sick leave that can be accrued. Upon termination, the sick leave accrued balance will be credited towards pension service, in accordance with the guidelines of the Illinois Municipal Retirement Fund. Vacation is earned by full-time employees at a rate of 1 day per month for the first three years, 1.33 days per month for the next three years, and 1.66 days per month thereafter. Up to 30 days of unused vacation can be carried forward. Vacation must be used within 18 months of when it is earned, unless approved by the Executive Director. Compensated absences payable at June 30, 2008 were \$295,121.

CHICAGO METROPOLITAN AGENCY FOR PLANNING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Deferred Rent Credit

The Agency has recognized a liability for the rent abatements received in the current year under the new office lease, and will recognize the benefit of the current and future rent abatement over the life of the lease.

Tax Status

The Agency is exempt from federal and state income taxes under Internal Revenue Code Sections 115(a)(1) and 170(c)(1).

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budget

The Executive Director presents an annual operating budget, first to the Finance Committee, and later to the full Board of Directors. The Board approves the budget prior to the beginning of the fiscal year. The budget can only be amended at the Board level. The budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America. The various funding sources have different beginning and ending dates funding the activities. The budget was amended in the current year.

NOTE 3 – DETAILED NOTES ON ALL FUNDS

Deposits

At June 30, 2008, the carrying amount of the Agency's deposits with local financial institutions was \$348,822, and the bank balance was \$684,232. The Agency also had deposits in the Illinois Funds, including those recorded in the agency fund, with a carrying amount and bank balance of \$360,331. In addition, cash on hand totaled \$300.

Interest Rate Risk. This is the risk that changes in the market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Illinois Funds of \$296,998 and \$63,333 in the business-type and fiduciary funds, respectively, were exposed to interest rate risk at June 30, 2008.

Custodial Credit Risk. For deposits, this is the risk that, in the event of a bank failure, a government will not be able to recover its deposits. At June 30, 2008, a total of \$583,932 of the Agency's deposits was exposed to custodial credit risk because it was uninsured and uncollateralized. The Illinois Funds is a money market fund created in 1975 by the Illinois General Assembly to provide custodians of public funds with an alternate investment vehicle which enables them to earn a competitive rate of return on fully collateralized investments, while maintaining immediate access to invested funds. Because these investments are fully collateralized, there is no exposure to custodial credit risk.

Credit Risk. Generally, credit risk is the risk that an issuer of a debt type instrument will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure. The Agency is not exposed to credit risk.

CHICAGO METROPOLITAN AGENCY FOR PLANNING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

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NOTE 3 – DETAILED NOTES ON ALL FUNDS – (CONTINUED)

Capital Assets

Capital asset activity for the year ended June 30, 2008, is as follows:

	<i>Beginning Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Balance</i>
Capital assets being depreciated:				
Furniture	\$ 904,269	\$ -	\$ -	\$ 904,269
Office equipment	282,963	231,250	-	514,213
Software	79,862	267,665	-	347,527
Total capital assets being depreciated	<u>1,267,094</u>	<u>498,915</u>	<u>-</u>	<u>1,766,009</u>
Less accumulated depreciation for:				
Furniture	271,038	135,519	-	406,557
Office equipment	176,440	91,563	-	268,003
Software	29,662	42,739	-	72,401
Total accumulated depreciation	<u>477,140</u>	<u>269,821</u>	<u>-</u>	<u>746,961</u>
Total capital assets, net	<u>\$ 789,954</u>	<u>\$ 229,094</u>	<u>\$ -</u>	<u>\$ 1,019,048</u>

Notes Payable

The Agency established a line of credit with Bank of America that allowed for borrowings of up to \$600,000. The balance on the line of credit at the beginning of the year was \$165,000. During 2008, the Agency had borrowings against the line of credit of \$330,000 and repayments of \$495,000. The principal balance outstanding at June 30, 2008 was \$0. Interest is payable monthly at the prime lending rate (5.00% at June 30, 2008). Interest expensed and paid in the current year totaled \$16,825. All borrowed funds are secured by a commercial security agreement, granting the bank a security interest in substantially all assets of the Agency. The line of credit matures December 30, 2008.

Operating Lease Commitments

The Agency conducts its operations in facilities rented under a noncancelable operation lease entered into September 1, 2005. The lease period extends through August 31, 2020. Under the Agency's agreement with the landlord, the landlord abated the rent for the first twelve months of the term of the lease and months 23, 24, 37, 38, 39, 49, 50, and 51. The Agency will recognize the benefit of the rent abatements over the life of the lease. The following schedule reflects the Agency's gross commitment for the future minimum annual rental payments. The schedule of future minimum lease payments shown below does not reflect the proportionate share of any increase in expenses or taxes for those years.

CHICAGO METROPOLITAN AGENCY FOR PLANNING

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008



NOTE 3 – DETAILED NOTES ON ALL FUNDS – (CONTINUED)

<u>Year Ending June 30,</u>	<u>Agency Payments</u>
2009	\$ 988,815
2010	1,008,288
2011	1,371,791
2012	1,397,756
2013	1,445,358
2014-2018	7,637,891
2019-2021	3,509,534
Total	<u>\$ 17,359,433</u>

NOTE 4 – OTHER INFORMATION

Illinois Municipal Retirement Fund (“IMRF”)

The Agency’s defined benefit pension plan, Illinois Municipal Retirement (IMRF), provides retirement, disability, annual cost of living adjustments and death benefits to plan members and beneficiaries. IMRF is an agent multiple employer pension plan that acts as a common investment and administrative agent for local governments in Illinois. The Illinois Pension Code establishes the benefit provisions of the plan that can only be amended by the Illinois General Assembly. IMRF issues a financial report that includes financial statements and required supplementary information. The report may be obtained at www.imrf.org/pubs/pubs_homepage.htm or by writing to the Illinois Municipal Retirement Fund, 2211 York Road, Suite 500, Oak Brook, Illinois 60523.

Employees participating in IMRF are required to contribute 4.50 percent of their annual covered salary. The member rate is established by state statute. The Agency is required to contribute at an actuarially determined rate. The employer rate for calendar year 2007 was 14.33 percent of payroll. The employer contribution requirements are established and may be amended by the IMRF Board of Trustees. IMRF’s unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed bases (overfunded liability amortized on open basis). The amortization period at December 31, 2007 was 10 years.

For December 31, 2007, 2006, and 2005, the Agency’s annual pension cost of \$69,537; \$357,443; and \$77,823, respectively, was equal to the Agency’s required and actual contributions. The required contribution was determined as part of the December 31, 2005, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10.0% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually. The actuarial value of IMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period with a 15% corridor. The assumptions used for the 2007 actuarial valuation were based on the 2002-2004 experience study.

CHICAGO METROPOLITAN AGENCY FOR PLANNING

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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NOTE 4 – OTHER INFORMATION – (CONTINUED)

As of December 31, 2007, the most recent actuarial valuation date, the Regular plan was 64.63 percent funded. The actuarial accrued liability for benefits was \$5,375,503 and the actuarial value of assets was \$3,474,352, resulting in an underfunded actuarial accrued liability (UAAL) of \$1,901,151. The covered payroll (annual payroll of active employees covered by the plan) was \$485,253 and the ratio of the UALL to the covered payroll was 392 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information, about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Risk Management

The Agency is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; illness of employees and natural disasters. Those risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three fiscal years.

ICMA Deferred Compensation Plan

The Agency offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees of the Agency, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. A third party administrator manages the plan. The assets of the ICMA deferred compensation plan were placed in trust accounts with the plan administrator, for the exclusive benefit of participants and their beneficiaries, and are not considered assets of the Agency.

Indirect Cost

To facilitate equitable distribution of common purpose costs that benefit more than one direct cost objective, the Agency has established an agency-wide indirect cost allocation plan. Rates are based on a percentage of direct wages.

Contingencies

The Agency has received significant financial assistance from federal and state agencies. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements, and may be subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Agency. The Agency is not aware of any disallowed claims.

CHICAGO METROPOLITAN AGENCY FOR PLANNING

ILLINOIS MUNICIPAL RETIREMENT FUND REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF FUNDING PROGRESS JUNE 30, 2008

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Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/2007	\$ 69,537	100%	\$ -
12/31/2006	357,443	100%	-
12/31/2005	77,823	100%	-

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2007	\$ 3,474,352	\$ 5,375,503	\$ 1,901,151	64.63%	\$ 485,253 *	391.79% *
12/31/2006	3,134,172	4,366,139	1,231,967	71.78%	2,578,591	47.78%
12/31/2005	3,200,939	4,540,094	1,339,155	70.50%	2,179,916	61.43%
12/31/2004	2,843,275	4,055,024	1,211,749	70.12%	2,011,265	60.25%
12/31/2003	9,675,387	8,949,358	(726,029)	108.11%	2,429,461	0.00%
12/31/2002	9,906,234	8,176,101	(1,730,133)	121.16%	2,325,472	0.00%

*IMRF has only included the December 2007 covered payroll portion for CMAP and has not reflected any former NIPC payroll amounts for other months of the year.

On a market value basis, the actuarial value of assets as of December 31, 2007 is \$2,750,284. On a market basis, the funded ratio would be 51.16%.

Digest of Changes

The actuarial assumptions used to determine the actuarial accrued liability for 2007 are based on the 2002 - 2004 experience study.

The principal changes were:

- The 1994 Group Annuity Mortality was implemented.
- For Regular members, fewer normal and early retirements are expected to occur.

See independent auditor's report.

CHICAGO METROPOLITAN AGENCY FOR PLANNING
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008

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	Original Budget	Final Budget	Actual
Revenues:			
Grants	\$ 10,506,800	\$ 11,195,200	\$ 11,961,005
Comprehensive Regional Planning Fund	3,500,000	3,500,000	3,500,000
Contributions	269,500	358,000	108,976
Product sales, fees, and interest income	291,000	136,300	154,958
In-kind contributions	865,300	669,000	760,313
	15,432,600	15,858,500	16,485,252
Expenses:			
Personnel services	3,731,373	7,818,000	7,910,450
Operating expenses	642,975	1,913,000	1,942,960
Commodities	326,772	1,389,000	935,860
In-kind services	365,593	669,000	760,313
Non-capitalized expenses, depreciation and amortization	69,292	480,000	257,887
Subcontracts	1,298,032	5,314,800	3,674,803
Nongrant supported expenses	-	-	51,309
Interest expense	-	-	16,825
	6,434,037	17,583,800	15,550,407
Change in net assets	\$ 8,998,563	\$ (1,725,300)	\$ 934,845
Net assets, beginning of the year			290,608
Net assets, end of the year			\$ 1,225,453

See independent auditor's report.

CHICAGO METROPOLITAN AGENCY FOR PLANNING
SCHEDULE OF GRANT REVENUES, EXPENDITURES AND BALANCE
FOR THE YEAR ENDED JUNE 30, 2008

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 Total

Grant. No.	Grantor	Grant Period		Project Amount	Grant Amount
		From	To		
S-615	Cook Co. Forest PD	7/1/2003	12/31/2007	173,840	173,840
S-622	IEPA	3/23/2006	7/15/2007	67,922	67,922
S-636	IEPA	7/1/2004	7/31/2007	2,040,638	1,224,341
S-639	IEPA	7/1/2004	3/31/2008	393,406	269,500
S-643	IEPA	7/1/2004	7/15/2007	494,783	313,286
S-656	IEPA	7/18/2005	7/31/2007	87,395	52,395
S-658	ICF	10/19/2005	12/31/2007	59,205	29,210
S-660	MacArthur Foundation	1/1/2006	12/31/2007	360,000	360,000
S-664	IDNR	3/22/2006	6/30/2008	69,000	25,000
S-665	IDNR	4/10/2006	12/31/2008	87,380	44,139
S-673	IEPA	7/5/2006	8/31/2007	225,000	130,898
S-674	IEPA	7/1/2006	7/15/2008	3,350,253	2,000,000
S-677	IIT	5/1/2005	4/30/2008	21,000	21,000
S-678	MacArthur Foundation	7/1/2006	6/30/2009	600,000	600,000
S-682	IDNR	7/1/2006	6/30/2009	1,140,000	1,140,000
S-683	ICF	7/1/2006	12/31/2007	11,433	7,206
S-684	NWIRPC	1/25/2007	6/30/2008	500,000	500,000
S-686	IEPA	3/2/2007	9/30/2008	218,127	130,876
S-687	IEPA	8/28/2007	12/31/2008	112,500	112,500
S-688	IDOT	7/1/2007	6/30/2008	10,248,483	8,198,786
S-689	ICF	8/1/2007	12/31/2007	27,802	27,802
S-690	IDOT	7/1/2007	6/30/2008	1,461,785	1,169,428
S-691	IDOT	7/1/2007	6/30/2009	2,406,800	2,055,800
S-692	IEPA	7/20/2007	6/30/2008	138,600	138,600
S-693	Will County	7/13/2007	1/15/2009	76,841	76,841
S-694	IDOT	7/23/2007	open	110,000	110,000
S-695	USEPA	8/20/2007	9/30/2009	152,134	119,884

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GRANT RECEIPTS					EXPENDITURES			Status
Prior FY 08 Receipts	FY 08 Receipts	Receivable 6/30/2008	Refund	Remaining Grant 6/30/2008	Prior FY 08 Expenditures	FY 08 Expenditure	Grant Balance 6/30/2007	Status
86,216	3,354	435	-	83,835	87,876	2,129	83,835	
19,735	32,824	-	-	15,363	40,474	12,085	15,363	Closed
975,255	236,926	-	-	12,160	1,183,233	28,947	12,160	Closed
82,900	175,055	-	-	11,545	143,814	114,141	11,545	Closed
58,932	216,429	-	-	37,925	275,361	-	37,925	Closed
30,000	22,003	-	-	392	47,936	4,067	392	Closed
7,624	2,785	13,364	-	5,437	10,409	13,364	5,437	
360,000	-	-	-	-	325,597	34,691	(288)	Closed
18,911	5,547	542	-	0	20,001	4,999	0	
17,656	4,991	1,266	-	20,227	17,656	6,257	20,227	
-	103,977	-	-	26,921	6,877	97,100	26,921	Closed
23,659	228,034	46,775	-	1,701,532	28,980	269,488	1,701,532	
2,575	75	-	-	18,350	2,650	-	18,350	Closed
200,000	200,000	200,000	-	-	270,516	139,530	189,954	
300,000	450,000	-	-	390,000	148,536	354,028	637,436	
3,943	3,253	-	-	10	3,943	3,253	10	Closed
500,000	-	-	-	-	164,122	335,878	-	Closed
-	52,108	30,366	-	48,402	5,750	76,725	48,402	
-	28,994	21,614	-	61,892	-	50,608	61,892	
-	6,515,956	1,682,830	-	-	-	8,198,786	-	
-	27,802	-	-	-	-	27,802	-	Closed
-	643,221	336,189	-	190,018	-	979,410	190,018	
-	564,526	407,543	-	1,083,731	-	972,069	1,083,731	
-	83,517	55,083	-	-	-	138,600	-	
-	32,999	3,186	-	40,655	-	36,186	40,655	
-	27,832	30,171	-	51,997	-	64,448	45,552	
-	1,967	18,246	-	99,671	-	20,213	99,671	

CHICAGO METROPOLITAN AGENCY FOR PLANNING

COMPUTATION OF FRINGE BENEFIT RATE AND STATEMENT OF FRINGE BENEFITS FOR THE YEAR ENDED JUNE 30, 2008

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Computation of Fringe Benefit Rate:

Total fringe benefits	\$	<u>1,858,871</u>	=	<u>35.58%</u>
Total salaries	\$	5,224,320		

Statement of Fringe Benefits:

Dental insurance	\$	25,227
Pension and FICA contributions		1,254,078
Hospitalization insurance		472,402
Life insurance		56,852
Vision insurance		9,906
Workers' compensation		24,640
Unemployment compensation		4,205
Other		<u>11,561</u>
	\$	<u>1,858,871</u>

CHICAGO METROPOLITAN AGENCY FOR PLANNING

COMPUTATION OF INDIRECT COST RATE

FOR THE YEAR ENDED JUNE 30, 2008

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Total Indirect Costs:

Management and administrative salaries and leave	\$ 1,084,756
Other indirect costs	<u>2,085,258</u>
	<u>\$ 3,170,014</u>

Total Base Costs:

Direct salaries, leave and fringe benefits	<u>\$ 6,760,117</u>
--	---------------------

Indirect Cost Rate:

Total indirect costs	<u>\$ 3,170,014</u>	=	<u>46.89%</u>
Total base costs	\$ 6,760,117		

CHICAGO METROPOLITAN AGENCY FOR PLANNING

SCHEDULE OF OTHER INDIRECT COSTS

FOR THE YEAR ENDED JUNE 30, 2008

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Auditing services	51,999
Bank service charges	3,363
Credit Card service charges	599
Commission association dues	33,911
Computer charges	882
Conference registration	-
Courier services	30
Depreciation	269,820
Employment expenses	3,933
Fiscal management expenses	11,766
General insurance	21,455
Legal services	44,987
Meeting expenses	7,698
Miscellaneous	60,646
Moving expenses	-
Noncapitalized equipment	1,926
Office equipment lease	22,715
Office equipment maintenance	35,701
Office maintenance	6,490
Office photocopy	10,926
Office supplies	19,325
Outside reproduction	4,551
Postage	13,558
Printing supplies	3,727
Publications and software	169
Purchase discount	(23)
Rent	1,278,402
Software	-
Staff training	54,256
Staff travel	4,478
Storage	13,246
Subcontractor expense	150
Telephone	59,382
Utilities	45,190
	<u>\$ 2,085,258</u>

CHICAGO METROPOLITAN AGENCY FOR PLANNING

DESCRIPTION OF GRANTS
FOR THE YEAR ENDED JUNE 30, 2008

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<u>CMAP No.</u>	<u>Pass-through Agency</u>	<u>Grant Number</u>	<u>Description</u>
<u>Cook County Forest Preserve District</u>			
S-615		22009	Maple Lake Phase 2 Implementation
<u>Illinois Conservation Foundation</u>			
S-683	MPC	--	Watershed Plan Implementation
<u>Illinois Environmental Protection Agency</u>			
S-687		C20801	Volunteer Lake Monitoring Program
<u>Illinois Department of Natural Resources</u>			
S-664		OREP6206	Regional Greenways and Trails Plan
S-665		CWP007-06	Lake Biodiversity and Protection Plan Development Pilot Project
S-682		--	Northeastern Illinois Regional Water Supply Planning
<u>Illinois Department of Transportation</u>			
S-694		P35-029-07	Local Crash Data Collection
<u>Illinois Institute of Technology</u>			
S-677		X3-83220401-0	Multi-Objective Decision Model for Urban Water Use
<u>John D. and Catherine T. MacArthur Foundation</u>			
S-660		05-85412-000-HCD	Web Neighborhood Revitalization Community & Public Data Accessibility to Community Organizations
S-678		06-87843-000-HCD	Full Circle Community Mapping and Planning Project
<u>Northwestern Indiana Regional Planning Commission</u>			
S-684		--	Indiana Region Household Travel Survey
<u>United States Department of Agriculture/United States Department of Fish and Wildlife Services</u>			
S-658	ICF	FS-0507	Implementing the Green Infrastructure Vision Project
S-689	ICF	FWS-0701	Chicago Wilderness Sustainability

CHICAGO METROPOLITAN AGENCY FOR PLANNING

DESCRIPTION OF GRANTS
FOR THE YEAR ENDED JUNE 30, 2008



<u>CMAP No.</u>	<u>Pass-through Agency</u>	<u>Grant Number</u>	<u>Description</u>
			Team Coordinator
<u>United States Environmental Protection Agency</u>			
S-622	IEPA	31901171	Watershed Based Planning Assistance in Northeastern Illinois
S-636	IEPA	3190414	Fox River Watershed Based Planning, Restoration and Protection Action
S-639	IEPA	3190413	Watershed Based Plan Upgrades in Northeastern Illinois
S-643	IEPA	3190415	Upper Des Plaines River WRAS Implementation
S-656	IEPA	3190513	Poplar Creek Watershed Planning, Restoration and Protection
S-673	IEPA	3190222	Long Lake Shoreline Stabilization
S-674	IEPA	3190604	Fox River Watershed Protection, Restoration and Education
S-686	IEPA	3190329	Watershed Planning—Kiswaukee River Basis
S-692	IEPA	604081	Water Quality Management Planning
S-695		GL00E356-01-0	Lake Michigan Academy
<u>United State Department of Transportation</u>			
S-688	IDOT	MPO-CMAP-UWP PL/FTA-08	FY 2008 Unified Work Program
S-690	IDOT	MPO-Council of Mayors/PL08	FY 2008 Council of Mayors
S-691	IDOT	MPO/CMAP 08-09 Competitive Program	FY 2008 Unified Work Program - Contracts
<u>Will County</u>			
S-693		-	Jackson Creek Watershed Plan

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INDEPENDENT AUDITOR'S 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 Chairman and Board Members
Chicago Metropolitan Agency for Planning
233 South Wacker, Suite 800
Chicago, Illinois 60606

We have audited the financial statements of the business type activities and remaining fund information of the Chicago Metropolitan Agency for Planning (CMAP) as of and for the year ended June 30, 2008, which collectively comprise CMAP's basic financial statements and have issued our report thereon dated XXXXXX XX, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered CMAP's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CMAP's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of CMAP's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects CMAP's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principals such that there is more than a remote likelihood that a misstatement of the CMAP's financial statements that is more than inconsequential will not be prevented or detected by CMAP's internal control over financial reporting. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. These deficiencies are items 2008-1, 2008-2, and 2008-3.



A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by CMAP's internal control over financial reporting. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies identified above, we consider items 2008-1, 2008-2, and 2008-3 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CMAP'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.

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

This report is intended solely for the information and use of CMAP's management, others within the entity, federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133 AND SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the Honorable Chairman and Board Members
Chicago Metropolitan Agency for Planning
233 South Wacker, Suite 800
Chicago, Illinois 60606

Compliance

We have audited the compliance of the Chicago Metropolitan Agency for Planning (CMAP) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2008. CMAP's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of CMAP's management. Our responsibility is to express an opinion on CMAP's compliance based on our audit.

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

In our opinion, CMAP complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2008.

Internal Control Over Compliance

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



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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider item 2008-4 to be a material weakness.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the business-type activities and remaining fund information of CMAP as of and for the year ended June 30, 2008, which collectively comprise the CMAP's basic financial statements and have issued our report thereon dated XXXXXX XX, 2008. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise CMAP's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Chicago Metropolitan Agency for Planning's board members, management, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

CHICAGO METROPOLITAN AGENCY FOR PLANNING

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2008



Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Program Award	Federal Expenditures
U.S. Department of Agriculture:				
Pass-through programs from:				
Illinois Conservation Foundation:				
Chicago Wilderness Implementing the Green Infrastructure Vision Project	10.675	FWS-0507	\$ 29,210	\$ 13,364
U.S. Department of Commerce:				
Pass-through programs from:				
U.S. Fish and Wildlife Services -				
Illinois Conservation Foundation:				
Chicago Wilderness Sustainability Coordinator	15.608	FWS-0701	\$ 27,802	\$ 27,802
U.S. Environmental Protection Agency:				
Direct Programs:				
Lake Michigan Capacity Building	66.469	GL-00E35601-0	\$ 119,884	\$ 20,213
Pass-through programs from:				
Illinois Environmental Protection Agency:				
Watershed Based Plan Upgrades in Northeastern Illinois	66.460	3190413	269,500	114,141
Watershed Based Plan Upgrades in Northeastern Illinois	66.460	31901171	67,922	12,085
Watershed Planning to Protect the Kishwaukee River Basin	66.460	3190171	130,876	76,725
Long Lake Shoreline Stabalization Projectg	66.460	3190222	130,898	97,100
Fox River Watershed Planning, Restoration, and Protection - Phase 2	66.460	3190414	1,224,341	28,947
Fox River Watershed Planning, Restoration, and Protection - Phase 3	66.460	3190604	2,000,000	269,488
Poplar Creek Watershed Planning Restoration, and Protection	66.460	3190513	52,395	4,067
Total CFDA #66.460			3,875,932	602,553
Water Quality Management Planning - '08	66.454	604061(604b)	138,000	138,000
Total CFDA #66.454			138,000	138,000
Pass-through programs subtotal			4,013,932	740,553
Total U.S. Environmental Protection Agency			4,133,816	760,766

CHICAGO METROPOLITAN AGENCY FOR PLANNING

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2008



Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Program Award	Federal Expenditures
U.S. Department of Transportation:				
Pass-through programs from:				
Illinois Department of Transportation:				
Council of Mayors	20.205	MPO/CMAP PL 08	\$ 1,169,428	\$ 979,410
Unified Work Program for Planning and Programming Conduct 3-C Transportation Planning Activities	20.205	MPO/CMAPUWP/PL /FTA08	8,198,786	8,198,786
Unified Work Program Consulting Services	20.205	MPO-NIPC-SPR 07	2,055,800	972,069
Total CFDA # 20.205			11,424,014	10,150,265 *
Total U.S. Department of Transportation			11,424,014	10,150,265
Total federal awards			\$ 15,614,842	\$ 10,952,197

* Denotes major program.

CHICAGO METROPOLITAN AGENCY FOR PLANNING
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2008

DRAFT

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity and pass-through grant activity of Chicago Metropolitan Agency for Planning, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. Subrecipients

For the year ended June 30, 2008, Chicago Metropolitan Agency for Planning provided the federal awards to subrecipients as follows:

<i>Program Title</i>	<i>Federal CFDA Number</i>	<i>Amount Provided to Subrecipients</i>
Watershed Based Plan Upgrades	66.460	\$424,217
Chicago Wilderness Implementing the Green Infrastructure Vision Project	10.675	\$2,550
United Work Program	20.205	\$979,046

3. Nonmonetary Assistance

Chicago Metropolitan Agency for Planning neither received nor disbursed federal awards in the form of nonmonetary assistance during the fiscal year ended June 30, 2008.

4. Insurance and Loans or Loan Guarantees

During the year ended June 30, 2008, Chicago Metropolitan Agency for Planning received no insurance, loans, loan guarantees or other federal assistance for the purpose of administering federal programs.

5. Oversight Agency

The U.S. Environmental Protection Agency has been designated as the Agency's oversight agency for the single audit.

CHICAGO METROPOLITAN AGENCY FOR PLANNING
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 JUNE 30, 2008

DRAFT

I. Summary of Audit Results

FINANCIAL STATEMENTS

Type of auditors' report issued: unqualified

Internal control over financial reporting:

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

Noncompliance material to basic financial
statements noted? yes X no

FEDERAL AWARDS

Internal control over major programs:

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

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

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

Federal Programs

Auditee qualified as low-risk auditee? yes X no

Identification of major federal programs:

CFDA Number(s)(C)

Name of Federal Program or Cluster

20.205

Highway Planning and Construction (Federal Aid
Highway Program)

Dollar threshold used to distinguish
between type A and type B programs: \$300,000

CHICAGO METROPOLITAN AGENCY FOR PLANNING
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2008

DRAFT

II. Financial Statement Findings

Finding 2008-1: Internal Controls

Criteria: A properly designed and implemented system of controls must be in place to prevent or detect material misstatements of the financial statements.

Condition: The Agency has material weaknesses in internal control over its cash disbursement cycle, payroll cycle, cash receipts cycle, reconciliation processes, and over its entity level controls

Context: In the course of our audit, we assessed the design and effectiveness of the Agency's internal controls over its major transaction cycles. The Agency's internal control structure was measured against the COSO (Committee of Sponsoring Organizations of the Treadway Commission) framework. Our assessment indicated instances where certain controls in a transaction cycle were either missing, ineffectively designed or ineffectively implemented.

Effect: A material misstatement of the financial statements could occur.

Cause: Many of the control deficiencies were caused by a lack of segregation of duties.

Recommendation: We recommend that management review its internal controls to determine which controls could be implemented to strengthen the controls of the Agency.

Management Response: The auditor identified controls related to reconciling the accounts payable ledger to the trial balance, reconciling the accounts payable general ledger accounts and actual cash disbursements, distribution of paychecks, review of journal entries, and documenting review of reconciliations and reviews of trial balance. As noted in the auditor's review, control procedures had been implemented in January 2008 regarding these transactions. No other action is required.

Deficiencies were noted of the financial software and the lack of segregation of duties in the payroll department. Management has recognized these issues in 2007, determined that different financial software was required, conducted procurement and is in the process of installing the new software. It is projected the new software will be fully operational on July 1, 2009. Segregation of duties will be assigned with the new software installation.

New procedures have been implemented to segregate duties over the cash receipts and revenue recording process, establishing a Risk Assessment Committee, and documentation of procedures for non-routine transactions.

CHICAGO METROPOLITAN AGENCY FOR PLANNING
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2008

DRAFT

II. Financial Statement Findings (cont.)

Finding 2008-2: Internal Control over Financial Reporting

Criteria: The Agency must have functioning internal controls over external financial reporting.

Condition: Currently, the Agency relies upon its auditors to prepare its external financial statements. Material audit entries were also required for the financial statements to be properly stated as of June 30, 2008.

Context: We prepared the financial statements for the year ending June 30, 2008. Also, material adjusting entries were required to reconcile the trial balance for the period ending June 30, 2008, to reverse cash transfers which had not occurred as of June 30, 2008, to reconcile beginning net assets, and to adjust accounts payable, and to adjust accounts receivable.

Effect: Material errors of the financial statements were not detected.

Cause: This finding was caused by insufficient internal controls over the external financial reporting process.

Recommendation: We recommend that management evaluate its internal controls over the financial reporting process and determine if it is feasible for management to implement additional internal controls in this area.

Management Response: As stated by Virchow Krause & Co., this high level of internal control over financial reporting is a difficult task for governments, especially since most governments operate with only enough staff to process monthly transactions and reports, and often rely on their auditors to prepare certain year end entries and financial reporting. This continues to describe CMAP. As stated in last year's audit, Management understands the importance of financial statement preparation. However, due to time and resources, it will continue to rely upon its auditors to prepare its yearly financial statements.

Finding 2008-3: Information Technology

Criteria: The Agency must have functioning internal controls over information technology.

Condition: Material weaknesses in internal control over information technology were found during our audit.

Context: Currently, the Agency has some logical restrictions in place, such as requiring a unique user ID and password to access the accounting software system, Solomon. Best practices indicate that other steps could be taken to further ensure the integrity of the data. Passwords should be changed periodically, especially those used to access the accounting software package. They should also meet the industry standards for length, expiration, characters, and history (passwords cannot be alternated).

CHICAGO METROPOLITAN AGENCY FOR PLANNING
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2008

DRAFT

II. Financial Statement Findings (cont.)

Finding 2008-3: Information Technology (cont.)

In addition to having strong passwords, the Agency should also strive to review access to the Agency's IT systems to detect any unauthorized access of the Agency's system. User history should be monitored at least monthly for the Agency's systems. As well as monitoring access to the Agency's IT system, the Agency should also have a formalized procedure for identifying those individuals who are authorized to access the IT systems.

The Agency's IT software and hardware are located within the Agency's offices. Currently, anyone in the Agency who has a master key has access to the server room. Also, building staff of the Sears Tower also have master keys which can access the server room. The Agency should consider locked server towers to provide additional security.

Effect: Weaknesses in internal control over information technology could result in system errors or the compromise of the Agency's systems and thus impact the financial information of the Agency.

Cause: This finding was caused by weaknesses in the information technology systems and procedures.

Recommendation: We recommend that management evaluate their internal controls over information technology and develop controls to prevent and detect system errors or breaches. Management or information technology staff may consider seeking additional training in this area.

Management Response: Procedures will be developed which require users for Solomon to change passwords every six weeks. CMAP IT management will develop a quarterly monitoring procedure of who has accessed the IT systems. Installation of locked glass doors to the server towers will be completed as soon as possible.

CHICAGO METROPOLITAN AGENCY FOR PLANNING
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2008

DRAFT

III. Federal Findings and Questioned Costs

Finding 2008-4: Internal Control over Allowable Cost Principles

Criteria: A proper system of controls must be established in order to assure that the Agency is in compliance with the Allowable Cost Principles compliance requirement.

Condition: During our review of the Agency's cost allocation rates, it was found that there was no documented approval of the cost allocation rates that management used to allocate personnel expenses such as fringe benefits, vacation time, sick time, jury duty, and holiday time.

Context: During our audit, we noted there was no documentation of the approval over the cost allocation rates for personnel expenses such as fringe benefits, vacation time, sick time, jury duty, and holiday time. These rates had been calculated by personnel no longer with the Agency, and no documentation of the calculation or approval had been retained. It was determined that the cost allocation rates appeared reasonable for the costs incurred.

Effect: Lack of these controls could result in noncompliance with the allowable cost principles compliance requirement.

Cause: This finding was caused by turnover in the finance department.

Recommendation: We recommend that all cost allocation rates are approved by someone other than their preparer. This approval should be documented. We also recommend that the Agency retain documentation to support the calculation of these cost allocation rates.

Management Response: The fiscal year 2008 the indirect rate was approved by the Board of Directors when it adopted the annual budget. The cost allocation rates for personnel expenses were not documented by the previous finance manager. For fiscal year 2009, procedures have been implemented to document the cost allocation rates calculation and approval.

IV. Summary Schedule of Prior Audit Findings

There were no prior audit findings.

CHICAGO METROPOLITAN AGENCY FOR PLANNING
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2008

DRAFT

V. Corrective Action Plan

Finding 2008-4: Internal Control over Allowable Cost Principles

Condition: During our review of the Agency's cost allocation rates, it was found that there was no documented approval of the cost allocation rates that management used to allocate personnel expenses such as fringe benefits, vacation time, sick time, jury duty, and holiday time.

Corrective Action Plan: For fiscal year 2009, procedures have been implemented to document the cost allocation rates calculation and approval.

**CHICAGO METROPOLITAN AGENCY
FOR PLANNING**

REPORT ON INTERNAL CONTROL

(Including Memorandum on Accounting
Procedures,
Internal Controls and Other Matters)

June 30, 2008

Chicago Metropolitan Agency for Planning

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To the Board of Directors
Chicago Metropolitan Agency for Planning
233 South Wacker, Suite 800
Chicago, Illinois 60606

In planning and performing our audit of the financial statements of the Chicago Metropolitan Agency for Planning as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered its internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of its internal control. Accordingly, we do not express an opinion on the effectiveness of its internal control.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

- Internal Controls
- Internal Controls Over Financial Reporting
- Information Technology

This information is intended solely for the information and use of the Agency's board and is not intended to be, and should not be, used by anyone other than the specified parties.

CMAP's written responses to the material weaknesses, significant deficiencies, and other items identified in our audit have not been subjected to the audit procedures applied in the audit of the financial statements, and, accordingly we express no opinion on it.

Oak Brook, Illinois
Xxxx xx, 2008

MATERIAL WEAKNESS – (SIGNIFICANT DEFICIENCIES) – INTERNAL CONTROLS

As you are likely aware, we performed your current year audit following many new requirements. We asked for a large amount of information about your accounting process and controls. We then performed a number of new audit procedures and inquiries, including evaluating the effectiveness of those controls over various transaction cycles. As a result of this new additional work we performed, we are able to provide to you information about where your controls over transactions either do not exist, or could be improved. This new information provided is not an indication that management is necessarily performing their duties any differently in the current year compared with the prior year. In many cases, as you will see in the status of prior year comments discussed later in this letter, management has actually taken steps in the current year to already improve your internal control system.

Below is a list of potential controls that should be in place to achieve a higher level of reliability that errors or irregularities in your processes would be discovered by your staff. Our procedures identified that these controls do not currently exist or did not exist for the entire fiscal year for the Chicago Metropolitan Agency for Planning. Keep in mind that some of these controls may not be practical due to your staff size or other reasons. However, we are required to communicate these to you. In addition, as you make changes within your organization, and we continue to rotate audit procedures, more controls of this kind will likely be communicated to you.

CONTROLS OVER CASH DISBURSEMENTS AND ACCOUNTS PAYABLE

1. Management currently has a control procedure to approve vendors before they are entered into the accounting system. However, there is no approval of these new vendors after they have been entered into the accounting system to determine accurate data entry. There are no controls which search for unauthorized vendors which have been entered into the system which were not approved by management.

Management response:

CMAP has proper controls to assure vendors are approved prior to entering into the accounting system. Vendors are first entered into the system when approval for transactions has been given by a project manager, deputy executive director, finance director and deputy executive director of finance and administration.

In addition, controls are in place to assure that unauthorized payments or vendors are not processed. Each check batch is reviewed and verified by the finance director and the deputy executive director of finance and administration that the vendor, invoice, approval signatures and project code are correct. Sequence of check numbers are verified that all checks have been accounted. No further action is required.

2. During the first half of the fiscal year, controls were not in place to reconcile the accounts payable ledger to the trial balance. At the end of the fiscal year, management did have a process in place to reconcile the accounts payable ledger to the trial balance.

Management response:

Procedures were implemented since January 2008 to monthly reconcile the accounts payable ledger to the trial balance. No further action is required.

MATERIAL WEAKNESS – INTERNAL CONTROLS (cont.)

CONTROLS OVER CASH DISBURSEMENTS AND ACCOUNTS PAYABLE (CONT.)

3. During the first half of the fiscal year, the accounts payable general ledger accounts and actual cash disbursements were not reconciled in a timely manner. Management has since implemented controls to ensure that the accounts payable ledger agrees to the actual cash disbursed.

Management response:

Procedures were implemented in January 2008 to monthly reconcile the accounts payable ledger to the actual cash disbursed. No further action is required.

CONTROLS OVER PAYROLL

1. There is a lack of segregation of duties in the payroll department. Three individuals have full access to the payroll module and can add and modify employee information. Also, prior to January 1, 2008, the payroll assistant both printed the payroll checks and maintained custody of the checks until employees claimed their check. After January 1, 2008, all employees used direct deposit.

Management response:

Two of the individuals who have full access to the payroll module are the finance manager and the human resource manager. These two employees are management employees who have responsibility for the oversight of the payroll module and will continue to have access. The third person is the payroll clerk who enters payroll. Because of the problems we have encountered with the Solomon accounting system, it would not be appropriate to train another individual on its use so that a separate person adds and modifies employee information other than the payroll clerk. The payroll clerk is aware of the problems encountered with Solomon and takes appropriate steps to assure the correctness of the payroll. The finance manager and human resource manager review payroll to assure that unauthorized checks are not scheduled and for the accuracy of the scheduled checks before payroll is forwarded to the bank for processing. During FY 2009, SunGard financial system will be installed and is projected to be operational on July 1, 2009. With the SunGard system, the assignment for adding and modifying employee information will be assigned to one of the human resource assistants and payroll processing will be assigned to the payroll clerk—this will provide for the appropriate separation of duties.

Procedures were implemented in January 2008 to require all pay checks issued as direct deposit. No further action is required.

2. Weaknesses are noted in the current payroll software system, Solomon. The system incorrectly processes new employees or employee changes. Management is aware of the issue and will be switching to a new accounting software system in fiscal year 2009.

Management response:

It was determined in 2007 that Solomon software system did not meet the needs of CMAP. The system had not been properly documented when installed and did not have the structure to meet the needs for fund accounting. Following a formal procurement process, the Board of Directors approved the purchase of the SunGard financial system. The system is scheduled to "go live" on July 1, 2009.

MATERIAL WEAKNESS – INTERNAL CONTROLS (cont.)

CONTROLS OVER CASH RECEIPTS AND ACCOUNTS RECEIVABLE

1. There is no segregation of duties over the cash receipts and revenue recording process. The same person both collects payments and enters the cash receipts information into the general ledger.

Management response:

A new procedure has been implemented for the receptionist, when opening the mail, to separate the checks or cash received, run a tape of the monies and stamp the checks "for deposit only". The tape will be forwarded to the finance manager for verification and the checks and cash to the accounts receivable clerk for processing. The finance manager will reconcile that the deposits and held checks match the tapes of funds received.

CONTROLS OVER THE RECONCILIATION PROCESS

1. For the first half of fiscal year 2008, journal entries were not routinely approved by someone other than the preparer. For the last half of the fiscal year, a control was implemented to ensure that all journal entries were approved by someone other than the original preparer. In addition to approving those journal entries received for review, management also should perform a completeness check which would ensure that no unauthorized entries were posted to the accounting software system without their knowledge.

Management response:

Procedures were implemented in January 2008 to ensure journal entries were approved by someone other than the original preparer. No further action is required.

Management currently reviews the monthly financial reports to ensure accuracy. No further action is required.

2. The same individual who enters transaction data should not reconcile the account. This applies both to entering of transaction data and reconciliation of the bank accounts and to entering of transaction data and reconciliation of the general ledger account balances. The Agency currently has controls in place which require the bank reconciliations to be approved by both the Finance Officer and the Deputy Executive Director of Finance and is correctly segregating duties over reconciliation of its bank statements. However, it is not documenting the review and approval of other account reconciliations, such as the reconciliation of accounts receivable and accounts payable. In our conversations with management, the Agency is performing this review; it is just not being documented.

Management response:

A procedure has been implemented that the reviewer will document the review by initialing the account reconciliations. No further action is required.

3. Per management, the Agency is performing a review of the Agency's trial balance by someone other than its preparer. However, this review was not being documented and cannot be tested to determine that it is functioning correctly.

Management response:

A procedure has been implemented that the reviewer will document the review by initialing the trial balance. No further action is required.

MATERIAL WEAKNESS – INTERNAL CONTROLS (cont.)

ENTITY LEVEL CONTROLS

1. A formalized continuous process of risk assessment should exist within the Agency. Currently, the Agency responds to risks as problems arise. We have noted many policies and procedures which have been applied in the current year as management has addressed noted control weaknesses, such as the implementation of a journal entry approval process. However, a formal process or policy should be in place to brainstorm for risks that the Agency faces due to both internal and external factors. This risk assessment should be preventative and proactive in nature and should address possible risks that the organization faces. After determining the Agency's risks, it should segregate those risks which it feels are acceptable business risks and those risks which are unacceptable and need further mitigating action taken.

Management response:

A Risk Assessment Committee will be formed to meet quarterly to assess financial risk for CMAP.

2. Non-routine transactions are those that do not occur on a frequent basis and should receive heightened awareness by the Agency. Non-routine transactions are items such as the determination of an allowance for doubtful accounts, accounting for the issuance of new debt, or recording assets that were donated to the Agency. Currently, management has an informal process for handling these transactions which includes the collaboration of the Finance Officer and Deputy Executive Director of Finance. However, there is currently no documentation of this collaboration or documented controls over this process. We recommend that the Agency develop a written policy on how it handles non-routine transactions. We also recommend that the Agency document the controls that it performs over these transactions to complete the control procedures.

Management response:

The procedure that is currently practiced will be written in the policy manual, i.e., the finance officer and the deputy executive director of finance analyze non-routine transactions and determine appropriate steps to be implemented. The recommended steps will be documented.

Because this is all relatively new information, a next step might be to have a designated person in your organization review these potential controls and make a suggestion on your ability and cost (including time) to implement some or all of them. We are available to assist with this process.

MATERIAL WEAKNESS – INTERNAL CONTROL OVER FINANCIAL REPORTING

As in previous years, we are required to comment on your internal controls. In theory, a properly designed system of internal control consists of enough people, with sufficient training, to process and record monthly transactions, as well as prepare a complete set of annual financial statements. However, while most governmental agency's staff do a good job of processing and recording monthly transactions, the reality is that very few have the background, training or time needed to prepare annual financial statements.

The definition of a material weakness in internal control includes consideration of the year end financial reporting process including the preparation of financial statements. In order for your municipality to avoid this type of material weakness, the system of internal controls would need to be able to accomplish the following:

1. Maintain the Agency's books and records in such a condition that the auditor is not able to identify any material journal entries as a result of our audit procedures.
2. Be capable of preparing a complete set of year end financial statements in such a condition that the auditor is not able to identify any material changes as a result of the audit. A complete set of financial statements include the individual fund statements, all conversion entries, the government-wide statements and footnote disclosures.

This high level of internal control over financial reporting can be a difficult task for governments. As opposed to large private companies, most governments operate with only enough staff to process monthly transactions and reports, and often rely on their auditors to prepare certain year end entries and financial reporting. As this is the case with your Agency, we are required to inform you that these are material weaknesses in your internal controls.

We welcome any comments or questions you have regarding your system of internal controls.

Management response:

As stated by Virchow Krause & Co., this high level of internal control over financial reporting is a difficult task for governments, especially since most governments operate with only enough staff to process monthly transactions and reports, and often rely on their auditors to prepare certain year end entries and financial reporting. This continues to describe CMAP. As stated in last year's audit, Management understands the importance of financial statement preparation. However, due to time and resources, it will continue to rely upon its auditors to prepare its yearly financial statements.

MATERIAL WEAKNESS - INFORMATION TECHNOLOGY

As part of the 2008 audit, we were required to identify the processes in place that provide a controlled information technology (IT) environment for the applications, supporting systems and infrastructure determined to be critical to the financial statement audit. We documented the processes in place for each of the three main areas of focus: manage changes, logical access and IT operations. We then assessed the design effectiveness of each of these processes and noted the following opportunities to strengthen the Agency's IT controls.

Currently, the Agency has some logical restrictions in place, such as requiring a unique user ID and password to access the accounting software system, Solomon. Best practices indicate that other steps could be taken to further ensure the integrity of the data. Passwords should be changed periodically, especially those used to access the accounting software package. They should also meet the industry standards for length, expiration, characters, and history (passwords cannot be alternated).

MATERIAL WEAKNESS – INFORMATION TECHNOLOGY (cont.)

In addition to having strong passwords, the Agency should also strive to review access to the Agency's IT systems to detect any unauthorized access of the Agency's system. User history should be monitored at least monthly for the Agency's systems. As well as monitoring access to the Agency's IT system, the Agency should also have a formalized procedure for identifying those individuals who are authorized to access the IT systems.

The Agency's IT software and hardware are located within the Agency's offices. Currently, anyone in the Agency who has a master key has access to the server room, including building staff. The Agency should consider locked server towers to provide additional security.

We have IT specialists that are available to assist you with implementing any of the above suggestions.

Management response:

Procedures will be developed which require users for Solomon to change passwords every six weeks.

CMAP IT management will develop a quarterly monitoring procedure of who has accessed the IT systems.

Installation of locked glass doors to the server towers will be completed as soon as possible.

DRAFT

NEW INTERNAL CONTROL AUDIT TESTING FOR 2008 (POST IMPLEMENTATION)

In the current year, the staff and management of the Agency documented the procedures and controls over the Agency's major transaction cycles. This endeavor was very time intensive and we would like to express our appreciation to the staff and management of the Agency for completing the documentation of the Agency's controls.

This documentation was completed by the Agency staff due to new auditing standards which were issued. In 2006, the American Institute of Certified Public Accountants issued eight new auditing standards (#104-111) that changed the way auditors approach the audit process for audits with fiscal year ends after December 31, 2007. Therefore, these standards were in effect for the Agency for this year's audit.

One of the new concepts that affected most units of governments is the level of documentation of their internal controls. Most of our clients did not have adequate written documentation of the various internal control processes that take place within their organization. We, as auditors, had done some amount of high level documentation of your processes for our files. You, on the other hand, should theoretically have all of your major processes contained in written documents in enough detail that another person could come in and fulfill the requirements of a particular process by following the explanations.

The major areas that should be documented (depending on the level of significance) are:

Cash Receipts	Receiving
Cash Disbursements	Inventories
Receivables – Billings	Payroll
Receivables – Collections	Financial Reporting
Purchasing	Information Technology

Other than the computer software instruction manual, most of our clients had little written documentation covering these areas.

For past audits, we have been able to complete your audit without asking for such documentation. However, beginning with your fiscal year 2008 audit, we were required to ask you for more complete documentation of your internal control systems, due to the new auditing standards. We were able to provide you with forms and other resources to assist you with meeting the new requirements. As a result, your staff provided us with the documentation we needed about your processes and controls for your major transaction cycles. We then tested that information, evaluated your internal controls more than we have in the past, and then determined our audit procedures based on where we felt the greatest risks were.

**NEW AUDITING STANDARD – STATEMENT ON AUDITING STANDARDS
(SAS) NO. 114 *The Auditor’s Communication With Those Charged with Governance***

As part of our audit of your financial statements for the year ended June 30, 2008, we are required to follow a significant new auditing standard.

The new standard requires that we communicate with those charged with governance: in other words, the person(s) with responsibility for overseeing the strategic direction and accountability of the entity. Usually in local government this means the governing body.

The new standards require that we communicate:

- Our responsibilities under generally accepted auditing standards
- An overview of the planned scope and timing of the audit; and
- Significant findings from the audit.

Significant findings may include:

- The auditor's view about the quality of significant accounting practices
- Any significant difficulties encountered during the audit
- Uncorrected misstatements
- Any disagreements with management
- Representations requested from management
- Management's consultations with other accountants
- Any other significant issues.

What does this mean to your organization? Quite simply, it means we will increase our communications with you throughout the audit process. We have included a section in the back of this report discussing this matter in more detail.

In addition, as this audit is concluded, we use what we have learned to begin the planning process for next year's audit. It is important that you understand the following points about the scope and timing of our next audit:

- a. We will address the significant risks of material misstatement, whether due to fraud or error, through our detailed audit procedures.
- b. We will obtain an understanding of the five components of internal control sufficient to assess the risk of material misstatement of the financial statements whether due to error or fraud, and to design the nature, timing, and extent of further audit procedures. We will obtain a sufficient understanding by performing risk assessment procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented. We will use such knowledge to:
 - Identify types of potential misstatements.
 - Consider factors that affect the risks of material misstatement.
 - Design tests of controls, when applicable, and substantive procedures.

**NEW AUDITING STANDARD – STATEMENT ON AUDITING STANDARDS
(SAS) NO. 114 *The Auditor's Communication With Those Charged with Governance* (cont.)**

We will not express an opinion on the effectiveness of internal control over financial reporting or compliance with laws, regulations, and provisions of contracts or grant programs. For audits done in accordance with Government Auditing Standards, our report will contain the following restriction: "This report is intended solely for the information and use of the client's management, others within the Agency, federal and state awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties."

- c. The concept of materiality recognizes that some matters, either individually or in the aggregate, are important for fair presentation of financial statements in conformity with generally accepted accounting principles while other matters are not important. In performing the audit, we are concerned with matters that, either individually or in the aggregate, could be material to the financial statements. Our responsibility is to plan and perform the audit to obtain reasonable assurance that material misstatements, whether caused by errors or fraud, are detected.

We are very interested in your views regarding certain matters. Those matters are listed here:

- a. We typically will communicate with your top level of management unless you instruct us otherwise.
- b. We understand that the Agency board has the responsibility to oversee the strategic direction of your organization, as well as the overall accountability of the entity. Management has the responsibility for achieving the objectives of the entity.
- c. What are your views regarding your municipality's objectives and strategies, and the related business risks that may result in material misstatements?
- d. Which matters do you consider warrant particular attention during the audit, and are there any areas where you request additional procedures to be undertaken?
- e. Have you had any significant communications with regulators?
- f. Are there other matters that you believe are relevant to the audit of the financial statements?

Also, is there anything that we need to know about the attitudes, awareness, and actions of the Agency concerning:

- a. The Agency's internal control and its importance in the entity, including how those charged with governance oversee the effectiveness of internal control?
- b. The detection or the possibility of fraud?

We also need to know if you have taken actions in response to developments in financial reporting, laws, accounting standards, governance practices, or other related matters, or in response to previous communications with us.

With regard to the timing of our audit, here is some general information. We performed preliminary fieldwork at the Agency during May. Our final fieldwork was scheduled during the month of September to best coincide with your readiness and report deadlines. After fieldwork, we wrapped up our audit procedures at our office and issued drafts of our report for your review. Final copies of our report and other communications are issued after approval by your staff. This is typically 6-12 weeks after final fieldwork, but may vary depending on a number of factors.

**NEW AUDITING STANDARD – STATEMENT ON AUDITING STANDARDS
(SAS) NO. 114 *The Auditor's Communication With Those Charged with Governance* (cont.)**

Keep in mind that while this new communication may assist us with planning the scope and timing of the audit, it does not change the auditor's sole responsibility to determine the overall audit strategy and the audit plan, including the nature, timing, and extent of procedures necessary to obtain sufficient appropriate audit evidence.

This is a lot of information to absorb, and we realize that you may have questions on what it means, or wish to provide other feedback. We welcome any comments or questions you may have regarding this new standard.

PROPOSED GASB CHANGES

The Governmental Accounting Standards Board (GASB) continues to propose changes to governmental financial reporting. There is one issue which is being studied at this time which will likely affect your financial statements in the future.

This is a proposed change to the definitions used for fund balance reporting.

The GASB is considering changes to fund balance reporting to make it easier for the reader of financial statements to determine reserved fund balance vs. designated fund balance vs. undesignated fund balance. Three different methods of presenting fund balance are being considered. The final standard for these changes has been delayed. Last year at this time it was projected to be out in final the fourth quarter of 2007. Now the final document is expected to be issued in the fourth quarter of 2008.

This project also included a change in the definition of fund types that would likely impact many governments that uses special revenue, debt service, and capital project funds. GASB continues to discuss ways to make the definitions of the various fund types more meaningful.

The impact of these changes is not clear at this time, until GASB issues the exposure draft of the proposed changes. We will keep you informed as we find out more information.

STATUS OF PRIOR YEAR POINTS

INTERNAL CONTROL DOCUMENTATION

In the prior year, we reported that management of the Agency needed to document the internal controls of the major transaction classes of the Agency. In fiscal year 2008, management has documented internal controls over major transaction cycles. We commend management for its efforts.

RESTATEMENT OF NET ASSETS

In the prior year's audit, net assets were required to be restated to account for the donated office furniture acquired by the Agency when it moved into the Sears Tower as well as to correctly record grants received by the Northern Illinois Planning Commission. In the current year, no restatement of fund balance was required.

STATUS OF PRIOR YEAR POINTS (cont.)

CASH FLOW DIFFICULTIES

In the prior year, the Northern Illinois Planning Commission was experiencing cash flow difficulties associated with grantors lagging in their payment to the Commission. As such, in the prior year it was necessary for the Northern Illinois Planning Commission to obtain a line of credit to meet its operating obligations. In the current year, the granting agencies have begun to submit payment to the Agency in a timelier manner. As well, the Agency has begun receiving additional funding from the State of Illinois Comprehensive Regional Planning Fund. As such, the Agency was able to pay back the line of credit. As of June 30, 2008, no line of credit is reported on the Statement of Net Assets of the Agency. Additional disclosure of the borrowing is provided in the footnotes of the financial statements.

COLLATERALIZATION OF DEPOSITS

With respect to deposits, custodial credit risk refers to the risk that, in the event of a bank failure, the Commission's deposits may not be returned to it. FDIC insurance covers your account balances up to \$100,000 per financial institution. In the prior year, the bank balance of \$583,969 with Bank of America was uncollateralized and uninsured. In the current year, \$583,932 remains uncollateralized. Therefore, there is the risk that, if the bank were to fail, the Agency would lose these deposits.

We continue to recommend that the Agency obtain further collateralization for these uninsured deposits. It is in the best interests of the Agency to obtain collateralization that is held in the Agency's name at another financial institution other than that where their deposits are currently held.

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REQUIRED COMMUNICATIONS WITH THOSE CHARGED WITH GOVERNANCE

The following section presents communications required by our professional standards.

OUR RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA, OMB CIRCULAR A-133

As part of the audit we obtained an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing and extent of further audit procedures. The audit was not designed to provide assurance on internal control or to identify deficiencies in internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Chicago Metropolitan Agency for Planning's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal or major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the Chicago Metropolitan Agency for Planning's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the Chicago Metropolitan Agency for Planning's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on the Chicago Metropolitan Agency for Planning's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the Chicago Metropolitan Agency for Planning's compliance with those requirements.

PLANNED SCOPE AND TIMING OF THE AUDIT

We performed the audit according to the planned scope and timing previously communicated to you in our letter about planning matters dated January 7, 2008.

QUALITATIVE ASPECTS OF THE ENTITY'S SIGNIFICANT ACCOUNTING PRACTICES

Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Chicago Metropolitan Agency for Planning are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2008. We noted no transactions entered into by the Chicago Metropolitan Agency for Planning during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

REQUIRED COMMUNICATIONS WITH THOSE CHARGED WITH GOVERNANCE (cont.)

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management estimates its depreciation expense based upon the determination of the useful lives of the assets being depreciated and the method of depreciation. We have reviewed the useful lives of the assets being depreciated and management's method of depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

Management has also determined that there is not a need for an allowance for doubtful accounts relating to its accounts receivable balance as of June 30, 2008. Management's estimate is based off the types of revenues receivable as of year end and the historical collection rate of various receivables. We have reviewed these key factors in determining that it is reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

The disclosures in the financial statements are neutral, consistent, and clear.

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

We encountered no significant difficulties in dealing with management in performing our audit.

AUDIT ADJUSTMENTS

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Chicago Metropolitan Agency for Planning's financial reporting process. Matters underlying adjustments proposed by the auditor could potentially cause future financial statements to be materially misstated. In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Chicago Metropolitan Agency for Planning, either individually or in the aggregate, indicate matters that could have a significant effect on the Chicago Metropolitan Agency for Planning's financial reporting process.

All audit and bookkeeping adjustments we prepared were included in your financial statements. Adjustments were required to agree your beginning net assets to those of the prior year, to accrue additional amounts for accrued salaries and accrued vacation, to reverse a cash transfer which had not occurred as of June 30, 2008, and to capitalize and depreciate two copy machines. Copies of these adjustments are available from management.

DISAGREEMENTS WITH MANAGEMENT

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

REQUIRED COMMUNICATIONS WITH THOSE CHARGED WITH GOVERNANCE (cont.)

CONSULTATIONS WITH OTHER INDEPENDENT ACCOUNTANTS

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

MANAGEMENT REPRESENTATIONS

We have requested certain representations from management that are included in the management representation letter. A copy of this letter is available from management.

INDEPENDENCE

We are not aware of any relationships between Virchow, Krause & Company, LLP and the Chicago Metropolitan Agency for Planning that, in our professional judgment, may reasonably be thought to bear on our independence.

Relating to our audit of the financial statements of for the year ended June 30, 2008, Virchow, Krause & Company, LLP hereby confirms in accordance with the Code of Professional Conduct issued by the American Institute of Certified Public Accountants, that we are, in our professional judgment, independent with respect to the Chicago Metropolitan Agency for Planning and provided no services to the Chicago Metropolitan Agency for Planning other than the audit of the current year's financial statements and nonaudit services which in our judgment do not impair our independence.

- Financial statement preparation
- Adjusting journal entries

OTHER AUDIT FINDINGS OR ISSUES

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Chicago Metropolitan Agency for Planning's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

CLOSING COMMENTS

We would again like to express our appreciation to the Chicago Metropolitan Agency for Planning for allowing us to be of service. As in past years, each staff that we visited was very cooperative in assisting with the efficient completion of the audit. This assistance and understanding by the staff of the Agency will help ensure a smooth audit process year after year. If you have any questions regarding our comments, please do not hesitate to contact us.

This letter, by its nature, focuses on improvements and does not comment on the many strong areas of the Agency's systems and procedures. The comments and suggestions in this report are not intended to reflect in any way on the integrity or ability of the personnel of the Agency. They are made solely in the interest of establishing sound internal control practices and improving the Agency's financial operations. The Agency's staff seemed genuinely concerned about maintaining the Agency's financial reporting system so that informed decisions can be made. They were receptive to our ideas, comments and suggestions.

We will review the status of these comments during our next audit engagement. We have already discussed the previous comments and suggestions with various Agency personnel and we would be pleased to discuss them with you in further detail.

This information is intended solely for the information and use of the Agency's board and is not intended to be, and should not be, used by anyone other than the specified parties.

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