

METROPOLITAN PIER AND EXPOSITION AUTHORITY
SPECIAL LIMITED SCOPE COMPLIANCE EXAMINATION

For the Two Years Ended June 30, 2011

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AGENCY OFFICIALS

| | |
|---|---------------------|
| Chief Executive Officer (3/27/2012 - Current) | Mr. James Reilly |
| Trustee (5/28/2010 – 3/26/2012) | Mr. James Reilly |
| Chief Executive Officer (Through 5/27/2010) | Mr. Juan Ochoa |
| Chief of Staff (7/7/2010 – Current) | Vacant |
| Chief of Staff (9/3/2009 – 7/6/2010) | Mr. Carlos Ponce |
| Chief of Staff (8/18/2009 – 9/2/2009) | Vacant |
| Chief of Staff (Through 8/17/2009) | Mr. Larry Mulcrone |
| Chief Financial Officer (11/03/2009 – Current) | Mr. Richard Oldshue |
| Chief Financial Officer (10/24/2009 – 11/02/2009) | Vacant |
| Chief Financial Officer (Through 10/23/2009) | Mr. John Belcik |
| General Counsel (12/18/2010 – Current) | Ms. Peggy Davis |
| General Counsel (Through 12/17/2010) | Ms. Renee Benjamin |
| Chief Internal Auditor | Ms. Jeanette Swan |

Authority office is located at:

301 East Cermak Road
Chicago, IL 60616

Metropolitan Pier and Exposition Authority

Corporate Center • 301 East Cermak Road • Chicago, IL 60616 • Telephone (312) 791-7000 • Fax (312) 791-6356

MANAGEMENT ASSERTION LETTER

Honorable William G. Holland
Illinois Auditor General
740 E. Ash Street
Springfield, IL 62703
Attention: Lisa Warden, Audit Manager

May 11, 2012

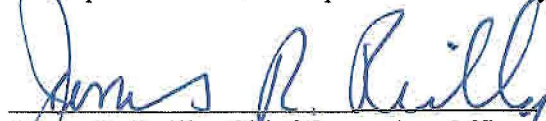
Dear Auditor General Holland:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the Authority. We are responsible for and we have established and maintained an effective system of internal controls over compliance requirements. We have performed an evaluation of the Authority's compliance with the following assertions during the two-year period ended June 30, 2011. Based on this evaluation, we assert that during the years ended June 30, 2011 and June 30, 2010, the Authority has materially complied with the assertions below.


- A. The agency has expended public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Authority has submitted its annual certifications of debt service requirements to the State Comptroller and State Treasurer as required by law.

Yours very truly,

Metropolitan Pier and Exposition Authority


James R. Reilly, Chief Executive Officer


Richard Oldshue, Chief Financial Officer


Peggy Davis, General Counsel



METROPOLITAN PIER AND EXPOSITION AUTHORITY
SPECIAL LIMITED SCOPE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2011

COMPLIANCE REPORT

SUMMARY

The special limited scope compliance testing performed during this examination was conducted in accordance with *Government Auditing Standards* and in accordance with the Illinois State Auditing Act.

ACCOUNTANTS' REPORT

The Independent Accountants' Report on Special Limited State Compliance Testing and on Supplementary Information for State Compliance Purposes does not contain scope limitations, disclaimers, or other significant non-standard language.

SUMMARY OF FINDINGS

| <u>Number of</u> | <u>Current</u> | <u>Prior</u> |
|--|----------------|---------------|
| | <u>Report</u> | <u>Report</u> |
| Findings | 0 | 0 |
| Repeated findings | 0 | 0 |
| Prior recommendations implemented or not repeated | 0 | 0 |

EXIT CONFERENCE

A formal exit conference was waived by Authority management in correspondence dated May 11, 2012.

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OFFICE OF THE AUDITOR GENERAL
WILLIAM G. HOLLAND

INDEPENDENT ACCOUNTANTS' REPORT ON SPECIAL LIMITED STATE
COMPLIANCE TESTING, AND ON SUPPLEMENTARY INFORMATION FOR STATE
COMPLIANCE PURPOSES

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

We have examined the Metropolitan Pier and Exposition Authority's (Authority) compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General for the appropriations made by the Illinois General Assembly to the Authority from the McCormick Place Expansion Project Fund (377) and the Metropolitan Fair and Exposition Authority Improvement Bond Fund (961) during the two years ended June 30, 2011 and for the expenditures made from the MPEA Grants Fund (941) during the year ended June 30, 2011. The management of the Authority is responsible for compliance with these requirements. Our responsibility is to express an opinion on the Authority's compliance based on our examination.

- A. The Authority has expended public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Authority has submitted its annual certifications of debt service requirements to the State Comptroller and State Treasurer as required by law.

We conducted our special limited scope compliance examination in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the Audit

Guide as adopted by the Auditor General pursuant to the Act; and, accordingly, included examining, on a test basis, evidence about the Authority's compliance with those requirements listed in the first paragraph of this report and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Authority's compliance with specified requirements.

Our special limited scope compliance examination was restricted to appropriations made by the Illinois General Assembly to the Authority to Fund 377 and Fund 961 and expenditures made from Fund 377, Fund 941 and Fund 961.

In our opinion, the Authority complied, in all material respects, with the compliance requirements listed in the first paragraph of this report during the two years ended June 30, 2011.

There were no immaterial findings that have been excluded from this report.

Supplementary Information for State Compliance Purposes

Our examination was conducted for the purpose of forming an opinion on compliance with the requirements listed in the first paragraph of this report. The accompanying supplementary information as listed in the table of contents as Supplementary Information for State Compliance Purposes is presented for purposes of additional analysis. We have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General to the 2010 and 2011 Supplementary Information for State Compliance Purposes. However, we do not express an opinion on the supplementary information.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, Authority management and the Authority's governing board and is not intended to be and should not be used by anyone other than these specified parties.



BRUCE L. BULLARD, CPA

Director of Financial and Compliance Audits

May 11, 2012

METROPOLITAN PIER AND EXPOSITION AUTHORITY
SPECIAL LIMITED SCOPE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2011

SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

SUMMARY

Supplementary Information for State Compliance Purposes presented in this section of the report includes the following:

- Fiscal Schedules and Analysis:

Schedule of State Appropriations, Authority Drawdowns and Lapsed Balances - Fund 377

Schedule of State Appropriations, Authority Drawdowns and Lapsed Balances - Fund 961

Schedule of Non-Appropriated Funds, Expenditures and Lapsed Balances - Fund 941

Notes to the Schedules

The accountants' report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states we have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General, to the 2010 and 2011 Supplementary Information for State Compliance Purposes. However, we do not express an opinion on the supplementary information.

**METROPOLITAN PIER AND EXPOSITION AUTHORITY
SCHEDULE OF STATE APPROPRIATIONS, AUTHORITY
DRAWDOWNS AND LAPSED BALANCES**

For the Two Years Ended June 30, 2011

| | FISCAL YEAR | |
|---|----------------------------|----------------------------|
| | 2011 PA 96-0956 | 2010 PA 96-0046 |
| McCormick Place Expansion Project Fund - 377 | | |
| State Appropriations (Note) | \$ 145,991,900 | \$ 138,992,300 |
| Authority Drawdowns: | | |
| July | 18,247,181 | 17,358,804 |
| August | 18,247,181 | 17,358,804 |
| September | 18,247,181 | 17,358,804 |
| October | 5,092,933 | 17,358,804 |
| November | 5,092,932 | 17,358,804 |
| December | 5,092,932 | 17,358,804 |
| January | 5,092,932 | 17,358,804 |
| February | 5,092,932 | 17,358,804 |
| March | 0 | 0 |
| April | 0 | 0 |
| May | 0 | 0 |
| June | 0 | 0 |
| Total Drawdowns | \$ 80,206,204 | \$ 138,870,432 |
| Lapsed Balances | \$ 65,785,696 | \$ 121,868 |

Note: Appropriations were made for debt service on the Authority's McCormick Place Expansion Project Bonds, issued pursuant to the "Metropolitan Pier and Exposition Authority Act", as amended, and related trustee and legal expenses. See the accompanying notes to the Schedules.

Appropriations, drawdowns, and lapsed balances were taken from records of the Illinois Office of the Comptroller, which have been reconciled to Authority records.

**METROPOLITAN PIER AND EXPOSITION AUTHORITY
SCHEDULE OF STATE APPROPRIATIONS, AUTHORITY
DRAWDOWNS AND LAPSED BALANCES**

For the Two Years Ended June 30, 2011

| | FISCAL YEAR | |
|---|----------------------------|----------------------------|
| | 2011 PA 96-0956 | 2010 PA 96-0046 |
| Metropolitan Fair and Exposition Authority Improvement Bond Fund - 961 | | |
| State Appropriations (Note) | \$ 31,607,700 | \$ 31,600,100 |
| Authority Drawdowns: | | |
| July | 0 | 3,905,004 |
| August | 3,947,882 | 0 |
| September | 3,947,882 | 3,905,004 |
| October | 3,947,882 | 3,905,005 |
| November | 123,830 | 3,905,004 |
| December | 123,830 | 3,905,004 |
| January | 123,829 | 3,905,004 |
| February | 123,829 | 3,905,004 |
| March | 123,829 | 3,905,004 |
| April | 0 | 0 |
| May | 0 | 0 |
| | 0 | 0 |
| Total Drawdowns | \$ 12,462,793 | \$ 31,240,033 |
| Lapsed Balances | \$ 19,144,907 | \$ 360,067 |

Note: Appropriations were made for debt service on the Authority's Dedicated State Tax Revenue Bonds, issued pursuant to the "Metropolitan Fair and Exposition Authority Act", as amended, and related trustee and legal expenses. See the accompanying notes to the Schedules.

Appropriations, drawdowns, and lapsed balances were taken from records of the Illinois Office of the Comptroller, which have been reconciled to Authority records.

**METROPOLITAN PIER AND EXPOSITION AUTHORITY
 SCHEDULE OF NON-APPROPRIATED FUNDS, EXPENDITURES
 AND LAPSED BALANCES**

For the Two Years Ended June 30, 2011

| | FISCAL YEAR | |
|---|--------------------|-------------|
| | 2011 | 2010 |
| NON-APPROPRIATED FUNDS | | |
| MPEA Grants | | |
| Fund - 941 | | |
| Grants to Chicago Convention and Tourism Board | \$4,966,558 | - |
| Total Expenditures | \$4,966,558 | - |

See the accompanying Notes to the Schedules.

Expenditures were taken from records of the Illinois Office of the Comptroller, which have been reconciled to Authority records.

METROPOLITAN PIER AND EXPOSITION AUTHORITY
NOTES TO THE SCHEDULES
For the Two Years Ended June 30, 2011 and 2010

The Metropolitan Pier and Exposition Authority (Authority) was created on July 7, 1955. The Authority was established and operates as a municipal corporation. The Authority's primary duties are to promote, operate, and maintain fairs, expositions, meetings, and conventions from time to time in the metropolitan area; to arrange, finance, operate, maintain and otherwise provide for industrial, commercial, cultural, educational, trade, and scientific exhibits and events; and to construct, equip, and maintain grounds, buildings, and facilities for those purposes. In addition, the Authority has the duty to carry out or otherwise provide for the recreational, cultural, commercial, or residential development of Navy Pier and to acquire, own, construct, equip, lease, operate and maintain grounds, buildings, and facilities to carry out its corporate purposes and duties.

The Authority has the power to issue interest-bearing revenue bonds and may refund any bonds prior to maturity. All bonds are payable from the following sources: the revenues or income related to the fairs, expositions, meetings, conventions, and other authorized activities of the Authority; funds appropriated by the General Assembly from the Metropolitan Fair and Exposition Authority Improvement Bond Fund – 961 and the McCormick Place Expansion Project Fund - 377; any revenues of the Authority from taxes it is authorized to impose; and the proceeds of refunding bonds issued for that purpose. Revenue bonds issued by the Authority are not obligations of the State of Illinois.

The State Finance Act (30 ILCS 105/8.25f) requires the chairman of the Authority to annually certify to the State Comptroller and the State Treasurer the amount necessary and required, during the fiscal year with respect to which the certification is made, to pay the debt service requirements on all outstanding bonds and notes, including refunding bonds pursuant to the Metropolitan Pier and Exposition Authority Act (70 ILCS 210/13.2).

The General Assembly appropriated \$31,600,100 in Fiscal Year 2010 and \$31,607,700 in Fiscal Year 2011 to the Authority from the Metropolitan Fair and Exposition Authority Improvement Bond Fund - 961 for debt service payments. Money from Fund 961 was used to meet debt service requirements on non-refunded Series 1992, Series 1995, Series 1997, and Series 2002 bonds. In addition, the General Assembly appropriated \$138,992,300 in Fiscal Year 2010 and \$145,991,900 in Fiscal Year 2011 to the Authority from the McCormick Place Expansion Project Fund - 377 for the purpose of paying the debt service on the outstanding Series 1992A, Series 1994A and B, Series 1996A, Series 1998A and B, Series 1999A, B, C, and D, Series 2002 A, B, and C, Series 2004A, as well as the newly issued Series 2010 A and B bonds.

Amendments to the Metropolitan Pier and Exposition Authority Act (Act) effective May 27, 2010 (Public Act 96-0898) require the Authority to enter into a marketing agreement with a not-for-profit organization headquartered in Chicago and recognized by the Department of Commerce and Economic Opportunity as a certified local tourism and convention bureau entitled to receive State tourism grant funds. The Metropolitan Fair and Exposition Authority Grants

METROPOLITAN PIER AND EXPOSITION AUTHORITY
NOTES TO THE SCHEDULES
For the Two Years Ended June 30, 2011 and 2010

Fund - 941 was established during Fiscal Year 2011 to fulfill the statutory requirements. The Grants Fund receives revenue generated through taxes imposed on businesses providing ground transportation for hire to passengers of commercial service airports. Money from Fund 941 was used to provide grants of \$4,966,558 to the Chicago Convention and Tourism Board during Fiscal Year 2011.

Subsequent to the examination period, changes to the Act, effective October 26, 2011 (Public Act 97-0617), permit the Authority to make expenditures from the Metropolitan Pier and Exposition Authority Incentive Fund. The Authority shall award incentives to attract large conventions, meetings, and trade shows to Authority facilities. Incentives may take the form of discounts from regular fees charged by the Authority, subsidies for or assumption of the costs incurred with respect to the convention, meeting, or trade show or other inducements.

Board of Directors

The Act established the Metropolitan Pier and Exposition Board (Board) as the governing and administrative body of the Authority (70 ILCS 210/14).

Public Act 096-0882 revised the Act to replace the original twelve member Board with seven interim members, effective February 17, 2010. Interim members were appointed by the Governor and the Mayor of the City of Chicago. In addition, Public Act 096-0898, which became effective May 27, 2010, appointed a Trustee to assume the duties and powers of the original Board and the chief executive officer and to work closely with the interim Board. The Trustee was required to serve for a period of 18 months or until the Board appointed a chief executive officer, whichever was longer. As of June 30, 2011, the Trustee and interim Board consisted of the following:

- James Reilly, Trustee
- David R. Mosena, Chairman
- Carmen H. Lonstein, Vice Chairman
- Sarah Nava Garvey, Secretary/Treasurer
- Julian Green
- Roger J. Kiley, Jr.
- Ronald E. Powell
- Vacant

METROPOLITAN PIER AND EXPOSITION AUTHORITY
NOTES TO THE SCHEDULES
For the Two Years Ended June 30, 2011 and 2010

In addition, Public Act 096-0898 further revised the Act to require the Board to be comprised of nine members, beginning November 27, 2011. Currently, the Board consists of the following members:

- Jack Greenberg, Chairman
- Julie Chavez
- Frank M. Clark, Jr.
- Dan Hynes
- Roger J. Kiley, Jr.
- Carmen Lonstein
- Ronald E. Powell
- Robert G. Reiter, Jr
- Becky Strzechowski

Mr. James Reilly was appointed as the new chief executive officer, effective March 27, 2012.