

CHICAGO TRANSIT AUTHORITY

OMB Circular A-133 Report

Year ended December 31, 2005

(With Independent Auditors' Report Thereon)

CHICAGO TRANSIT AUTHORITY

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CHICAGO TRANSIT AUTHORITY
Schedule of Expenditures of Federal Awards
Year ended December 31, 2005

Description	Catalog of federal domestic assistance number	Federal project number	Local project number	Expenditures
U.S. Department of Transportation, Federal Transit Administration (FTA):				
Express Bus Service Demo	20.xxx	IL-70-X002	N/A	\$ 518,116
Highway Planning and Construction Program:				
Section 149 – CMAQ Capital	20.205	IL-90-X294	CTA-074/075-96-CD	(373,937)
Section 149 – CMAQ Capital	20.205	IL-90-X355	CTA	45,938
Section 149 – CMAQ Capital	20.205	IL-90-X377	CTA	43,466
Section 149 – CMAQ Capital	20.205	IL-90-X406	CTA-1016-01-CB/CTA	53,504
Section 149 – CMAQ Capital	20.205	IL-90-X436	RTA-PBV	(69,332)
Section 149 – CMAQ Capital	20.205	IL-90-X458	CTA-2003-CBLB	16,000
Section 149 – CMAQ Capital	20.205	IL-90-X482	CTA	2,622,507
Section 115 – Projects	20.205	IL-15-X001	N/A	829
Section 149 – CMAQ Capital	20.205	IL-90-X508	N/A	2,006,630
Total Highway Planning and Construction Program				4,345,605
Federal Transit Cluster:				
Federal Transit – Capital Improvement Grants				
Direct awards:				
Section 3 – Bus Capital	20.500	IL-03-0145	CTA 89-21	37,030
Section 9 – Capital & Planning	20.500	IL-90-X185	CAP-94-469-FED/ CAP-98-630-FED/ CTA-035-91-9B/ CTA-036-91-9D/RTA	75,597
Section 9 – Capital	20.500	IL-90-X160	CAP-90-356-FED/ CAP-94-469-FED/ CAP-98-630-FED/ CTA-023-90-9B/CTA-024-90-9D	54,547
Section 3 – Fixed Guideway	20.500	IL-03-O169	CAP-93-443-FED/ CAP-94-469-FED/ CTA-045-93-3B/CTA-091-97-3B	79,231
Section 9 – Capital	20.500	IL-90-X178	CAP-91-385-FED/ CAP-94-469-FED/ CAP-98-630-FED/ CTA-031-91-9B/CTA-032-91-9D/ CTA-085-97-9D	13,513
Section 3 – Fixed Guideway	20.500	IL-03-0173	CAP-94-469-FED/ CAP-94-495-FED/ CTA-065-94-3B/CTA-072-95-3B/ CTA-091-97-3B	1,862
Section 9 – Capital	20.500	IL-90-X249	CAP-94-469-FED/ CAP-94-496-FED/ CTA-066-94-9B/CTA-084-97-9B	5,599
Section 9 – Capital	20.500	IL-90-X269	CAP-94-469-FED/ CAP-95-514-FED/ CTA-069-95-9B/CTA-073-95-9D/ CTA-084-97-9B/CTA-085-97-9D/ CTA-1021-OI-9D	82,918
Section 3 – Fixed Guideway	20.500	IL-03-0177	CAP-95-529-FED/ CAP-98-630-FED/ CTA-070-95-3B/CTA-1026-01-3B	392,458
Section 3 – Fixed Guideway	20.500	IL-03-0186	CAP-95-529-FED/ CAP-98-630-FED/ CTA-076-96-3B/CTA-081-96-3B/ CTA-091-97-3B/CTA-1028-01-3B	30,916
Section 9 – Capital	20.500	IL-90-X314	CTA-087-97-CD	3,971
Section 3 – Capital	20.500	IL-03-0192	CAP-95-529-FED/ CAP-97-604-FED/ CAP-98-630-FED/ CTA-083-97-3B/CTA-086-97-3D CTA-089-97-3B/CTA-093-97-3B CTA-1019-01-3B/RTA PBV-86	682 934
Section 3 – Bus Capital	20.500	IL-03-0193	CTA-088-97-3	934
Section 5307 – Fixed Guideway	20.500	IL-90-X344	CAP-95-529-FED/ CAP-98-630-FED/ CAP-98-631-FED/ CAP-98-633-FED/ CTA-096-98-9B/CTA-098-98-9D CTA-1029-OI-9B	2,555,270
Section 5309 – Fixed Guideway	20.500	IL-03-0200	CAP-95-529-FED/ CAP-98-630-FED/ CAP-98-631-FED/ CAP-98-632-FED/ CTA-097-98-3B/CTA-1027-01-3B	205,614
Section 5309 – Fixed Guideway	20.500	IL-03-0205	CAP-95-529-FED/ CAP-99-661-FED/ CTA-1000-99-3B/CTA-1002-99-3Y	

CHICAGO TRANSIT AUTHORITY
Schedule of Expenditures of Federal Awards
Year ended December 31, 2005

Description	Catalog of federal domestic assistance number	Federal project number	Local project number	Expenditures
			CTA-I018-01-3Y	\$ 404,949
Section 5309 – Capital	20.500	IL-90-X356	CAP-95-529-FED/ CAP-99-661-FED/ CAP-99-666-FED/ CTA-099-99-9B/CTA-1001-99-9B/ CTA-1005-99-9Y/CTA-1006-99-9D/ CTA-1025-01-9B	1,507,630
Section 5309 – Capital	20.500	IL-03-0206	CAP-94-495-FED/ CTA-1004-99-3Y	13,152
Section 5309 – Bus Capital	20.500	IL-03-0209	CAP-00-715-FED CTA-1008-00-3B	(34,923)
Section 5309 – Capital	20.500	IL-03-0210	CAP-95-529-FED/ CAP-00-718-FED/ CAP-00-719-FED/ CAP-00-720-FED/ CTA-1007-00-3B/CTA-1024-01-3B	39,454
Section 5309 – Capital	20.500	IL-03-0211	CAP-00-720-FED/ CAP-01-754-FED/ CTA-1009-00-3NB	11,440,714
Section 5309 – Rail Modernization	20.500	IL-03-0222	CAP-95-529-FED/ CTA-1013-01-CB/CTA-1022-01-3D	1,376,968
Section 5309 – Capital	20.500	IL-03-0228	CAP-02-813-FED/ CAP-02-801-FED/CTA-2002-3R2/ CTA-2002-3SC2	11,577,730
Section 5309 – Capital	20.500	IL-03-0224	CAP-00-719-FED/ CTA-2002-3NSC2/CTA-1017-00-3NB	32,983,617
Section 5309 – Bus Capital	20.500	IL-03-0229	CAP-02-812-FED	80,515
	20.500	IL-03-0234	CAP-02-800-FED/CTA-2003-3SC2/ CAP-03-859-FED/CTA-2003-CBLB/ CAP-Rail Car	4,340,119
Section 5309 – Bus Capital	20.500	IL-03-0233	CTA-2003-CBLB	76,253
Section 5309 – Rail	20.500	IL-03-0248	CAP-04-878-FED/CTA-2004-3R2/ CAP-02-800-FED/CTA-2004-3SC2/ CTA-2004-LR2	39,492,148
Total direct awards				<u>106,838,468</u>
Pass-through awards:				
Passed through the City of Chicago and other local governments:				
Air Quality Program	20.500		CN#C950P01094	20,454
State Str. Cont. Platform/Jackson VanBuren	20.500	IL-03-0195	CN#C980P01157	62,694
Chicago/State Station	20.500	IL-90-X230	CAP-93-461-FED	(1,972)
Subway Improvements	20.500	IL-90-X366	CN#C000P03953	6,415
Transit Facilities Renovation	20.500	IL-90-X385	CAP-01-739-FED	(950)
Total pass-through awards				<u>86,641</u>
Total Federal Transit – Capital Improvement Grants				<u>106,925,109</u>
Federal Transit – Formula Grants:				
Section 9 Capital	20.507	IL-90-X295	CAP-95-529-FED/ CAP-97-603-FED/ CAP-98-630-FED/ CTA-077-96-9B/CTA-078-96-9D/ CTA-082-96-9B/CTA-085-97-9D/ CTA-090-97-9B	77,944
Section 9 Capital	20.507	IL-90-X313	CAP-97-605-FED/ CAP-98-630-FED/ CTA-084-97-9B/CTA-085-97-9D/ CTA-090-97-9B/CTA-092-97-9B/ CTA-1001-99-9B/CTA-1012-00-9B/ CTA-1020-01-9B	1,912,030
Section 5307 Capital	20.507	IL-90X373	CAP-95-514-FED/ CAP-95-529-FED/ CAP-00-715-FED/ CAP-00-716-FED/ CAP-00-717-FED/ CAP-00-720-FED/ CTA-1010-00-9B/CTA-1011-00-9D	1,209,491
Section 5307 Capital	20.507	IL-90-X400	CAP-95-529-FED/ CTA-1013-01-CB/CTA-1022-01-3D	5,507,601
Section 5307 Capital	20.507	IL-90-X433	CAP-95-529-FED/ CAP-02-801-FED/CTA-2002-9R2/ CTA-2002-9SC2/CTA	9,090,062
	20.507	IL-90-X460	CAP-02-800-FED/CTA-2003-9SC2 CAP-02-812-FED/CTA-2003-CBLB	15,279,465
	20.507	IL-90-X489	CTA-2003A-LSC2/CTA-2004-9R2/ CTA-2004-9SC2/CTA Share	22,797,195
	20.507	IL-90-X505	N/A	30,305,325

CHICAGO TRANSIT AUTHORITY
Schedule of Expenditures of Federal Awards
Year ended December 31, 2005

Description	Catalog of federal domestic assistance number	Federal project number	Local project number	Expenditures
	20.507	IL-90-X509	CTA	\$ 6,807,780
	20.507	IL-40-X001	N/A	4,327
Total Federal Transit – Formula Grants				<u>92,991,220</u>
Total Federal Transit Cluster				<u>199,916,329</u>
Federal Transit – Metropolitan Planning Grants:				
Pass-through awards:				
Passed through the State of Illinois:				
Various Technical Study Grants – State	20.505	IL-80-X010	N/A	34,732
Various Technical Study Grants – State	20.505	IL-80-X012	N/A	104,050
Various Technical Study Grants – State	20.505	CTA-FTA-05-08	N/A	376,970
Various Technical Study Grants – State	20.505	CTA-FTA-06-09	N/A	95,334
Total Federal Transit – Metropolitan Planning Grants				<u>611,086</u>
Job Access – Reverse Commute Grant:				
Section 3037 – Access to Employment	20.516	IL-37-X008	N/A	323,427
Total U.S Department of Transportation				<u>205,714,563</u>
U.S. Department of Homeland Security:				
Rail and Transit Security Grant Program	16.011	2004-EU-T3-0014	N/A	11,236
Pass-through awards:				
Passed through the State of Illinois:				
Transit Security Operations	97.004	ODP Bulletin 180	N/A	433,783
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-3230-EM-IL	N/A	421,415
Total U.S. Department of Homeland Security				<u>866,434</u>
Total Federal Financial Assistance				<u>\$ 206,580,997</u>

See accompanying notes to schedule of expenditures of federal awards.

See accompanying independent auditors' report.

CHICAGO TRANSIT AUTHORITY

Notes to Schedule of Expenditures of Federal Awards

Year ended December 31, 2005

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) summarizes the federal grant activity of the Chicago Transit Authority (CTA) under programs sponsored by the federal government for the year ended December 31, 2005.

For purposes of the Schedule, federal awards include all grants, contracts, loans, and loan guarantee agreements entered into directly between the CTA and agencies and departments of the federal government as well as federal awards passed through other governmental agencies. Expenditures for federal award programs are recognized on the accrual basis of accounting.

(2) Capital Revenue Bonds

During the year ended December 31, 2004, the CTA issued \$250 million in revenue bonds for the purpose of funding various capital projects. The revenue bonds will be repaid through future Federal Transit Administration (FTA) Section 5307 grants. Accordingly, projects funded with the bond proceeds are considered to be federally funded and will be recorded on the schedule of expenditures of federal awards each year in the amount of the principal payment of the bonds (i.e. current year grant award). During the year ended December 31, 2005, the CTA made principal and interest payments of \$17,705,000 and \$12,600,325, respectively, which is included in the Schedule under project IL-90-X505.

CHICAGO TRANSIT AUTHORITY

Notes to Schedule of Expenditures of Federal Awards

Year ended December 31, 2005

During the year ended December 31, 2005, the CTA incurred \$54,116,393 in expenditures related to these projects. Following is a schedule of the costs incurred on CTA FY 2004 Capital Bond Issue funded projects and the federal grants used to fund the principal and interest payments.

Project number	Description	2005 Expenditures	Cumulative expenditures incurred to date
19658	Rehab Red-Line	\$ 15,500,952	15,500,952
19636	Replace Buses	1,336,321	1,336,321
19637	Improve Facilities – Systemwide	1,732	1,732
19643	Implement AFC Projects	468,306	468,306
19644	Reconstruct Rail Station	531,704	531,704
19645	Reconstruct Rail Station	2,791,568	2,791,568
19646	Implement Security and Communications	3,725,798	3,725,798
19649	Rehab Red-Line	12,393,365	12,393,365
19647	LOOP Signals and Interlocking	1,672,531	1,672,531
19648	Land Acquisition – Systemwide	—	—
19660	RT Car Overhaul	11,919,825	11,919,825
19661	Replace and Upgrade Signal and Power Distribution	981,750	981,750
19663	Replace and Upgrade Track and Structure	858,526	858,526
19670	Replace and Upgrade Track and Structure	612,760	612,760
19671	Replace and Upgrade Track and Structure	829,824	829,824
19673	Replace and Upgrade Track and Structure	491,431	491,431
19641	Replace and Upgrade Signal and Power Distribution	—	—
		<u>\$ 54,116,393</u>	<u>54,116,393</u>

A reconciliation of projects funded by the 2004 revenue bonds to the amount claimed on the SEFA through principal payments is as follows as of December 31, 2005:

Capital expenditures in previous years	\$ —
Capital expenditures during 2005	<u>54,116,393</u>
Cumulative expenditures incurred through December 31, 2005	54,116,393
Less:	
Grant proceeds received for principal payments in previous years	—
Grant proceeds received for principal payments during 2005	<u>(17,705,000)</u>
Capital expenditures to be recorded in future years on the schedule of expenditures of federal awards	<u>\$ 36,411,393</u>



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**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***

Chicago Transit Board
Chicago Transit Authority
Chicago, Illinois

and

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the business-type and fiduciary activities of the Chicago Transit Authority (CTA) as of and for the year ended December 31, 2005, which collectively comprise the CTA's basic financial statements, and have issued our report thereon dated May 5, 2006. 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 the CTA's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the CTA's 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*.

However, we noted certain matters, which have been communicated to management of the CTA in a separate letter dated May 5, 2006.

This report is intended solely for the information and use of the Chicago Transit Board, its Finance, Audit and Budget Committee, management, the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, 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.

KPMG LLP

Chicago, Illinois
May 5, 2006



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**Report on Compliance with Requirements Applicable to
Each Major Program and Internal Control over Compliance
in Accordance with OMB Circular A-133**

Chicago Transit Board
Chicago Transit Authority
Chicago, Illinois

and

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

As Special Assistant Auditors for the Auditor General, we have audited the compliance of the Chicago Transit Authority (CTA) 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 December 31, 2005. The CTA'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 the CTA's management. Our responsibility is to express an opinion on the CTA's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the CTA'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 the CTA's compliance with those requirements.

In our opinion, the CTA complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2005.

Internal Control over Compliance

The management of the CTA is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the CTA'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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the business-type and fiduciary activities of the CTA as of and for the year ended December 31, 2005, which collectively comprise the CTA's basic financial statements, and have issued our report thereon dated May 5, 2006. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. 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 Transit Board, its Finance, Audit and Budget Committee, management, the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, 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.

KPMG LLP

Chicago, Illinois
May 5, 2006

CHICAGO TRANSIT AUTHORITY

Note to Schedule of Expenditures of Federal Awards

Year ended December 31, 2005

(1) Summary of Auditor's Results:

- (a) The type of auditor's report issued on the financial statements: **Unqualified opinion**
- (b) Reportable conditions in internal control disclosed by the audit of the financial statements: **None reported** Material weaknesses: **no**
- (c) Noncompliance which is material to the financial statements: **no**
- (d) Reportable condition in internal control over major programs: **no**
Material weaknesses: **no**
- (e) The type of report issued on compliance for major programs: **unqualified opinion**
- (f) Any audit findings which are required to be reported under Section 510(a) of OMB Circular A-133: **no**
- (g) Major program:

Federal Transit Cluster:

Federal Transit – Capital Improvement Grants	20.500
Federal Transit – Formula Grants	20.507

- (h) Dollar threshold used to distinguish between Type A and Type B programs **\$3,000,000**
 - (i) Auditee qualified as a low-risk auditee under Section 0.530 of OMB Circular A-133 **yes**
- (2) Findings relating to the financial statements reported in accordance with *Government Auditing Standards*: None**
- (3) Findings and questioned costs relating to federal awards: none**