

**STATE OF ILLINOIS
ILLINOIS MEDICAL DISTRICT COMMISSION**

**FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
FOR THE YEAR ENDED JUNE 30, 2005**

**Performed as Special Assistant Auditors
For the Auditor General, State of Illinois**

**STATE OF ILLINOIS
ILLINOIS MEDICAL DISTRICT COMMISSION
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
FOR THE YEAR ENDED JUNE 30, 2005**

TABLE OF CONTENTS

	<u>Page</u>
Table of Contents	1
Commission Officials	3
Management Assertion Letter	4
Compliance Report	
Summary	6
Accountants' Reports	
Independent Accountants' Report on State Compliance, on Internal Control Over Compliance, and on Supplementary Information for State Compliance Purposes	8
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	11
Schedule of Findings	
Current Findings – <i>Government Auditing Standards</i>	13
Current Findings – State Compliance	15
Prior Findings Not Repeated – <i>Government Auditing Standards</i>	21
Prior Findings Not Repeated – State Compliance	22
Financial Statement Report	
Summary	24
Independent Auditors' Report	25
Basic Financial Statements	
Governmental Funds Balance Sheet/Statement of Net Assets	27
Reconciliation of the Governmental Funds Balance Sheet and the Statement of Net Assets	29
Statement of Governmental Funds Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities	30
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Statement of Activities	32
Notes to the Basic Financial Statements	33
Required Supplementary Information	
Budgetary Comparison Schedule - General Revenue Fund	46

**STATE OF ILLINOIS
ILLINOIS MEDICAL DISTRICT COMMISSION
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
FOR THE YEAR ENDED JUNE 30, 2005**

TABLE OF CONTENTS (continued)

Supplementary Information for State Compliance Purposes	
Summary	47
Fiscal Schedules and Analysis	
Schedule of Expenditures of Federal Awards	48
Notes to the Schedule of Expenditures of Federal Awards	48
Schedule of Appropriations, Expenditures and Lapsed Balances	49
Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances	50
Schedule of Efficiency Initiative Payments	51
Comparative Schedule of Receipts, Disbursements and Fund Balance (Cash Basis) – Locally Held Funds	52
Schedule of Changes in State Property	53
Comparative Schedule of Expenditures – Locally Held Funds (Non-appropriated)	54
Comparative Schedule of Revenue – Locally Held Funds	55
Analysis of Significant Variations in Expenditures	56
Analysis of Significant Variations in Revenue	57
Analysis of Significant Account Balances	59
Analysis of Accounts Receivable	60
Analysis of Operations	
Commission Functions and Planning Program	61
Average Number of Employees	64
Emergency Purchases	64
Illinois First Projects (Unaudited)	64
Service Efforts and Accomplishments (Unaudited)	65

**STATE OF ILLINOIS
ILLINOIS MEDICAL DISTRICT COMMISSION
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
FOR THE YEAR ENDED JUNE 30, 2005**

COMMISSION OFFICIALS

Executive Director	Samuel Pruett
Deputy Director	Joseph Dunne
Chief Fiscal Officer	Paula Philbrook
Interim Legal Counsel	Kenneth Scheiwe

Commission offices are located at:

600 South Hoyne Avenue
Chicago, IL 60612



January 9, 2006

Illinois Medical District
600 South Hoyne Avenue
Chicago, Illinois 60612

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Kankakee, IL 60901

Governor
Rod Blagojevich
Cook County Board President
John H. Stroger, Jr.
City of Chicago Mayor
Richard M. Daley

Commissioners
Kenneth D. Schmidt, MD
President
Abraham C. Morgan
Vice President
Dorval R. Carter, MD
Secretary
Leon Dingle, Jr., Ph.D.
Treasurer
Michael Fitzgerald
John E. Partelow
Bob J. Nash

Executive Director
Samuel W. Pruett

Ladies and Gentlemen:

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 Illinois Medical District Commission. 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 Illinois Medical District Commission's compliance with the following assertions during the year ended June 30, 2005. Based on this evaluation, we assert that during the year ended June 30, 2005 the Illinois Medical District Commission has materially complied with the assertions below.


- A. The Illinois Medical District Commission has obligated, expended, received and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Illinois Medical District Commission has obligated, expended, received and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The Illinois Medical District Commission has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. The State revenues and receipts collected by the Illinois Medical District Commission are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.



E. The money or negotiable securities or similar assets handled by the Illinois Medical District Commission on behalf of the State or held in trust by the Illinois Medical District Commission have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

Yours very truly,

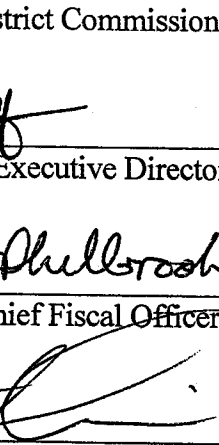
Illinois Medical District Commission



Samuel W. Bruett, Executive Director



Paula Philbrook, Chief Fiscal Officer



Kenneth Scheiwe, General Counsel

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**STATE OF ILLINOIS
ILLINOIS MEDICAL DISTRICT COMMISSION
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
FOR THE YEAR ENDED JUNE 30, 2005**

COMPLIANCE REPORT

SUMMARY

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

ACCOUNTANT' REPORTS

The Independent Accountants' Report on State Compliance, on Internal Control Over State Compliance 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>This Report</u>	<u>Prior Report</u>
Findings	6	10
Repeated findings	3	4
Prior recommendations implemented or findings not repeated	7	2

Details of findings are presented in a separately tabbed report section.

SUMMARY OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
<u>Findings (Government Auditing Standards)</u>		
05-1	13	Failure to Record and Report Capital Assets
05-2	14	Inadequate Controls over Financial Reporting
<u>Findings (State Compliance)</u>		
05-3	15	Failure to Remit Unexpended Proceeds from the Sale of Commission Property into the Income Fund Held in the State Treasury
05-4	17	Inaccurate Equipment and Property Control Records
05-5	19	Failure to File Contracts with the State Comptroller
05-6	20	Noncompliance with State Publication Laws
<u>Prior Findings Not Repeated (Government Auditing Standards)</u>		
05-7	21	Efficiency Initiative Payments
<u>Prior Findings Not Repeated (State Compliance)</u>		
05-8	22	Noncompliance with State Vehicle Identification Act
05-9	22	Contracts without Proper Disclosures
05-10	22	Failure to Publish Notification of Public Hearings

**STATE OF ILLINOIS
ILLINOIS MEDICAL DISTRICT COMMISSION
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
FOR THE YEAR ENDED JUNE 30, 2005**

Prior Findings Not Repeated (State Compliance) (continued)

05-11	22	Inadequate Controls over Travel Expenditures
05-12	23	Uncollateralized Deposit Accounts
05-13	23	Deposits Not Made in a Timely Manner and Records Misplaced

EXIT CONFERENCE

The finding and recommendations appearing in this report were discussed with Agency personnel at an exit conference on January 31, 2006. The following representatives were in attendance:

Illinois Medical District Commission

Samuel Pruett	Executive Director
Joseph Dunne	Deputy Director
Paula Philbrook	Chief Fiscal Officer
Kenneth Scheiwe	Interim Legal Counsel
Mich Hein	Chief of Staff
John Conlisk	Financial Consultant

Nykiel, Carlin & Co., Ltd.

Paul Pelletier	Principal
Brian Creek	Manager

Office of the Auditor General

Kevin Carhill	Audit Manager
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Responses to the recommendations were provided by Samuel Pruett in a letter dated February 3, 2006.

**INDEPENDENT ACCOUNTANTS' REPORT ON STATE COMPLIANCE,
ON INTERNAL CONTROL OVER COMPLIANCE, AND ON
SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES**

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

As Special Assistant Auditors for the Auditor General, we have examined the Illinois Medical District Commission's 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, during the year ended June 30, 2005. The management of the Illinois Medical District Commission is responsible for compliance with these requirements. Our responsibility is to express an opinion on the Illinois Medical District Commission's compliance based on our examination.

- A. The Illinois Medical District Commission has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Illinois Medical District Commission has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The Illinois Medical District Commission has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. The State revenues and receipts collected by the Illinois Medical District Commission are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.
- E. Money or negotiable securities or similar assets handled by the Illinois Medical District Commission on behalf of the State or held in trust by the Illinois Medical District Commission have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Our examination was conducted 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 Illinois Medical District Commission's compliance with those requirements 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 Illinois Medical District Commission's compliance with specified requirements.

In our opinion, the Illinois Medical District Commission has complied, in all material respects, with the aforementioned requirements during the year ended June 30, 2005. However, the results of our procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of findings as findings 05-1 thru 05-6. As required by the Audit Guide, immaterial findings relating to instances of noncompliance excluded from this report have been reported in a separate letter to your office.

Internal Control

The management of the Illinois Medical District Commission is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws and regulations. In planning and performing our examination, we considered the Illinois Medical District Commission's internal control over compliance with the aforementioned requirements in order to determine our examination procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide, issued by the Illinois Office of the Auditor General.

Our consideration of internal control over compliance with the aforementioned requirements would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws and regulations that would be material in relation to one or more of the aforementioned requirements being examined 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 internal control over compliance that we consider to be material weaknesses. However, the results of our procedures disclosed other matters involving internal control which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of findings as findings 05-1, 05-2, and 05-4. As required by the Audit Guide, immaterial findings relating to internal control deficiencies excluded from this report have been reported in a separate letter to your office.

Supplementary Information for State Compliance Purposes

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities and each major fund of the Illinois Medical District Commission and as of and for the year ended June 30, 2005, which collectively comprise the Illinois Medical District Commission's basic financial statements, and have issued our report thereon dated January 9, 2006. 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 and is not a required part of the basic financial statements of the Illinois Medical District Commission. The 2005 Supplementary Information for State Compliance Purposes, except for that portion marked "unaudited" on which we express no opinion, 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 for the year ended June 30, 2005, taken as a whole. We have also previously audited, in accordance with auditing standards generally accepted in the United States, the Illinois Medical District Commission's basic financial statements for the years ended June 30, 2004 and 2003. In our report dated January 10, 2005, we expressed unqualified opinions on the respective financial statements of the

governmental activities and each major fund. In our opinion, the 2004 and 2003 Supplementary Information for State Compliance Purposes, except for the portion marked "Unaudited" is fairly stated in all material respects in relation to the basic financial statements for the years ended June 30, 2004 and 2003, taken as a whole.

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

Nykiel, Carlin & Co., Ltd.

NYKIEL, CARLIN & CO., LTD.

Kankakee, Illinois
January 9, 2006

**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**

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 governmental activities and each major fund of the Illinois Medical District Commission (Commission), as of and for the year ended June 30, 2005, which collectively comprise the Illinois Medical District Commission's basic financial statements and have issued our report thereon dated January 9, 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 Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Commission's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 05-1 and 05-2.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 05-1 and 05-2 to be material weaknesses. Additionally, we noted certain deficiencies in the design or operation of internal control over financial reporting which do not meet the criteria for reporting herein and which are reported as State compliance findings in the schedule of findings. We also noted certain immaterial instances of internal control deficiencies, which we have reported to management of the Commission in a separate letter dated January 9, 2006.

Compliance

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 that are required to be reported under *Government Auditing Standards*. However, we noted certain instances of noncompliance which do not meet the criteria for reporting herein and which are reported as State compliance findings in the schedule of findings. We also noted certain other matters which we have reported to management of the Commission in a separate letter dated January 9, 2006.

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

Nykiel, Carlin & Co., Ltd.

NYKIEL, CARLIN & CO., LTD.

Kankakee, Illinois
January 9, 2006

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**STATE OF ILLINOIS
ILLINOIS MEDICAL DISTRICT COMMISSION
FINDINGS AND RECOMMENDATIONS
CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS
For the Year Ended June 30, 2005**

05-1 FINDING: FAILURE TO RECORD AND REPORT CAPITAL ASSETS

The Illinois Medical District Commission (Commission) failed to properly record and report certain capital assets on its property records, its Agency Report of State Property (Form C-15), and its Generally Accepted Accounting Principles (GAAP) reports filed with the Office of State Comptroller.

We examined 22 equipment and permanent improvement expenditures totaling \$392,449 to determine if items purchased were recorded on the Commission's property control records. We noted 4 (18%) expenditures for capital assets totaling \$61,349 that were only partially recorded on the Commission's property control records. These items (legal fees and demolition costs related to property acquisitions) were also not reported on the Commission's Form C-15 or its GAAP accounting reports filed with the Office of the State Comptroller. The unrecorded items totaled \$33,570.

The Statewide Accounting Management System (SAMS) procedure 29.10.10 states that agencies are required to maintain a permanent record of all property. SAMS procedure 3.30.10 clearly defines all types of capital assets including land, land improvements, site improvements, buildings and building improvements that need to be included in an agency's property control records.

Commission management indicated that the above errors were due to clerical error.

Failure to properly record and report capital assets results in a misstatement of the assets reported to the State Comptroller on the "Agency Report of State Property" and the capital assets reported on the SCO-538 of the GAAP reporting packages. (Finding Code Nos. 05-1, 04-2, 02-5)

RECOMMENDATION

We recommend the Commission develop procedures to ensure that all capital assets are promptly recorded and properly reported.

AGENCY RESPONSE

The Commission agrees with the finding. Commission officials concur with the recommendation and will implement procedures to strengthen the accounting for property and equipment.

**STATE OF ILLINOIS
ILLINOIS MEDICAL DISTRICT COMMISSION
FINDINGS AND RECOMMENDATIONS
CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS
For the Year Ended June 30, 2005**

05-2 FINDING: INADEQUATE CONTROLS OVER FINANCIAL REPORTING

The Illinois Medical District Commission (Commission) did not have adequate controls to ensure that accounts payable and other transactions related to capital assets were properly recorded.

During our examination, we reviewed a sample of payments made subsequent to year end for Fiscal Year 2005 to determine if accounts payable had been properly recorded. Of the 17 payments reviewed, 3 (18%) payments totaling \$254,488 were determined to be liabilities of Fiscal Year 2005, which had not been recorded.

We also noted that the Commission did not record certain transactions from prior years related to capital assets. These transactions included expenditures related to the acquisition of land and construction projects which were ongoing in the District. The Commission has reported a prior period adjustment (to increase capital assets) in the amount of \$1,488,008 (at the government wide financial statement level) to record these transactions.

Statewide Accounting Management System (SAMS) procedure 27.50.60 requires the Agency to prepare financial statements in accordance with generally accepted accounting principals (GAAP).

Commission officials stated that the above items were mistakenly recorded using the date on the internal request for payment from the Commission's General Counsel or Executive Director instead of the effective date of the transaction.

Failure to maintain accounting records in accordance with GAAP, distorts the Commission's and the State's financial statements. (Finding Code Nos. 05-2, 04-3, 02-6)

RECOMMENDATION

We recommend the Commission improve procedures to ensure that accounting records are appropriately maintained in accordance with generally accepted accounting principles.

AGENCY RESPONSE

The Commission agrees with the finding. The Commission will take adequate steps to improve the controls over financial reporting and also to ensure the accounting records are maintained in accordance with Generally Accepted Accounting Principles.

**STATE OF ILLINOIS
ILLINOIS MEDICAL DISTRICT COMMISSION
FINDINGS AND RECOMMENDATIONS
CURRENT FINDINGS – STATE COMPLIANCE
For the Year Ended June 30, 2005**

**05-3 FINDING: FAILURE TO REMIT UNEXPENDED PROCEEDS FROM THE SALE OF
COMMISSION PROPERTY INTO THE INCOME FUND HELD IN THE STATE TREASURY**

The Illinois Medical District Commission (Commission) did not remit unexpended proceeds from the sale of Commission property to the State Treasury for deposit into the Medical Center Commission Income Fund (Income Fund).

During fiscal year 2004, the Commission sold real property held by the Commission to the Federal Bureau of Investigation. The proceeds from the sale totaled \$10,688,767. A portion of those proceeds were expended for authorized purposes in fiscal year 2004 and 2005. As of June 30, 2005, an estimated \$8,152,049 of those proceeds had not been expended or obligated to liquidate an enforceable legal obligation existing as of June 30, 2005, and the Commission did not remit these excess funds to the State Treasury for deposit into the Income Fund by the date required in the statute.

The Illinois Medical District Act (70 ILCS 915/10) requires the Commission to remit to the State Treasury all moneys on hand (originating from the sale of Commission property) as of June 30 in excess of \$350,000 (except that the Commission may retain additional funds as are necessary to liquidate enforceable contractual obligations existing as of June 30, as long as such obligations are liquidated by September 30).

Commission officials stated, upon the advice of legal counsel, the Commission determined that the sale proceeds were clearly set aside and committed prior to the end of the fiscal year, and thus, it was not required to transmit any proceeds relative to the sale of the property.

Failure to remit the excess moneys to the State Treasury is a violation of State statutes. (Finding Code No. 05-3)

RECOMMENDATION

We recommend the Commission remit the excess moneys to the State Treasury for deposit into the Income Fund.

AGENCY RESPONSE

The Commission disagrees with the finding. The Commission has received a legal opinion contrary to the opinion of the Auditor General. The Commission will seek clarification from the Attorney General's office.

AUDITORS' COMMENT

The auditors continue to stand by the finding.

The Illinois Medical District Act states:

Beginning in 1993, not later than July 10 of each year, the Commission shall transmit to the State Treasurer for deposit into the Medical Center Commission Income Fund all monies on hand at June 30 in excess of \$350,000 without deduction or offset of any kind, except that the Commission may retain such additional funds as are necessary to pay enforceable contractual obligations

STATE OF ILLINOIS
ILLINOIS MEDICAL DISTRICT COMMISSION
FINDINGS AND RECOMMENDATIONS
CURRENT FINDINGS – STATE COMPLIANCE
For the Year Ended June 30, 2005

05-3 **FINDING: FAILURE TO REMIT UNEXPENDED PROCEEDS FROM THE SALE OF COMMISSION PROPERTY INTO THE INCOME FUND HELD IN THE STATE TREASURY (continued)**

AUDITORS' COMMENT (continued)

existing as of June 30 and which will be paid not later than September 30 of that year. All monies retained for the payment of these obligations and not paid out by September 30, shall be remitted in full to the State Treasury, without deduction or offset of any kind, not later than October 10 of the same year (emphasis added).
70 ILCS 915/10

Under the statute, by October 10th of each year money is either expended or it is on hand. Under common everyday usage, the term "expended" means paid out. This definition is also consistent with usage in State government. Under the plain meaning of the law, money on hand in excess of \$350,000 must be remitted to the State Treasury in the time frame set forth in Section 10. The auditors do not believe the statute allows the District to hold for an indefinite period of time an unlimited accumulation of money that has been "set aside" or "committed" but not paid out.

Should the Commission continue to disagree with the finding, we further recommend that it seek a formal, written opinion from the Attorney General's Office on this matter.

**STATE OF ILLINOIS
ILLINOIS MEDICAL DISTRICT COMMISSION
FINDINGS AND RECOMMENDATIONS
CURRENT FINDINGS – STATE COMPLIANCE
For the Year Ended June 30, 2005**

05-4 FINDING: INACCURATE EQUIPMENT AND PROPERTY CONTROL RECORDS

The Illinois Medical District Commission's (Commission) property control records and its reporting of state property were inaccurate.

During our examination, we selected 25 (10%) of approximately 246 equipment items from the Commission's property control records of equipment with a price of \$100 or more for testing, with a total cost of \$40,660 (10% of the total of \$416,514), and selected an additional 10 items of equipment located on the Commission's premises and noted that:

- a) Three (9%) of the 35 items selected did not have a proper identification / tag number attached. These items included a laptop (\$2,978), a vacuum pump (\$3,075), and a slide scanner (\$1,349).
- b) One (3%) of the 35 items (a flip phone (\$350) acquired in 1995) was obsolete or no longer used by the agency.
- c) Five (50%) (3 filing cabinets, a table, and a typewriter) of the 10 additional items selected were on the Commission's property control records, but did not have a cost recorded for the items. Upon requesting the Commission to run us another report of their entire property control records regardless of cost, we determined that a total of 143 items (all believed to be less than \$500 each) were on the Commission's property control records without an identified cost. The Commission indicated that these items were located during their FY 2004 physical inventory and were added to the property control records with as much information as could be determined.

We also noted that the inventory certification report submitted to the Department of Central Management Services (DCMS) was inaccurate because the items noted in (c) above, without a cost, were excluded from the report that was submitted and the Commission had not updated its property control records for errors noted during the physical inventory that was conducted on February 28, 2005.

In addition, the Agency Reports of State Property (C-15's) filed by the Commission for FY 2005 were inaccurate because these reports did not properly report all additions and deletions that occurred during the fiscal year. We noted that the ending balances were understated by \$1,488,278.

The DCMS Property Control Rules (44 Ill. Admin. Code 5010.220) requires agencies to report to DCMS the value of all equipment with an acquisition value of greater than \$500 and all equipment with an acquisition value of less than \$500 that is subject to theft. The DCMS Property Control Rules (44 Ill. Admin. Code 5010.240) also describes the required entries (purchase price) to be maintained in the agency's property control records; and (44 Ill. Admin. Code 5010.400) states that agencies shall adjust property records within 30 days of acquisition, change or deletion of equipment items. SAMS Procedure 29.20.10 provides instructions for completing the Agency Report of State Property.

**STATE OF ILLINOIS
ILLINOIS MEDICAL DISTRICT COMMISSION
FINDINGS AND RECOMMENDATIONS
CURRENT FINDINGS – STATE COMPLIANCE
For the Year Ended June 30, 2005**

05-4 FINDING: INACCURATE EQUIPMENT AND PROPERTY CONTROL RECORDS (continued)

Commission officials stated the 143 items recorded at \$0 were added to the property control records after the last physical inventory. However, the Commission could not determine values without performing extensive research of prior years' records. The remaining items were a result of clerical error.

Inaccurate property control records demonstrate a lack of accountability, could lead to incorrect property acquisition decisions, inefficient operations or cause unnecessary expenditures to be made in the purchase of equipment. Also, inaccurate financial reporting to the State Comptroller may distort the State financial statements. (Finding Code Nos. 05-4, 04-4, 02-3, 00-2)

RECOMMENDATION:

We recommend the Commission implement procedures to ensure that the property and equipment records are properly maintained.

AGENCY RESPONSE

The Commission agrees with the finding. The Commission is seeking the input of the Comptroller's Office and CMS Property Control Office to properly record the value of inventory items.

**STATE OF ILLINOIS
ILLINOIS MEDICAL DISTRICT COMMISSION
FINDINGS AND RECOMMENDATIONS
CURRENT FINDINGS – STATE COMPLIANCE
For the Year Ended June 30, 2005**

05-5 FINDING: FAILURE TO FILE CONTRACTS WITH THE STATE COMPTROLLER

Contracts were not filed with the State Comptroller's Office.

Twenty one of 25 contracts tested (legal services, building maintenance and repair services, financial consultants, environmental studies, security and alarm services, and other various consultants) were not filed with the State Comptroller's Office. Each of these contracts were paid from locally held funds of the Commission. The remaining 4 contracts were below the threshold for the filing requirement.

SAMS procedure 15.20.10 states, "File Only contracts, including contracts paid entirely from locally held funds, do not require obligation and are not entered into the SAMS system. They must, however, be filed with the Illinois Office of the Comptroller (IOC) and must meet all IOC documentation and certification requirements". SAMS Procedures 15.20.20, 15.20.30, 15.20.35, and 15.20.40 indicate that contracts less than \$10,000 (\$5,000 for professional and artistic contracts) are not required to be filed with the Comptroller's Office.

Commission officials stated, from conversations with the Comptroller' Office, they believed the Commission was only required to file contracts that were to be processed for payment from the State appropriated funds.

Failure to file contracts with the State Comptroller's Office is a violation of State statutes and regulations. (Finding Code No. 05-5)

RECOMMENDATION

We recommend the Commission implement procedures to ensure all contracts over \$10,000 are filed with the State Comptroller's Office in accordance with State statutes and guidelines.

AGENCY RESPONSE

The Commission agrees with the finding although it is inconsistent with previous practice and instructions provided by the State. The Commission will change its procedures to fully comply with the requirements as stated above.

**STATE OF ILLINOIS
ILLINOIS MEDICAL DISTRICT COMMISSION
FINDINGS AND RECOMMENDATIONS
CURRENT FINDINGS – STATE COMPLIANCE
For the Year Ended June 30, 2005**

05-6 FINDING: NONCOMPLIANCE WITH STATE PUBLICATION LAWS

The Illinois Medical District Commission (Commission) did not comply with the Illinois Procurement Code (Code) regarding Commission publications.

We examined the Commission's Biennial Report 2003-2004 noting that it did not contain certain required disclosures ("Printed by authority of the State of Illinois", date of publication, the number of copies printed, and the printing order number) as required by the Code, were not included on the publication.

The Illinois Procurement Code (30 ILCS 500/20-105) states "All books, pamphlets, documents, and reports published through or by the State of Illinois or any State agency, board, or commission shall have printed thereon "Printed by authority of the State of Illinois," the date of each publication, the number of copies printed, and the printing order number."

Commission officials stated that the Commission does not include the phrases noted above on items that are printed in house.

Failure to include the information required by the Code is a violation of State statutes. (Finding Code No. 05-6)

RECOMMENDATION

We recommend the Commission follow the requirements of the Illinois Procurement Code regarding publications.

AGENCY RESPONSE

The Commission agrees with the finding. The Commission intends to comply with State publication laws and will make every effort to do so.

**STATE OF ILLINOIS
ILLINOIS MEDICAL DISTRICT COMMISSION
FINDINGS AND RECOMMENDATIONS
PRIOR FINDINGS NOT REPEATED – GOVERNMENT AUDITING STANDARDS
For the Year Ended June 30, 2005**

05-7 FINDING: EFFICIENCY INITIATIVE PAYMENTS

The Illinois Medical District Commission (Commission) made payments for efficiency initiative billings without documentation of the nature or amount of savings that the Commission had realized. The payments resulted in revenue shortfalls that the Commission had to cover using a locally held fund. The State Finance Act directs agencies to pay the savings amounts from the line item where the cost savings are anticipated to occur. (30 ILCS 105/6p-5) The Commission did not receive guidance with the billings detailing from which line item appropriations savings were anticipated to occur. Even though the Commission reported that it does not use CMS for any procurement services, it paid the billing from a lump sum General Revenue Fund appropriation. (Finding Code No. 04-1)

Status – Implemented

During the current examination period, the Commission did not make any efficiency initiative payments to CMS. The Commission did challenge a billing received due to a lack of detail. Upon receipt of the detail the Commission did not agree there were savings for their agency. CMS issued the Commission a full credit on the billing.

**STATE OF ILLINOIS
ILLINOIS MEDICAL DISTRICT COMMISSION
FINDINGS AND RECOMMENDATIONS
PRIOR FINDINGS NOT REPEATED – STATE COMPLIANCE
For the Year Ended June 30, 2005**

05-8 FINDING: NONCOMPLIANCE WITH STATE VEHICLE IDENTIFICATION ACT

The Illinois Medical District Commission (Commission) did not comply with the State Vehicle Identification Act. (Finding Code No. 04-8)

Status – Not repeated

Our current examination testing indicated the Commission obtained registration plates for all its vehicles.

05-9 FINDING: CONTRACTS WITHOUT PROPER DISCLOSURES

Certain contractual agreements entered into by the Illinois Medical District Commission (Commission) did not include complete disclosures by the contractors. (Finding Code No. 04-6)

Status – Not repeated

Our current examination testing of Commission contracts did not disclose similar exceptions during FY 05.

05-10 FINDING: FAILURE TO PUBLISH NOTIFICATION OF PUBLIC HEARINGS

The Illinois Medical District Commission (Commission) did not publish notification of certain public hearings in accordance with the Illinois Medical District Act. (Finding Code No. 04-9)

Status – Not repeated

Our current examination testing did not disclose any instances where the Commission did not publish notifications of public hearings.

05-11 FINDING: INADEQUATE CONTROLS OVER TRAVEL EXPENDITURES

The Illinois Medical District Commission's (Commission) controls over travel expenditures were inadequate. During the prior examination, we had noted one or more exceptions with 18 of the 21 expenditures examined. (Finding Code Nos. 04-5, 02-2)

Status – Not repeated

We noted only one exception in FY 2005.

**STATE OF ILLINOIS
ILLINOIS MEDICAL DISTRICT COMMISSION
FINDINGS AND RECOMMENDATIONS
PRIOR FINDINGS NOT REPEATED – STATE COMPLIANCE
For the Year Ended June 30, 2005**

05-12 FINDING: UNCOLLATERALIZED DEPOSIT ACCOUNTS

Certain deposit accounts maintained by the Illinois Medical District Commission (Commission) were not fully collateralized as of June 30, 2004 and 2003. (Finding Code No. 04-7)

Status – Not repeated

During our current examination we noted the Commission's deposit accounts were fully collateralized as of June 30, 2005.

05-13 FINDING: DEPOSITS NOT MADE IN A TIMELY MANNER AND RECORDS MISPLACED

The Illinois Medical District Commission did not deposit funds in a timely manner and could not locate records related to other deposits. During our prior examination, we had noted 18 deposits that were not made timely and 6 deposit slips that could not be located. (Finding Code No. 04-10)

Status – Not repeated

We noted only two exceptions in FY 2005. Both occurred prior to the release of the FY 2004 report.

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**STATE OF ILLINOIS
ILLINOIS MEDICAL DISTRICT COMMISSION**

FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying basic financial statements of the Illinois Medical District Commission was performed by Nykiel, Carlin & Co., Ltd.

Based on their audit, the auditors expressed unqualified opinions on the Commission's basic financial statements.

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INDEPENDENT AUDITORS' REPORT

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities and each major fund of the Illinois Medical District Commission (Commission), a component unit of the State of Illinois, as of and for the year ended June 30, 2005 which collectively comprise the Commission's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express opinions on these financial statements based on our audit.

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.

As discussed in Note 17 to the financial statements, certain errors resulting in the understatement of previously reported capital assets and net assets as of June 30, 2004, were discovered by the Commission's management. Accordingly, the capital assets and net assets as of June 30, 2004, have been restated to correct the error.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Commission, as of June 30, 2005 and the respective changes in financial position thereof 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 a report dated January 9, 2006 on our consideration of the Commission'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 controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Commission has not presented a management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

The budgetary comparison schedule on page 46 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires 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.

Nykiel, Carlin & Co., Ltd.

NYKIEL, CARLIN & CO., LTD.

Kankakee, Illinois
January 9, 2006

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STATE OF ILLINOIS
ILLINOIS MEDICAL DISTRICT COMMISSION
GOVERNMENTAL FUNDS BALANCE SHEETS/STATEMENT OF NET ASSETS
JUNE 30, 2005

	GENERAL REVENUE FUND-001	CAPITAL DEVELOPMENT FUND-141	PROPERTY MANAGEMENT FUND-1240	CHICAGO TECHNOLOGY RESEARCH CENTER FUND-1265	CHICAGO TECHNOLOGY PARK FUND-1266
ASSETS					
Cash and cash equivalents	\$ -	\$ -	\$ 120,022	\$ 12,543	\$ 447,548
Unexpended appropriations	15,593	-	-	-	-
Investments	-	-	-	48,165	53,727
Accounts receivable	-	-	101,171	108,504	28,146
Notes receivable	-	-	8,056,689	-	-
Accrued interest	-	-	4,281	-	-
Due from other state agencies	-	-	-	-	-
Due from other funds	-	-	244,709	-	200,007
Prepaid expenses	-	-	13,976	-	149
Capital assets, net of accumulated depreciation	-	-	-	-	-
Total Assets	\$ 15,593	\$ -	\$ 8,540,848	\$ 169,212	\$ 729,577
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ 79,631	\$ 115,132	\$ 28,404
Wages and benefits payable	-	-	10,112	-	-
Due to other funds	15,593	-	-	237,035	-
Other liabilities	-	-	581	-	-
Accrued interest	-	-	100	62	-
Security deposits	-	-	1,845	61,199	55,283
Accrued vacation and sick time payable	-	-	-	-	-
Deferred revenue	-	-	8,088,910	-	-
Capital lease obligations	-	-	-	-	-
Due within one year	-	-	-	-	-
Due after one year	-	-	-	-	-
Line of credit	-	-	-	-	-
Total Liabilities	15,593	-	8,181,179	413,428	83,687
FUND BALANCES/NET ASSETS					
Fund balances/Net assets					
Invested in capital assets, net of related debt	-	-	-	-	-
Unreserved/Undesignated	-	-	359,669	(340,216)	645,890
Reserved/Restricted for grant activities	-	-	-	-	-
Reserved/Restricted for escrow activities	-	-	-	-	-
Designated for building renovation	-	-	-	96,000	-
Total Fund Balances/Net Assets	-	-	359,669	(244,216)	645,890
Total Liabilities and Fund Balances	\$ 15,593	\$ -	\$ 8,540,848	\$ 169,212	\$ 729,577

The accompanying notes are an integral part of the financial statements.

CHICAGO TECHNOLOGY PARK CORP FUND-1376	IMD REVOLVING FUND-1337	IMD RESTRICTED FUND-1377	DISTRICT MEMBER COUNCIL FUND-1338	TOTAL	ADJUSTMENTS	STATEMENT OF NET ASSETS
\$ 82,019	\$ -	\$ 8,399,896	\$ 21,580	\$ 9,083,608	\$ -	\$ 9,083,608
-	-	-	-	15,593	-	15,593
-	-	2,306,769	-	2,408,661	-	2,408,661
42,893	-	-	-	280,714	-	280,714
-	-	-	-	8,056,689	-	8,056,689
-	-	19,028	-	23,309	-	23,309
75,000	-	-	-	75,000	-	75,000
3,317	-	-	-	448,033	(448,033)	-
1,138	-	-	-	15,263	-	15,263
-	-	-	-	-	33,702,607	33,702,607
<u>\$ 204,367</u>	<u>\$ -</u>	<u>\$ 10,725,693</u>	<u>\$ 21,580</u>	<u>\$ 20,406,870</u>	<u>\$ 33,254,574</u>	<u>\$ 53,661,444</u>
\$ 47,395	\$ 27,159	\$ 1,042,350	\$ -	\$ 1,340,071	\$ -	\$ 1,340,071
2,700	-	-	-	12,812	-	12,812
-	195,405	-	-	448,033	(448,033)	-
-	-	507,120	-	507,701	-	507,701
-	-	23,087	-	23,249	-	23,249
-	-	300,000	-	418,327	-	418,327
-	-	-	-	-	58,388	58,388
-	-	-	-	8,088,910	(8,056,689)	32,221
-	-	-	-	-	14,389	14,389
-	-	-	-	-	15,674	15,674
-	165,999	610,789	-	776,788	-	776,788
<u>50,095</u>	<u>388,563</u>	<u>2,483,346</u>	<u>-</u>	<u>11,615,891</u>	<u>(8,416,271)</u>	<u>3,199,620</u>
-	-	-	-	-	32,388,636	32,388,636
-	(388,563)	-	21,580	298,360	15,367,202	15,665,562
154,272	-	-	-	154,272	-	154,272
-	-	8,242,347	-	8,242,347	(5,988,993)	2,253,354
-	-	-	-	96,000	(96,000)	-
<u>154,272</u>	<u>(388,563)</u>	<u>8,242,347</u>	<u>21,580</u>	<u>8,790,979</u>	<u>41,670,845</u>	<u>50,461,824</u>
<u>\$ 204,367</u>	<u>\$ -</u>	<u>\$ 10,725,693</u>	<u>\$ 21,580</u>	<u>\$ 20,406,870</u>	<u>\$ 33,254,574</u>	<u>\$ 53,661,444</u>

The accompanying notes are an integral part of the financial statements.

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**STATE OF ILLINOIS
ILLINOIS MEDICAL DISTRICT COMMISSION
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
AND THE STATEMENT OF NET ASSETS
JUNE 30, 2005**

Adjustments necessary to convert the Governmental Funds Balance Sheet to the Statement of Net Assets are as follows:

Governmental funds combined fund balance	\$ 8,790,979
Capital assets not reported in the fund financial statements are included in the Statement of Net Assets	33,702,607
Revenue deferred in the fund financial statements due to availability is recognized on the Statement of Net Assets	8,056,689
Compensated absences for vacation and sick time not included in the fund financial statements are included in the Statement of Net Assets.	(58,388)
Capital lease obligations not reported in fund financial statements are included in the Statement of Net Assets	(30,063)
Net Assets	<u>\$ 50,461,824</u>

STATE OF ILLINOIS
ILLINOIS MEDICAL DISTRICT COMMISSION
STATEMENTS OF GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

	GENERAL REVENUE FUND-001	CAPITAL DEVELOPEMENT FUND-141	PROPERTY MANAGEMENT FUND-1240	CHICAGO TECHNOLOGY RESEARCH CENTER FUND-1265	CHICAGO TECHNOLOGY PARK FUND-1266
EXPENDITURES/EXPENSES:					
Property management and development	\$ 192,000	\$ -	\$ 688,048	\$ 1,154,746	\$ 548,399
Program expense	-	-	-	-	-
Depreciation	-	-	-	-	-
Debt service:					
Principal	-	-	12,821	4,892	-
Interest	-	-	12,129	900	-
Capital Outlay	-	481,375	47,351	20,241	-
Total Expenditures/Expenses	192,000	481,375	760,349	1,180,779	548,399
PROGRAM REVENUES:					
Grants	-	-	-	-	-
Rental income	-	-	581,356	758,141	801,937
Improvements/Repairs income	-	-	-	4,802	-
Proceeds from the sale of real property	-	-	363,266	-	-
Services income	-	-	87,954	26,795	9,597
Total Program Revenues	-	-	1,032,576	789,738	811,534
Net Program Expense	192,000	481,375	(272,227)	391,041	(263,135)
GENERAL REVENUES:					
State appropriations	192,000	481,375	-	-	-
Interest income	-	-	5,369	42	4,119
Reimbursements from appropriated funds	-	-	-	15,593	-
Other income	-	-	1,935	2,470	2
Total General Revenues	192,000	481,375	7,304	18,105	4,121
Gain (loss) on disposal of capital assets	-	-	-	-	-
Capital transfers from other state agencies	-	-	-	-	-
Change in Fund Balances/ Net Assets	-	-	279,531	(372,936)	267,256
FUND BALANCES/NET ASSETS					
Beginning of the year (as originally stated)	-	-	80,138	128,720	378,634
Prior period adjustment	-	-	-	-	-
Beginning of the year (as restated)	-	-	80,138	128,720	378,634
End of the year	\$ -	\$ -	\$ 359,669	\$ (244,216)	\$ 645,890

The accompanying notes are an integral part of the financial statements.

CHICAGO TECHNOLOGY PARK CORP FUND-1376	IMD REVOLVING FUND-1337	IMD RESTRICTED FUND-1377	DISTRICT MEMBER COUNCIL FUND-1338	TOTAL	ADJUSTMENTS	STATEMENT OF ACTIVITIES
\$ -	\$ 1,947	\$ 79,994	\$ 5,833	\$ 2,670,967	\$ 18,769	\$ 2,689,736
458,904	-	-	-	458,904	-	458,904
-	-	-	-	-	658,923	658,923
-	-	-	-	17,713	(17,713)	-
-	-	23,087	-	36,116	-	36,116
401	487,423	2,625,012	-	3,661,803	(3,661,803)	-
459,305	489,370	2,728,093	5,833	6,845,503	(3,001,824)	3,843,679
213,548	-	-	-	213,548	(67,171)	146,377
-	350	-	-	2,141,784	-	2,141,784
-	-	-	-	4,802	-	4,802
-	-	-	-	363,266	(363,266)	-
-	-	-	-	124,346	-	124,346
213,548	350	-	-	2,847,746	(430,437)	2,417,309
245,757	489,020	2,728,093	5,833	3,997,757	(2,571,387)	1,426,370
-	-	-	-	673,375	-	673,375
3,651	552	191,879	100	205,712	-	205,712
-	219,162	-	-	234,755	(234,755)	-
2,782	1,779	-	-	8,968	-	8,968
6,433	221,493	191,879	100	1,122,810	(234,755)	888,055
-	-	-	-	-	(1,332)	(1,332)
-	-	-	-	-	235,239	235,239
(239,324)	(267,527)	(2,536,214)	(5,733)	(2,874,947)	2,570,539	(304,408)
393,596	(121,036)	10,778,561	27,313	11,665,926	-	49,278,224
-	-	-	-	-	1,488,008	1,488,008
393,596	(121,036)	10,778,561	27,313	11,665,926	4,058,547	50,766,232
\$ 154,272	\$ (388,563)	\$ 8,242,347	\$ 21,580	\$ 8,790,979		\$ 50,461,824

The accompanying notes are an integral part of the financial statements.

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STATE OF ILLINOIS
 ILLINOIS MEDICAL DISTRICT COMMISSION
 RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES AND THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2005

Adjustments necessary to convert the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities are as follows:

Change in Fund Balances	\$ (2,874,947)
Debt service principal payments are expenditures in the Statement of Revenues, Expenditures and Changes in Fund Balances but are reductions of liabilities on the Statement of Net Assets	17,713
Capital assets transferred from other state agencies has no effect on the Statement of Revenues, Expenditures and Changes in Fund Balances but increases net assets on the Statement of Activities	235,239
Proceeds from the sale of capital assets are recognized on the fund financial statements, but only the gain on the sale is reconized on the Statement of Activities	(364,598)
Capital assets reported as capital outlay in governmental funds are capitalized and depreciated over their estimated useful lives in the Statement of Activities	2,700,592
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds	<u>(18,407)</u>
Change in Net Assets	<u>\$ (304,408)</u>

**STATE OF ILLINOIS
ILLINOIS MEDICAL DISTRICT COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

1. ORGANIZATION

The Illinois Medical District Commission (Commission) is a special district created by statute (70 ILCS 915/0.01 et. seq.), is considered part of the executive branch of the State of Illinois, and operates under the authority and review of the Illinois General Assembly. The Commission operates under a budget approved by the General Assembly appropriated for the use of the Commission and from locally held funds which are held in local banking institutions. Activities of the Commission are subject to the authority of the Office of the Governor, the State's chief executive officer, and other departments of the executive and legislative branches of government (such as the Comptroller's Office) as defined by the General Assembly. All funds appropriated to the Commission are under the custody and control of the State Treasurer. All other cash received is deposited in locally held funds under the control of Commission management.

The purpose of the Commission is to maintain the proper surroundings for a medical center and a related technology center in order to attract, stabilize, and retain therein hospitals, clinics, research facilities, or other facilities permitted under the Illinois Medical District Act (Act). Also, the Commission is to provide for the orderly creation and expansion of various county and local governmental facilities, other ancillary or related facilities, medical research and high technology parks, together with the necessary lands, buildings, facilities, equipment, and personal property as permitted under the Act, and administering and exercising ultimate authority for the Chicago Technology Park.

2. SIGNIFICANT ACCOUNTING PRINCIPLES AND POLICIES

The accompanying basic financial statements of the Commission have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as prescribed in pronouncements of the Governmental Accounting Standards Board ("GASB").

Financial Reporting Entity

As defined by GAAP, the financial reporting entity consists of a primary government, as well as its component units, which are legally separate organizations for which the officials of the primary government are financially accountable. Financial accountability is defined as:

1. Appointment of a voting majority of the component unit's board and either (a) the primary government's ability to impose its will, or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or
2. Fiscal dependency on the primary government.

Based upon the required criteria, the Commission is a component unit of the State of Illinois financial reporting entity. The financial balances and activities included in these basic financial statements are, therefore, also included in the State's comprehensive annual financial report. The State of Illinois' Comprehensive Annual Financial Report may be obtained by writing to the State Comptroller's Office, Financial Reporting Department, 325 West Adams Street, Springfield, IL 62704-1871.

The Commission's reporting entity includes the Commission's governing board and all related organizations for which the Commission exercises oversight responsibility.

STATE OF ILLINOIS
ILLINOIS MEDICAL DISTRICT COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

2. SIGNIFICANT ACCOUNTING PRINCIPLES AND POLICIES (continued)

Financial Reporting Entity (continued)

The commission has determined that the Chicago Technology Park Corporation meets the above criteria; therefore, it has been included as a blended component unit in this financial report. Condensed Financial statements for Chicago Technology Park Corporation are included in note 10.

Basis of Presentation

The financial activities of the Commission consist only of governmental activities. For reporting purposes, the Commission has combined the fund and government-wide financial statements using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column. The Commission reports all funds as major funds. A brief description of the Commission's government-wide and fund financial statements is as follows:

Government-wide Statements: The government-wide Statement of Net Assets and Statement of Activities report the overall financial activity of the Commission. Eliminations have been made to minimize the double-counting of internal activities of the Commission. The financial activities of the Commission consist only of governmental activities, which are primarily supported by rental income and appropriations from the State of Illinois.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function (i.e. general government) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (a) rent and charges paid by the tenants and (b) grants that are restricted to meeting the operational or capital requirements of the Commission's primary function. Revenues that are not classified as program revenues, including all appropriations, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Commission's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. For fiscal year 2005, all of the Commission's funds are reported as major funds.

The Commission administers the following major governmental funds (or portions thereof in the case of shared funds of the State):

Major Funds

General Revenue Fund (001) – This is the State's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The activities which are administered by the Commission and accounted for in the general fund include, among others, development of the Medical District. This fund is an appropriated, shared fund that is held in the State Treasury.

Capital Development Fund (141) – This fund accounts for purchases of property, construction of new property, permanent improvements, and renovations to existing State properties. This fund is an appropriated, shared fund that is held in the State Treasury.

STATE OF ILLINOIS
ILLINOIS MEDICAL DISTRICT COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

2. SIGNIFICANT ACCOUNTING PRINCIPLES AND POLICIES (continued)

Major Funds (continued)

Property Management Fund (1240) - Revenue is derived from the management of real property and ancillary services, parking, as well as payments from installment sale agreements from the University of Illinois and the Illinois State Police. Expenditures are for the maintenance of the property and the related administrative costs. This Fund is a non-appropriated, locally administered fund.

Chicago Technology Research Center Fund (1265) - Revenue is received from rental income from the rental of lab space in the Research Center Incubator facility. Expenditures are for the maintenance of the rental property and for the related administrative costs of the facility. This Fund is a non-appropriated, locally administered fund.

Chicago Technology Park Fund (1266) - Revenue is received from the rental of space within the two Enterprise Centers and other park facilities. Expenditures are for the maintenance of the properties and for the related administrative costs. This Fund is a non-appropriated, locally administered fund.

Chicago Technology Park Corporation (1376) - Is an Illinois not-for-profit corporation that was organized to directly or indirectly assist the Illinois Medical District Commission with its statutory mission of developing and maintaining the Chicago Technology Park. It primarily receives grant funding for programs operated by the Commission. This is a non-appropriated, locally administered fund.

IMD Revolving Fund (1337) - This Fund was established to enable the prompt payment of relocation and related costs for the District Development Project and is generally used to immediately pay invoices which will later be reimbursed from the Capital Development Fund appropriation. Revenue includes reimbursements from the State of Illinois and tax and other credits collected in property closings. Expenditures are for expenses of the District Development Project and rehabilitation projects within the District. This Fund is a non-appropriated, locally administered fund.

IMD Restricted Fund (1377) - Revenue is received from the sale of land held by the Commission; or from the Commission or third parties in accordance with other agreements or capital projects entered into by the Commission. Expenditures are generally capital asset acquisitions. In accordance with the agreements, each of these accounts are held in escrow accounts at Chicago Title and Trust. This Fund is a non-appropriated, locally administered fund.

District Member Council Fund (1338) - This Fund was established to segregate funds for projects agreed upon by the District Member Council (Representatives of the four major institutions in the Illinois Medical District) for which contributions are made by the institutions to cover costs. Projects to date have included joint marketing materials, banners and landscaping in specific areas. This Fund is a non-appropriated, locally administered fund.

STATE OF ILLINOIS
ILLINOIS MEDICAL DISTRICT COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

2. SIGNIFICANT ACCOUNTING PRINCIPLES AND POLICIES (continued)

Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Revenue from grants, entitlements, and similar items are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been met.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Commission considers revenues to be available if they are collectible within 60 days of the end of the current fiscal year. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, principal and interest on general long-term debt, claims and judgments, and compensated absences are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Other significant revenue sources which are susceptible to accrual include rental revenue and revenue for services provided to tenants, such as telephone, fax, or copier use. Rent and service fees are recognized as revenues as they are earned. Sales of real property under installment purchase agreements have also been accrued.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Appropriations made from the State of Illinois General Revenue and Capital Development Funds for the benefit of the Commission are recognized as revenues to the extent expended, limited to available appropriations.

Shared Fund Presentation

The financial statement presentation for the General Revenue and Capital Development Funds represent only the portion of shared funds that can be directly attributed to the operations of the Commission. Financial statements for total fund operations of the shared State funds are presented in the State of Illinois' Comprehensive Annual Financial Report.

In presenting these financial statements, certain unique accounts are used for the presentation of shared funds. The following accounts are used in these financial statements to present the Commission's portion of shared funds:

Unexpended Appropriation

This "asset" account represents lapse period warrants issued between July and August annually in accordance with the Statewide Accounting Management System (SAMS) records plus any liabilities relating to obligations re-appropriated to the subsequent fiscal year.

STATE OF ILLINOIS
ILLINOIS MEDICAL DISTRICT COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

2. SIGNIFICANT ACCOUNTING PRINCIPLES AND POLICIES (continued)

Shared Fund Presentation (continued)

State Appropriations

This "General Revenue" account represents the final legally adopted appropriation according to SAMS records to the extent it was expended by the commission. The amounts reported are net of any re-appropriations to subsequent years and the difference between current and prior year liabilities for re-appropriated accounts. Re-appropriations reflect that State's realignment of the budgetary needs to the subsequent year and avoid double counting a portion of the appropriation in more than one fiscal year.

Cash and Cash Equivalents

Cash and cash equivalents include certificates of deposit and treasury bills with a maturity of 90 days or less at the time of acquisition, money market accounts, and cash in banks for locally held funds.

Investments

Investments include certificates of deposit and a United States Treasury Note with maturities in excess of 90 days at the time of acquisition. Investments are carried at cost which approximates fair market value.

Accounts and Notes Receivable

Accounts receivable include amounts due from tenants for rent, parking, or other chargeable costs; and for grants and are presented net of an allowance for doubtful accounts. Notes receivable includes amounts due from the University of Illinois and the Illinois State Police related to installment sales of real property.

Capital Assets

Capital assets includes property and equipment which are reported at cost. Contributed assets are reported at estimated fair value when received. Capital assets are depreciated using the straight-line method.

Capitalization thresholds and the estimated useful lives are as follows:

<u>Capital Asset Category</u>	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Land	\$ 100,000	N/A
Land Improvements	25,000	N/A
Site Improvements	25,000	3-50
Buildings	100,000	10-60
Building Improvements	25,000	10-45
Equipment	5,000	3-25

STATE OF ILLINOIS
ILLINOIS MEDICAL DISTRICT COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

2. SIGNIFICANT ACCOUNTING PRINCIPLES AND POLICIES (continued)

Compensated Absences

The liability for compensated absences reported in the government-wide financial statements consists of unpaid, accumulated vacation and sick leave balances for Commission employees. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. The liability has been calculated based on the employees' current salary level and includes salary related costs (e.g., FICA and Medicare tax).

Legislation that became effective January 1, 1998 capped the paid sick leave for all State Employee's Retirement System members at December 31, 1997. Employees continue to accrue twelve sick days per year, but will not receive monetary compensation for any additional time earned after December 31, 1997. Sick days earned between 1984 and December 31, 1997 (with a 50% cash value) would only be used after all days with no cash value are depleted. Any sick days earned and unused after December 31, 1997 will be converted to service time for purposes of calculating employee pension benefits.

Fund Balances

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for specific purposes. Designations of fund balances represent tentative Commission plans that are subject to change.

Net Assets

In the government-wide financial statements, equity is displayed in three components as follows:

Invested in Capital Assets, Net of Related Debt – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of capital lease obligations, lines of credit, and other liabilities that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the Commission's policy to use restricted resources first, then unrestricted resources when they are needed.

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

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

STATE OF ILLINOIS
ILLINOIS MEDICAL DISTRICT COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

2. SIGNIFICANT ACCOUNTING PRINCIPLES AND POLICIES (continued)

Interfund Transactions

The Commission has the following types of interfund transactions between Commission funds and funds of other State agencies:

Loans – amounts provided with a requirement for repayment. Interfund loans are reported as interfund receivables (i.e., due from other funds) in lender funds and interfund payables (i.e., due to other funds) in borrower funds. The following loans existed as of June 30, 2005:

(in thousands)

<u>Fund</u>	<u>Due from other funds</u>	<u>Due to other funds</u>
001	\$ -	\$ 16
1265	-	237
1240	245	-
1266	200	-
1337	-	195
1376	3	-

Services provided and used – sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds. Unpaid amounts are reported as interfund receivables and payables in the fund balance sheets.

Reimbursements – repayments from the funds responsible for particular expenditures to the funds that initially paid for them. Reimbursements have been eliminated in the Statement of Activities.

3. BUDGETARY BASIS VS. GAAP

No adjustments were necessary to convert the fund balances shown in the Budgetary Comparison Schedule from the GAAP basis to the budgetary basis of accounting.

4. DEPOSITS AND INVESTMENTS

GASB Statement No. 40 *Deposit and Investment Risk Disclosures* was implemented in fiscal year 2005. In summary, GASB Statement No. 40 requires general disclosures by investment type with disclosures of the specific risks those investments are exposed to. Investments exposed to credit risk, custodial credit risk, concentrations of credit risk, interest rate risk, and foreign currency risk must be disclosed and the deposit and investment policies (or the lack of a policy) that relate to these risks must be described, if the reporting entity is exposed to them.

The State Treasurer is the custodian of the State's cash and cash equivalents for funds maintained in the State Treasury. The Commission independently manages cash and cash equivalents maintained outside the State Treasury.

The Public Funds Investment Act and Public Funds Deposit Act (30 ILCS 235/1 et seq. and 30 ILCS 225/1 et seq.) provide general guidance concerning the criteria to be met for the placement of public funds in a financial institution and the types of investment instruments

**STATE OF ILLINOIS
ILLINOIS MEDICAL DISTRICT COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

4. DEPOSITS AND INVESTMENTS (continued)

permitted. These statutes authorize the Commission to purchase certain obligations of the U.S. Treasury, federal agencies and instrumentalities; certificates of deposit and time deposits covered by Federal depository insurance; commercial paper of U.S. corporations with assets exceeding \$500,000,000, if such paper rated at the highest classification established by at least two standard rating services; money market mutual funds and investment in the Illinois Funds.

A reconciliation of deposits and investments presented below and the financial statement captions shown on the Statement of Net Assets for the year ended June 30, 2005 is as follows:

Carrying amount of deposits	\$ 3,036,260	Cash and Cash Equivalents	\$ 9,083,608
Carrying amount of investments	8,456,009	Investments	2,408,661
	<u>\$ 11,492,269</u>		<u>\$ 11,492,269</u>

Deposits

The Commission utilizes several different bank accounts for the various activities of the Commission. The book balance of such accounts was \$3,036,260 at June 30, 2005, while the bank balance was \$2,997,559 at June 30, 2005. The difference between the above amounts primarily represents checks and deposits which had not cleared the bank. All deposits were fully insured by the Federal Deposit Insurance Corporation (FDIC) or securities pledged as collateral by the financial institution.

	Carrying Amount	Bank/Agency Balance
Cash in bank	\$ 860,839	\$ 795,078
Money market	73,529	100,589
Certificates of Deposit	2,101,892	2,101,892
	<u>\$ 3,036,260</u>	<u>\$ 2,997,559</u>

Investments

As of June 30, 2005 the Commission had the following investments:

<u>Investment</u>	<u>Maturity Date</u>	<u>Carrying Amount / Fair Value</u>
U.S. Treasury Notes	8/31/2006	\$ 306,769
U.S. Treasury Bills	7/28/2005	8,149,240
		<u>\$ 8,456,009</u>

Interest Rate Risk

The Commission does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**STATE OF ILLINOIS
ILLINOIS MEDICAL DISTRICT COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

5. ACCOUNTS AND NOTES RECEIVABLE

Accounts receivable include amounts due from tenants for rent, parking, or other chargeable costs and amounts due under grant agreements. The following table presents the amounts due to each fund as well as the related allowance for doubtful accounts.

(in thousands)

<u>Fund</u>	<u>Accounts Receivable</u>	<u>Allowance</u>	<u>Net Receivable</u>
1240	\$ 101	\$ -	\$ 101
1265	216	(107)	109
1266	28	-	28
1376	43	-	43
	<u>\$ 388</u>	<u>\$ (107)</u>	<u>\$ 281</u>

Notes receivable inclusive of imputed interest represents two installment sales contracts. The first contract is with the University of Illinois and relates to the land portion only of the transaction described in Note 12. The contract calls for annual principal payments of \$215,700 each December 1 through the year 2032. At the fund level statements, this uncollected revenue has been deferred due to the availability criteria.

The second contract was entered into with the Illinois State Police (ISP) in July 2004. In accordance with this contract, the Commission sold certain parcels of land and agreed to construct a parking lot thereon. In turn, the ISP will make annual payments (inclusive of imputed interest) over 20 years, totaling \$2,164,668. At the fund level statements, this uncollected revenue has been deferred due to the availability criteria.

6. CAPITAL ASSETS

(In thousands)	July 1, 2004 Restated Balance	Additions	Deletions	Adjustments	June 30, 2005 Ending Balance
Land and Land improvements	\$ 23,240	\$ 2,244	\$ (425)	\$ -	\$ 25,059
Construction in progress	808	265	-	116	1,189
Site improvements	1,427	773	(908)	-	1,292
Buildings and Building improvements	8,832	216	(719)	(79)	8,250
Equipment	351	50	(157)	(37)	207
Total Cost	<u>34,658</u>	<u>3,548</u>	<u>(2,209)</u>	<u>-</u>	<u>35,997</u>
Less Accumulated Depreciation:					
Site improvements	11	75	-	-	86
Buildings	1,486	541	-	37	2,064
Equipment	181	43	(43)	(37)	144
Total	<u>1,678</u>	<u>659</u>	<u>(43)</u>	<u>-</u>	<u>2,294</u>
Capital Assets, Net	<u>\$ 32,980</u>	<u>\$ 2,889</u>	<u>\$ (2,166)</u>	<u>\$ -</u>	<u>\$ 33,703</u>

Included in additions are capital assets transferred from other state agencies.

STATE OF ILLINOIS
ILLINOIS MEDICAL DISTRICT COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

7. LINES OF CREDIT AND LONG-TERM DEBT

Lines of Credit

The Commission had a \$300,000 operating line of credit from Cole Taylor Bank at a variable interest rate, currently at 6.25%, with a maturity date of October 15, 2005. Subsequent to June 30, 2005, the line was renewed again for an additional year to October 15, 2006 at the same rate of interest. This line of credit was used to fund the Revolving Fund (1337).

On May 12, 2005, the Commission entered into a second line of credit ("Property Credit Line") with Cole Taylor Bank. This line allows for a maximum balance of \$2,000,000 at an interest rate of 5.05% and matures on May 12, 2006. This line is collateralized by certain Commission investments that are held by Cole Taylor Bank. This line of credit was established to make property acquisitions in the District, and is intended to be repaid by funds received from the State's capital budget at a later date.

Changes in short-term debt were as follows:

(in thousands)	Balance <u>June 30, 2004</u>	Net Advances	Balance <u>June 30, 2005</u>
Operating Line of Credit	\$ -	\$ 166	\$ 166
Property Credit Line	-	611	611
Total	<u>\$ -</u>	<u>\$ 777</u>	<u>\$ 777</u>

8. CAPITALIZED LEASE OBLIGATIONS

The Commission leases office equipment with a cost and accumulated depreciation of \$78 thousand and \$48 thousand, respectively, under capital lease arrangements at June 30, 2005. Future minimum lease payments at June 30, 2005 are as follows (in thousands):

<u>Fiscal Year</u>	<u>Amount</u>
2006	\$ 14
2007	8
2008	7
2009	<u>3</u>
Total Minimum lease payments	32
Less: amounts representing interest	<u>2</u>
Present value of minimum lease payments	<u><u>\$ 30</u></u>

9. RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; workers compensation, and natural disasters.

The Commission maintains commercial coverage for its automobiles, workers compensation and property liability.

**STATE OF ILLINOIS
ILLINOIS MEDICAL DISTRICT COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

10. COMPONENT UNIT

Condensed fund financial statements for Chicago Technology Park Corporation, an Illinois not-for-profit corporation, as of and for the year ended June 30, 2005 are as follows (in thousands):

Condensed Balance Sheet	Condensed Statement of Revenues, Expenditures, and Changes in Fund Balance																																																
<table border="0" style="width: 100%;"> <tr> <td colspan="2">Assets</td> </tr> <tr> <td style="padding-left: 20px;">Cash</td> <td style="text-align: right;">\$ 82</td> </tr> <tr> <td style="padding-left: 20px;">Accounts receivable</td> <td style="text-align: right;">43</td> </tr> <tr> <td style="padding-left: 20px;">Due from other State funds</td> <td style="text-align: right;">75</td> </tr> <tr> <td style="padding-left: 20px;">Other assets</td> <td style="text-align: right;">4</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;"><u>\$ 204</u></td> </tr> <tr> <td colspan="2">Liabilities</td> </tr> <tr> <td style="padding-left: 20px;">Accounts payable</td> <td style="text-align: right;">\$ 50</td> </tr> <tr> <td colspan="2">Fund Balance</td> </tr> <tr> <td style="padding-left: 20px;">Reserved</td> <td style="text-align: right;">154</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;"><u>\$ 204</u></td> </tr> </table>	Assets		Cash	\$ 82	Accounts receivable	43	Due from other State funds	75	Other assets	4		<u>\$ 204</u>	Liabilities		Accounts payable	\$ 50	Fund Balance		Reserved	154		<u>\$ 204</u>	<table border="0" style="width: 100%;"> <tr> <td colspan="2">Revenue</td> </tr> <tr> <td style="padding-left: 20px;">Grants</td> <td style="text-align: right;">\$ 214</td> </tr> <tr> <td style="padding-left: 20px;">Interest</td> <td style="text-align: right;">3</td> </tr> <tr> <td style="padding-left: 20px;">Other income</td> <td style="text-align: right;">3</td> </tr> <tr> <td colspan="2">Expenditures</td> </tr> <tr> <td style="padding-left: 20px;">Program expense</td> <td style="text-align: right;">(459)</td> </tr> <tr> <td colspan="2">Change in Fund Balance</td> </tr> <tr> <td></td> <td style="text-align: right;">(239)</td> </tr> <tr> <td colspan="2">Beginning Fund Balance</td> </tr> <tr> <td style="padding-left: 20px;">Reserved for grant activities</td> <td style="text-align: right;">393</td> </tr> <tr> <td colspan="2">Ending Fund Balance</td> </tr> <tr> <td style="padding-left: 20px;">Reserved for grant activities</td> <td style="text-align: right;">\$ 154</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;"><u>\$ 154</u></td> </tr> </table>	Revenue		Grants	\$ 214	Interest	3	Other income	3	Expenditures		Program expense	(459)	Change in Fund Balance			(239)	Beginning Fund Balance		Reserved for grant activities	393	Ending Fund Balance		Reserved for grant activities	\$ 154		<u>\$ 154</u>
Assets																																																	
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11. PENSION PLAN

The Commission's full-time employees who are considered employees of the State participate in the State Employee's Retirement System (SERS), which is a pension trust fund in the State of Illinois reporting entity. The SERS is a single-employer defined benefit public employee retirement system (PERS) in which State employees participate, except those covered by the State Universities, Teachers', General Assembly, and Judges' Retirement Systems. The financial position and results of operations of the SERS for fiscal year 2005 are included in the State of Illinois' Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2005. The SERS issues a separate CAFR that may be obtained by writing to the SERS, 2101 South Veterans Parkway, Springfield, Illinois, 62794-9255.

A summary of SERS benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established are included as an integral part of the SERS' CAFR. Also included is a discussion of employer and employee obligations to contribute and the authority under which those obligations are established.

The Commission pays employer retirement contributions based upon an actuarially determined percentage of their payrolls. For fiscal year 2005, the employer contribution rate was 16.107%.

Effective for pay periods beginning after December 31, 1991, the State opted to pay the employee portion of retirement for most State agencies (including the Commission) with employees covered by the State Employees' and Teachers' Retirement Systems. Generally, this "pickup" of employees' retirement was part of the fiscal year 2005 budget process. The pickup is subject to sufficient annual appropriations and those employees covered may vary across employee groups and State agencies.

**STATE OF ILLINOIS
ILLINOIS MEDICAL DISTRICT COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

12. CONDUIT DEBT

On June 1, 2002, the Commission issued \$30,625,000 of certificates of participation in connection with the construction of an office building for the use of the University of Illinois, near its facility on the west side of Chicago. These certificates will mature each June 1 from 2004 to 2032 at various amounts. The coupon rate on the certificates of participation varies from 2.35% to 5.25% with interest paid semi-annually on June 1 and December 1. The balance outstanding was \$29.8 million as of June 30, 2005.

In connection with the issuance, the Commission entered into an installment purchase contract with the University of Illinois for the aforementioned building and the respective land on which it stands. The installment payments related to the building are scheduled at the same time and the same amounts as the payments on the certificates of participation. In addition, as part of the issuance process, the Commission purchased credit insurance on the certificates of participation which guarantees the payments of principal and interest when they become due.

13. LITIGATION

On September 1, 2005 the Commission and the Chicago Technology Park Corporation, a component unit of the Commission, were named defendants in a lawsuit seeking judgment of \$243,000. The Commission and the Chicago Technology Park Corporation intend to vigorously contest this matter and believes the outcome will be in favor of the Commission and the Chicago Technology Park Corporation. Therefore, no liability amount has been recorded on the financial statements as of June 30, 2005.

14. DEFICIT FUND BALANCE

The Commission has two funds with deficit balances: Chicago Technology Research Center (1265) and IMD Revolving Fund (1337). The deficit fund balance as of June 30, 2005 was \$244 thousand and \$389 thousand, respectively. The Commission plans to restore the deficit by transferring amounts from other funds.

15. COMMITMENTS

The Chicago Technology Park Corporation, a component unit of the Commission, received a grant from the U.S. Department of Labor (BiTmaP) in 2004 to train unemployed and/or underemployed information technology professionals in the field of bioinformatics. Under the terms of this grant the Agency has contracted with the University of Illinois at Chicago to provide training over a three year period starting May 2, 2005 and ending December 31, 2007. The total cost of this contract is \$1,843,345, of which \$42,893 was incurred during the year ended June 30, 2005.

16. SUBSEQUENT EVENTS

In January of 2006, the Commission intends to issue series 2006 A tax-exempt revenue bonds and Series 2006 B taxable revenue bonds in the total amount of \$40,000,000. The proceeds are to be used for the purchase, development, construction and/or renovation of real property within the District.

STATE OF ILLINOIS
ILLINOIS MEDICAL DISTRICT COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

17. PRIOR PERIOD ADJUSTMENT

During the current fiscal year, management identified certain relocation costs and architect fees from prior periods that had not been reported on the Commission's capital assets. Management also identified several duplicate entries in the database used to track capital assets.

This restatement had no effect at the governmental fund level. At the government wide level, the impact of this restatement was to increase land & land improvements by \$679,814 and construction in progress by \$808,194 with a corresponding increase to net assets, invested in capital assets, net of related debt.

STATE OF ILLINOIS
 ILLINOIS MEDICAL DISTRICT COMMISSION
 BUDGETARY COMPARISON SCHEDULE - GENERAL REVENUE FUND
 FOR THE YEAR ENDED JUNE 30, 2005

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2004	\$ -	\$ -	\$ -	\$ -
State Appropriations	192,000	192,000	192,000	-
Expenditures				
Ordinary and contingent expenses	192,000	192,000	192,000	-
Total Expenditures	192,000	192,000	192,000	-
Budgetary Fund Balance, June 30, 2005	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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**STATE OF ILLINOIS
ILLINOIS MEDICAL DISTRICT COMMISSION**

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 Expenditures of Federal Awards
- Notes to the Schedule of Expenditures of Federal Awards
- Schedules of Appropriations, Expenditures and Lapsed Balances
- Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances
- Schedule of Efficiency Initiative Payments
- Comparative Schedule of Receipts, Disbursements and Fund Balance
(Cash Basis) – Locally Held Funds
- Schedule of Changes in State Property
- Comparative Schedule of Expenditures – Locally Held Funds (Non-appropriated)
- Comparative Schedule of Revenues – Locally Held Funds
- Analysis of Significant Variations in Expenditures
- Analysis of Significant Variations in Revenue
- Analysis of Significant Account Balances
- Analysis of Accounts Receivable

- **Analysis of Operations**

- Commission Functions and Planning Program
- Average Number of Employees
- Emergency Purchases
- Illinois First Funds (Unaudited)
- Service Efforts and Accomplishments (Unaudited)

The auditors' report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states that it has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in the auditors' opinion, except for the portion marked "Unaudited," on which they express no opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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**STATE OF ILLINOIS
ILLINOIS MEDICAL DISTRICT COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005**

<u>Federal Grantor / Pass Through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Contract Number</u>	<u>Expenditures</u>
U.S. Department of Labor Employment and Training Administration Pilots, Demonstrations, and Research Projects	17.261		\$ 138,548
Total Federal Awards Expended			<u>\$ 138,548</u>

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. The above federal grant was awarded to and expended by the Chicago Technology Park Corporation, which has been reported as a blended component unit of the Illinois Medical District Commission in the accompanying basic financial statements.

Note 2. Basis of Presentation

The above schedule of expenditures of federal awards was prepared on the modified accrual basis of accounting. The expenditures reported above include both the Federal funds and matching funds expended.

STATE OF ILLINOIS
ILLINOIS MEDICAL DISTRICT COMMISSION
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
APPROPRIATIONS FOR FISCAL YEAR 2005

FOURTEEN MONTHS ENDED AUGUST 31, 2005

	Appropriations (Net after Transfers)	Expenditures Through 6/30/05	Lapse period Expenditures 7/1 - 8/31/05	Total Expenditures	Balances Lapsed
<u>Public Act 93-0842</u>					
<u>General Revenue Fund - 001</u>					
Ordinary and Contingent Expenses	\$ 192,000	\$ 176,407	\$ 15,593	\$ 192,000	\$ -
Subtotal Fund - 001	<u>192,000</u>	<u>176,407</u>	<u>15,593</u>	<u>192,000</u>	<u>-</u>
<u>Public Act 93-0842</u>					
<u>Capital Development Fund - 141</u>					
Re-appropriation of FY04 unexpended funds	10,767	3,904	-	3,904	6,863
Re-appropriation of FY04 unexpended funds	477,572	477,472	-	477,472	100
Subtotal Fund - 141	<u>488,339</u>	<u>481,376</u>	<u>-</u>	<u>481,376</u>	<u>6,963</u>
TOTAL - ALL FUNDS	<u>\$ 680,339</u>	<u>\$ 657,783</u>	<u>\$ 15,593</u>	<u>\$ 673,376</u>	<u>\$ 6,963</u>

Note: Appropriations, fourteen month expenditures and lapsed balances are taken from Commission records and have been reconciled to the records of the State Comptroller.

**STATE OF ILLINOIS
ILLINOIS MEDICAL DISTRICT COMMISSION
COMPARATIVE SCHEDULE OF APPROPRIATIONS, EXPENDITURES
AND LAPSED BALANCES**

	Fiscal Year		
	2005	2004	2003
<u>General Revenue Fund - 001</u>	P.A. 93-0842	P.A. 93-0069	P.A. 92-0538
Appropriations (net after transfers)	\$ 192,000	\$ 500,000	\$ 1,118,800
Expenditures:			
Personal services	-	-	315,323
Retirement paid by employer	-	-	11,852
State employee retirement	-	-	32,575
Social security	-	-	23,176
Contractual services	-	-	243,034
Operation of Chicago Technology Park Research Center	-	-	116,882
Ordinary and contingent expenses	192,000	494,732	-
Repairs, maintenance and site improvements within the Medical Center District, City of Chicago	-	-	126,585
Site development and maintenance within the Illinois Medical District Development Area	-	-	167,862
Total Expenditures	<u>192,000</u>	<u>494,732</u>	<u>1,037,289</u>
Lapsed Balances	\$ -	\$ 5,268	\$ 81,511
 <u>Capital Development Fund - 141</u>	 P.A. 93-0842	 P.A. 93-0069	 P.A. 92-0538
Appropriations (net after transfers)	\$ 488,339	\$ 3,713,040	\$ 5,103,116
Expenditures:			
Property acquisitions, demolition, and site improvements within the Medical Center District - Phase IV	-	2,522,428	3,293,822
Re-appropriation of unexpended funds	481,376	702,273	1,096,254
Total Expenditures	<u>481,376</u>	<u>3,224,701</u>	<u>4,390,076</u>
Lapsed Balances	\$ 6,963	\$ 488,339	\$ 713,040
 <u>GRAND TOTAL, ALL FUNDS</u>			
Appropriations (net after transfers)	\$ 680,339	\$ 4,213,040	\$ 6,221,916
Total Expenditures	<u>673,376</u>	<u>3,719,433</u>	<u>5,427,365</u>
Lapsed Balances	<u>\$ 6,963</u>	<u>\$ 493,607</u>	<u>\$ 794,551</u>

Note: The data above was taken from Commission records and have been reconciled to records of the State Comptroller.

**STATE OF ILLINOIS
ILLINOIS MEDICAL DISTRICT COMMISSION
FISCAL SCHEDULES AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005**

SCHEDULE OF EFFICIENCY INITIATIVE PAYMENTS

The Illinois Medical District Commission did not make any efficiency initiative payments in FY 2005.

	2005	2004
PROCUREMENT EFFICIENCY INITIATIVE		
General Revenue Fund-001		
Ordinary and Contingent Expenses	\$ -	\$ 34,815
Sub Total	-	34,815
INFORMATION TECHNOLOGY INITIATIVE		
General Revenue Fund-001		
Ordinary and Contingent Expenses	-	3,580
Sub Total	-	3,580
Grand Total	\$ -	\$ 38,395

This schedule includes only those payments made pursuant to 30 ILCS 105/6p-5. Amounts were obtained from the Commission and reconciled to information from the Office of the State Comptroller.

**STATE OF ILLINOIS
ILLINOIS MEDICAL DISTRICT COMMISSION
FISCAL SCHEDULES AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005**

**COMPARATIVE SCHEDULE OF RECEIPTS, DISBURSEMENTS AND
FUND BALANCES (CASH BASIS) LOCALLY HELD FUNDS**

Below is a cash basis schedule for all locally held funds showing beginning balances, receipts, disbursements, and ending balances for Fiscal Years 2004 and 2005. This schedule presents cash and cash equivalent account balances for each fund.

	Property Management Fund (1240)	Chicago Technology Research Center Fund (1265)	Chicago Technology Park Fund (1266)	Chicago Technology Park Corp Fund (1376)	IMD Revolving Fund (1337)	IMD Restricted Fund (1377)	District Member Council Fund (1338)
Balance July 1, 2003	\$ 122,465	\$ 56,350	\$ 108,925	\$ 136,586	\$ (138,979)	\$ 3,328,661	\$ 2,192
Cash receipts	1,242,979	822,418	806,638	513,528	337,123	11,165,213	69,641
Cash disbursements	(1,219,777)	(756,959)	(529,565)	(335,621)	(242,958)	(3,415,313)	(44,520)
Balance June 30, 2004	<u>\$ 145,667</u>	<u>\$ 121,809</u>	<u>\$ 385,998</u>	<u>\$ 314,493</u>	<u>\$ (44,814)</u>	<u>\$ 11,078,561</u>	<u>\$ 27,313</u>
Balance July 1, 2004	\$ 145,667	\$ 121,809	\$ 385,998	\$ 314,493	\$ (44,814)	\$ 11,078,561	\$ 27,313
Cash receipts	1,484,610	761,589	818,910	262,804	574,645	172,852	101
Cash disbursements	(1,510,255)	(870,855)	(757,360)	(495,278)	(529,831)	(2,851,517)	(5,834)
Balance June 30, 2005	<u>\$ 120,022</u>	<u>\$ 12,543</u>	<u>\$ 447,548</u>	<u>\$ 82,019</u>	<u>\$ -</u>	<u>\$ 8,399,896</u>	<u>\$ 21,580</u>

**STATE OF ILLINOIS
ILLINOIS MEDICAL DISTRICT COMMISSION
SCHEDULE OF CHANGES IN STATE PROPERTY
FOR THE YEAR ENDED JUNE 30, 2005**

	<u>Land and Land Improvements</u>	<u>Site Improvements</u>	<u>Buildings and Improvements</u>	<u>Equipment</u>	<u>Construction in Progress</u>	<u>Total</u>
Restated Balance July 1, 2004	\$ 23,240,383	\$ 1,427,108	\$ 8,831,800	\$ 541,873	\$ 808,194	\$ 34,849,358
Additions	2,244,400	772,320	216,319	77,965	264,192	3,575,196
Deletions	(425,661)	(855,925)	(662,879)	(174,590)	-	(2,119,055)
Transfers in (out), net	-	(51,935)	(56,291)	-	-	(108,226)
Adjustments	-	-	(78,650)	(37,500)	116,150	-
Balance June 30, 2005	<u>\$ 25,059,122</u>	<u>\$ 1,291,568</u>	<u>\$ 8,250,299</u>	<u>\$ 407,748</u>	<u>\$ 1,188,536</u>	<u>\$ 36,197,273</u>

Note: The July 1, 2004 balances include the prior period adjustment as described in note 17 of the Notes to the Financial Statements.

Note: This schedule was prepared from the property control records maintained by the Commission as required by the Illinois Administrative Code (Code) and has been reconciled to the Agency Reports of State Property submitted to the State Comptroller. The property control records are maintained on a basis prescribed by the Code and is different than the capitalization policy adopted by the Commission for financial reporting in accordance with generally accepted accounting principles.

**STATE OF ILLINOIS
ILLINOIS MEDICAL DISTRICT COMMISSION
COMPARATIVE SCHEDULE OF EXPENDITURES - LOCALLY HELD FUNDS (NON-APPROPRIATED)
FOR THE YEAR ENDED JUNE 30,**

The following schedules of locally held fund expenditures have been derived from the audited financial statements of each year presented. The expenditures are presented using the modified accrual basis of accounting and present the locally held fund expenditures of the Commission and its blended component unit. Certain reclassifications have been made to the 2004 amounts in order to conform with the 2005 presentation.

	<u>2005</u>	<u>2004</u>
Property Management Fund (1240)		
Property management and development	\$ 688,048	\$ 1,003,683
Debt service:		
Principal	12,821	15,569
Interest	12,129	3,518
Capital outlay	47,351	42,869
Sub-Total - Fund 1240	<u>760,349</u>	<u>1,065,639</u>
Chicago Technology Research Center Fund (1265)		
Property management and development	1,154,746	719,706
Debt service:		
Principal	4,892	9,108
Interest	900	988
Capital outlay	20,241	82,925
Sub-Total - Fund 1265	<u>1,180,779</u>	<u>812,727</u>
Chicago Technology Park Fund (1266)		
Property management and development	548,399	258,672
Debt service:		
Principal	-	92,000
Interest	-	127,126
Capital outlay	-	5,325
Sub-Total - Fund 1266	<u>548,399</u>	<u>483,123</u>
Chicago Technology Park Corporation (1376)		
Program expense	458,904	377,237
Capital outlay	401	15,527
Sub-Total - Fund 1376	<u>459,305</u>	<u>392,764</u>
Illinois Medical District Revolving Fund (1337)		
Property management and development	1,947	6,340
Debt service:		
Interest	-	5,596
Capital outlay	487,423	211,338
Sub-Total - Fund 1337	<u>489,370</u>	<u>223,274</u>
Illinois Medical District Restricted Fund (1377)		
Property management and development	79,994	232,886
Debt service:		
Principal	-	2,530,012
Interest	23,087	15,613
Capital outlay	2,625,012	636,802
Sub-Total - Fund 1377	<u>2,728,093</u>	<u>3,415,313</u>
Illinois Medical District Member Council Fund (1338)		
Property management and development	5,833	44,520
Sub-Total - Fund 1338	<u>5,833</u>	<u>44,520</u>
Total All Funds	<u>\$ 6,172,128</u>	<u>\$ 6,437,360</u>

**STATE OF ILLINOIS
ILLINOIS MEDICAL DISTRICT COMMISSION
COMPARATIVE SCHEDULE OF REVENUES - LOCALLY HELD FUNDS
FOR THE YEARS ENDED JUNE 30,**

The following schedules of locally held fund revenues have been derived from the audited financial statements of each year presented. The revenues are presented using the modified accrual basis of accounting and present the locally held fund revenues of the Commission and its blended component unit. Certain reclassifications have been made to the 2004 amounts in order to conform to the 2005 presentation.

	<u>2005</u>	<u>2004</u>
Property Management Fund (1240)		
Rental income	\$ 581,356	\$ 662,287
Improvements/Repairs income	-	25,469
Proceeds from the sale of real property	363,266	215,700
Services income	87,954	92,702
Interest income	5,369	1,214
Reimbursements from appropriated funds	-	28,529
Other income	1,935	20,043
Sub-Total - Fund 1240	<u>1,039,880</u>	<u>1,045,944</u>
Chicago Technology Research Center Fund (1265)		
Rental income	758,141	708,395
Improvements/Repairs income	4,802	10,750
Services income	26,795	28,372
Interest income	42	124
Reimbursements from appropriated funds	15,593	-
Other income	2,470	1,613
Sub-Total - Fund 1265	<u>807,843</u>	<u>749,254</u>
Chicago Technology Park Fund (1266)		
Rental income	801,937	738,396
Improvements/Repairs income	-	105
Services income	9,597	4,305
Interest income	4,119	535
Other income	2	-
Sub-Total - Fund 1266	<u>815,655</u>	<u>743,341</u>
Chicago Technology Park Corporation (1376)		
Grants	213,548	342,083
Improvements/Repairs income	-	150
Interest income	3,651	4,690
Other income	2,782	-
Sub-Total - Fund 1376	<u>219,981</u>	<u>346,923</u>
Illinois Medical District Revolving Fund (1337)		
Rental income	350	1,000
Improvements/Repairs income	-	50,000
Interest income	552	34
Reimbursements from appropriated funds	219,162	198,663
Other income	1,779	16,297
Sub-Total - Fund 1337	<u>221,843</u>	<u>265,994</u>
Illinois Medical District Restricted Fund (1377)		
Proceeds from the sale of real property	-	10,688,767
Services income	-	400,000
Interest income	191,879	42,194
Other income	-	34,252
Sub-Total - Fund 1377	<u>191,879</u>	<u>11,165,213</u>
Illinois Medical District Member Council Fund (1338)		
Improvements/Repairs income	-	69,624
Interest Income	100	17
Sub-Total - Fund 1338	<u>100</u>	<u>69,641</u>
Total All Funds	<u>\$ 3,297,181</u>	<u>\$ 14,386,310</u>

**STATE OF ILLINOIS
ILLINOIS MEDICAL DISTRICT COMMISSION
FISCAL SCHEDULES AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005**

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES (Over \$20,000 and 20%)

Property Management Fund (1240)

Property Management and Development - \$315,635 (31%) decrease – Decrease is due to the allocation of administrative expenses to other locally held funds.

Chicago Technology Research Center Fund (1265)

Property Management and Development - \$435,040 (60%) increase – The increase is due to the allocation of administrative expenses from Fund 1240 and the reduction of General Revenue Fund appropriations which required certain costs of the Research Center to be paid from locally held funds.

Capital Outlay - \$62,684 (76%) decrease – Fiscal Year 2004 capital outlay spiked due to new capital leases initiated in 2004 and other renovations. Fiscal Year 2005 amounts are comparable to 2003.

Chicago Technology Park Fund (1266)

Property Management and Development - \$289,727 (112%) increase – The increase is due to allocation of administrative expenses from Fund 1240.

Principal - \$92,000 (100%) decrease - The Commission paid off the mortgage on the Enterprise Center I during Fiscal Year 2004.

Interest - \$127,126 (100%) decrease - The Commission paid off the mortgage on the Enterprise Center I during Fiscal Year 2004.

Chicago Technology Park Corporation (1376)

Program Expense - \$81,667 (22%) increase - During Fiscal Year 2005 the program expanded to include three full-time employees and the cost of the initial course development for the training program.

Illinois Medical District Revolving Fund (1337)

Capital Outlay - \$276,085 (131%) Increase - During Fiscal Year 2005 the Commission purchased \$190,000 of real property with funds from a revolving line of credit in its local funds. The additional funds were used for ancillary expenditures related to the acquisitions. The line of credit was later reimbursed by Capital Development Fund appropriations.

Illinois Medical District Restricted Fund (1377)

Property Management and Development - \$152,892 (66%) decrease – During Fiscal Year 2005 the Commission incurred costs related to several projects that had begun in Fiscal Year 2004.

Debt Service - \$2,530,012 (100%) decrease – During Fiscal Year 2004 the Commission paid off the mortgage on the Enterprise Center I, which had a principal balance at the time of the pay-off, of \$2,530,012.

**STATE OF ILLINOIS
ILLINOIS MEDICAL DISTRICT COMMISSION
FISCAL SCHEDULES AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005**

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES (Over \$20,000 and 20%) (continued)

Illinois Medical District Restricted Fund (1377) (continued)

Capital Outlay - \$1,988,210 (312%) increase – Due to decreased funding from State appropriations, the Commission's Acquisition and Redevelopment Program for the District Development Area was conducted using a secured line of credit from this fund during Fiscal Year 2005.

Illinois Medical District Member Council Fund (1338)

Property Management and Development - \$38,687 (87%) decrease – A special project to hang banners and place signs within the District was implemented during Fiscal Year 2004 but was not repeated in Fiscal Year 2005.

ANALYSIS OF SIGNIFICANT VARIATIONS IN REVENUES (Over \$20,000 and 20%)

Property Management Fund (1240)

Improvements/Repairs income - \$25,469 (100%) decrease – The Commission did not make improvements for tenants leasing real property during Fiscal Year 2005.

Proceeds from the Sale of Real Property - \$147,566 (68%) increase – The Commission received payments of \$363,266 in Fiscal Year 2005 on two installment sales. In Fiscal Year 2004, only one payment of \$215,700 was received.

Reimbursements from appropriated funds - \$28,529 (100%) decrease – The Commission's total appropriations were decreased by \$3,532,700 in Fiscal Year 2005, therefore, causing a decrease in the Commission's ability to reimburse its local funds for expenditures incurred.

Chicago Technology Park Corporation (1376)

Grants – \$128,535 (38%) decrease – Grant funding from the Department of Commerce and Economic Opportunity decreased in Fiscal Year 2005.

Illinois Medical District Revolving Fund (1337)

Improvements/Repairs income - \$50,000 (100%) decrease – Fiscal Year 2004 included a special project that was not repeated in Fiscal Year 2005.

Illinois Medical District Restricted Fund (1377)

Proceeds from the Sale of Land - \$10,688,767 (100%) decrease – During Fiscal Year 2004, the Commission sold land to the FBI in the amount of \$10,688,767. There were no sales in Fiscal Year 2005 within this fund.

Services income - \$400,000 (100%) decrease – During Fiscal Year 2004, the Commission was reimbursed for services and received owners savings in the amount of \$400,000 related to an installment sale with the University of Illinois. No such income was received in Fiscal Year 2005.

Interest income - \$149,685 (355%) increase – Proceeds from the sale of land received in Fiscal Year 2004 were invested during Fiscal Year 2005.

**STATE OF ILLINOIS
ILLINOIS MEDICAL DISTRICT COMMISSION
FISCAL SCHEDULES AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005**

ANALYSIS OF SIGNIFICANT VARIATIONS IN REVENUES (Over \$20,000 and 20%) (continued)

Illinois Medical District Restricted Fund (1377) (continued)

Other income - \$34,252 (100%) decrease - Other income for Fiscal Year 2004 included \$34,252 from third parties related to construction projects that were not repeated in Fiscal Year 2005.

Illinois Medical District Member Council Fund (1338)

Improvements/Repairs income - \$69,624 (100%) decrease - During Fiscal Year 2004 the Commission was part of a special project which required various member institutions to reimburse the Commission for improvements and repairs made on their behalf.

**STATE OF ILLINOIS
ILLINOIS MEDICAL DISTRICT COMMISSION
FISCAL SCHEDULES AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005**

ANALYSIS OF SIGNIFICANT ACCOUNT BALANCES

Cash, cash equivalents and investments

Cash, cash equivalents and investments consist of checking accounts, money market accounts, certificates of deposit, and treasury bills. The following accounts were maintained as of June 30, 2005:

<u>Checking Accounts</u>		<u>Certificates of Deposit</u>	
Cole Taylor Bank	\$ 108,691	MB Financial	\$ 48,165
Cole Taylor Bank	737,267	MB Financial	23,514
Cole Taylor Bank	(2,645)	MB Financial	30,213
MB Financial	5,170	Cole Taylor Bank	<u>2,000,000</u>
MB Financial	807		
Cole Taylor Bank	(15)	Sub-Total:	<u>2,101,892</u>
MB Financial	15,485		
La Salle Bank	<u>1,249</u>	<u>US Treasuries/Bonds/Notes</u>	
		Chicago Title and Trust Company	<u>306,769</u>
Sub-Total:	<u>866,009</u>	Total Investments	<u>\$ 2,408,661</u>
<u>Money Market Accounts</u>			
Cole Taylor Bank	1,772		
La Salle Bank	69,531		
MB Financial	(1)		
MB Financial	<u>(2,943)</u>		
Sub-Total:	<u>68,359</u>		
<u>US Treasuries/Bonds/Notes</u>			
Chicago Title and Trust Company	<u>8,149,240</u>		
Total Cash & Cash Equivalents	<u>\$ 9,083,608</u>		

Notes Receivable

On June 1, 2002 the Commission entered into an installment sale agreement for the sale of land and construction of a building for the University of Illinois. The Commission issued certificates of participation and constructed the building. The resulting receivable related to the building portion of the installment sale and the related debt have been treated as conduit debt issued by the Commission. The agreement calls for the University to make annual payments of \$215,700 for thirty years related to the land portion of the sale. The payment is received annually in December.

On July 26, 2004, the Commission entered into an installment sale agreement with the Illinois State Police for the sale of land and construction of a parking facility. The agreement calls for the Illinois State Police to make annual payments of \$147,566. The first payment became due November 30, 2004 and the remaining payments are due annually in November.

**STATE OF ILLINOIS
ILLINOIS MEDICAL DISTRICT COMMISSION
FISCAL SCHEDULES AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005**

ANALYSIS OF ACCOUNTS RECEIVABLE

Accounts receivable balances were maintained for locally held funds during the audit period. Collections on accounts receivable are handled by the Executive Director, the Fiscal Officer, or staff attorneys. If the Commission personnel can not collect on a receivable, the Commission turns those receivables over to a collection agency. Aging schedules of accounts receivable as of June 30, are presented below:

	<u>2005</u>		<u>2004</u>	
	Property Management Fund - 1240		Property Management Fund - 1240	
Days Outstanding	Amount	Percent	Amount	Percent
One to thirty	\$ 8,819	136.5%	\$ 512	7.9%
Thirty-one to three hundred sixty	90,140	1395.6%	5,929	91.8%
Over three hundred sixty	2,212	34.2%	18	0.3%
Total	<u>\$ 101,171</u>	<u>1566.4%</u>	<u>\$ 6,459</u>	<u>100.0%</u>
Estimated uncollectible amount	-		-	
Accounts Receivable (Net)	<u>\$ 101,171</u>		<u>\$ 6,459</u>	
	Chicago Technology Reaserch Center Fund - 1265		Chicago Technology Reaserch Center Fund - 1265	
Days Outstanding	Amount	Percent	Amount	Percent
One to thirty	\$ 39,512	27.3%	\$ 22,289	15.4%
Thirty-one to three hundred sixty	59,860	41.4%	17,269	12.0%
Over three hundred sixty	115,981	80.2%	105,012	72.6%
Total	<u>\$ 215,353</u>	<u>149.0%</u>	<u>\$ 144,570</u>	<u>100.0%</u>
Estimated uncollectible amount	106,849		106,850	
Accounts Receivable (Net)	<u>\$ 108,504</u>		<u>\$ 37,720</u>	
	Chicago Technology Park Fund - 1266		Chicago Technology Park Fund - 1266	
Days Outstanding	Amount	Percent	Amount	Percent
One to thirty	\$ 5,276	18.7%	\$ 1,160	19.7%
Thirty-one to three hundred sixty	21,115	75.0%	4,739	80.3%
Over three hundred sixty	1,755	6.3%	-	0.0%
Total	<u>\$ 28,146</u>	<u>100.0%</u>	<u>\$ 5,899</u>	<u>100.0%</u>
Estimated uncollectible amount	-		-	
Accounts Receivable (Net)	<u>\$ 28,146</u>		<u>\$ 5,899</u>	
	Chicago Technology Park Corp Fund - 1376		Chicago Technology Park Corp Fund - 1376	
Days Outstanding	Amount	Percent	Amount	Percent
One to thirty	\$ 42,893	284.1%	\$ 15,096	100.0%
Thirty-one to three hundred sixty	-	0.0%	-	0.0%
Over three hundred sixty	-	0.0%	-	0.0%
Total	<u>\$ 42,893</u>	<u>284.1%</u>	<u>\$ 15,096</u>	<u>100.0%</u>
Estimated uncollectible amount	-		-	
Accounts Receivable (Net)	<u>\$ 42,893</u>		<u>\$ 15,096</u>	

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STATE OF ILLINOIS
ILLINOIS MEDICAL DISTRICT COMMISSION
ANALYSIS OF OPERATION
FOR THE YEAR ENDED JUNE 30, 2005

COMMISSION FUNCTIONS AND PLANNING PROGRAM

Functions

The primary purpose of the Illinois Medical District Commission (Commission), created July 1, 1941 by the Medical District Act (Act), 70 ILCS 915/0.01 et seq., is to provide assembled development sites and to facilitate and coordinate the resources of diverse educational, research and governmental medical institutions and to enable such institutions to provide low cost medical care, accelerate scientific research, improve diagnostic methods, and train health care professionals.

The Commission has also been given the statutory responsibility to administer and exercise authority with respect to the development and operation of the Chicago Technology Park (Park). The Park is an area or areas within the Illinois Medical Center District designated for research and development of medically related technologies and products. The Park includes an incubator facility, which was established to assist new businesses in the research and development of new or unique products and to help them grow until they are fully self-sufficient. The Park also includes Enterprise Center I and Enterprise Center II which provide "acceleration" wet lab space for incubator facility graduates.

The Commission is directed by seven members (Commissioners), of which, four are appointed by the Governor, two by the Mayor of Chicago, and one by the President of the Cook County Board. The Commissioners serve five year appointments and each Commissioner is responsible to his or her appointing authority. Commission members are as follows:

1. Kenneth D. Schmidt, M.D.
2. Dorval R. Carter, M.D.
3. Dr. Leon Dingle, Jr.
4. Michael Fitzgerald
5. Abraham C. Morgan
6. John E. Partelow
7. Bob J. Nash

The Commission holds regular meetings as needed, including a meeting in November each year for the election of officers.

By Statute, the Commission has mandated functions which include the following:

- Report biennially to the General Assembly;
- Acquire or lease real property within the District by right of eminent domain;
- Regulate the use of the property within the District, for the use of medical and other related institutions, for housing related to medical purposes, for a certified historical district, and for a high technology medical research park;
- Construct or permit to be constructed buildings related to these special uses;
- Administer and exercise authority for Chicago Technology Park;
- Borrow funds for activities;

**STATE OF ILLINOIS
ILLINOIS MEDICAL DISTRICT COMMISSION
ANALYSIS OF OPERATION
FOR THE YEAR ENDED JUNE 30, 2005**

Functions (continued)

- Sell, convey, transfer, or lease real estate to qualified users;
- Improve and manage the District to provide the most favorable conditions for care and treatment of the sick and injured, and for the study of disease; and
- Cooperate with related groups, such as the Chicago City Planning Commission.

While this list is not comprehensive, the Commission has a significant responsibility to the District and the institutions within the District. The Commission has the responsibility of coordinating the efforts of all organizations within the District, which include the University of Illinois Medical Center, Rush University Medical Center, John H. Stroger, Jr. Hospital of Cook County, Jesse Brown V. A. Medical Center and Chicago Technology Park.

Planning Program

The Commission's enabling statute mandates many functions and activities, and the Commissioners translate these statutory mandates into programs, actions, and management of the Commission and District. The annual budget requirements include discussions of short-term objectives and the biennial report discusses Commission long term goals and objectives.

The Commission has a development plan and program on file concurred by the major District institutions and by the Chicago Department of Planning in 1984. This flexible and evolving plan outlines goals and policies to clarify the purpose of the Chicago Technology Park (Park) and provides overall guidance for its successful development. These goals and policies include:

- To expand the economic base of the City and provide greater job opportunities;
- To utilize scientific and technological excellence to attract new industry;
- To provide incubator facilities for nurturing new enterprises;
- To provide facilities to support and complement new development;
- To optimize accessibility to the area for employees;
- To make the Park visually distinguished and attractive;
- To provide a high level of security;
- To provide amenities for employees and visitors;
- To encourage the development of supporting facilities; and
- To encourage the conservation and renovation of adjacent residential areas.

**STATE OF ILLINOIS
ILLINOIS MEDICAL DISTRICT COMMISSION
ANALYSIS OF OPERATION
FOR THE YEAR ENDED JUNE 30, 2005**

Planning Program (continued)

Included in the Medical District Commission's planning for fiscal year 2005 is a strategic collaboration document which focuses on improving effectiveness in areas such as Auxiliary Support Services, Technology Transfer/Commercialization as well as Medical/Health Care Research, Education and Training and Clinical Practices.

Also, included in the Commission's planning for fiscal year 2005 are the District Development Area Capital Development Plan and the Land Use Planning documents which address the planned development of the District in areas such as acquisitions and community health care.

The measures of performance that Commission management uses are status reports on land acquisitions, buildings or renovations of facilities statistics and statistics on the percent of occupancy for the Chicago Technology Park Research Center and other Chicago Technology Park buildings. These measures are adequate for their needs, since their main function is to obtain land and to convey it to appropriate users.

Auditors' Assessment

The Commission has established goals and objectives through the formation of programs, policies, and strategic plans. These goals are consistent with the Commission's statutory mandate and authority.

Agency Head and Location

Mr. Samuel W. Pruett was the Commission's Executive Director as of June 30, 2005. The Commission's Office is located at 600 South Hoyne Ave., Chicago, Illinois 60612.

**STATE OF ILLINOIS
ILLINOIS MEDICAL DISTRICT COMMISSION
ANALYSIS OF OPERATION
FOR THE YEAR ENDED JUNE 30, 2005**

AVERAGE NUMBER OF EMPLOYEES

The following is a summary of the average number of employees for the Fiscal Years under audit.

<u>Division</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Administration	9	7	8
Programmatic	2	-	-
Laborers	3	4	4
Clerical	5	6	6
Contractual positions	<u>3</u>	<u>7</u>	<u>6</u>
Total	<u>22</u>	<u>24</u>	<u>24</u>

The above schedule includes all employees of the Commission, and certain professional, maintenance and clerical positions paid on a contractual basis.

EMERGENCY PURCHASES

No emergency purchases were reported by the Commission to the Office of the Auditor General during fiscal year 2005.

ILLINOIS FIRST PROJECTS (Unaudited)

According to Commission officials, there were no Illinois First projects involving the Commission during the audit period.

**STATE OF ILLINOIS
ILLINOIS MEDICAL DISTRICT COMMISSION
ANALYSIS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2005**

SERVICE EFFORTS AND ACCOMPLISHMENTS: (UNAUDITED)

A brief description of the functions and activities of the Commission are presented in the Commission Functions and Planning Program on pages 63-65. This section of the report presents to the reader some basic data (financial and non-financial) related to the accomplishment of those functions.

<u>Program</u>	<u>Expenditures (In thousands)</u>	<u>Employee Headcount</u>
Chicago Technology Park	\$ -	4.0
District Development	\$ 481.4	6.0
Illinois Medical District	\$ 192.0	8.0
Agency Totals	<u>\$ 673.4</u>	<u>18.0</u>

Explanatory Note

The expenditures do not include additional expenditures from locally held funds. The headcount includes 16 employees paid from locally held funds.

The Illinois Medical District (IMD) Commission governs development within the IMD, a 560-acre area bordered by Ashland Avenue, the Eisenhower Expressway, Oakley Boulevard, and 14/15th Street on the Near West Side of Chicago. The IMD is one of the nation's largest urban Medical Districts and includes Rush University Medical Center, John H. Stroger Jr, Hospital of Cook County, University of Illinois at Chicago Medical Center, Jesse Brown VA Medical Center, and 30 other healthcare institutions. The IMD nurtures or coordinates growth among all institutions within the Medical District. The IMD is home to the Illinois Forensic Center (Crime Lab), and the American Red Cross of Greater Chicago-land headquarters. The District Security Group and District Member Council organize activities and projects to improve the safe environment and coordinate signage and beautification. The District or its institutions are actively involved in many bio-terrorism, public safety and disaster response and preparedness projects and activities. The new regional FBI headquarters (opening in Spring 2006) will be integral to such efforts.

The Chicago Technology Park (CTP) is a 56-acre development located within the boundaries of the IMD where facilities are available for technology commercialization and research. Its primary objective is to grow and attract startup technology based firms in Illinois with an emphasis on biotechnology. There are currently over 30 biotech or technology based firms in CTP that have their origins from IMD's major medical centers and others throughout the region. The CTP is home to a number of modular laboratory facilities, including a 56,000 square-foot state-run incubator, the 20,000 square-foot Enterprise Center I, the 15,000 square-foot Enterprise Center II and the 70,000 square-foot Tech 2000 building as well as other research treatment and emergency communication facilities. The CTP is home to the Chicago ITEC, a collaborative effort to support and assist emerging, incubated companies and enhance the pace of commercialization. It is our goal to position Illinois as a leader in biotechnology and medical research commercialization. To advance these efforts, we are pursuing the construction of new laboratory facilities, assisting the researchers in developing key business skills, and coordinating with the State of Illinois, City of Chicago, and industry advocacy groups to focus our efforts on collaborative success. District Development focuses on continued economic growth and development of the IMD through land acquisition and assembly of lots into larger parcels using voluntary agreements, delinquent tax sales, condemnation and intergovernmental transfers. Suitable land sites are leased for expansion to member institutions and new qualified users. The land acquisition program is ongoing, and the IMD meets regularly with developers and the City of Chicago to plan and coordinate redevelopment activities.

**STATE OF ILLINOIS
ILLINOIS MEDICAL DISTRICT COMMISSION
ANALYSIS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2005**

SERVICE EFFORTS AND ACCOMPLISHMENTS: (UNAUDITED)

Chicago Technology Park

Mission Statement: Effective operation of the Chicago Technology Park.

Program Goals:

- Objectives:**
1. Increase graduation and throughput of new companies in the Research Center biotech incubator.
 2. Convert a portion of Tech 2000 laboratory building for start-up, emerging company incubation or graduation space.
 3. Completion of bond offering for acquisition and redevelopment of vacant and underutilized Chicago Technology Park parcels.
 4. Graduate first cadre of students under the bioinformatics training grant funded by the Department of Labor.
 5. Proceed with initial grant programs and funding activities as partners with Chicago ITEC and through Chicago ITEC, provide seed capital and assistance per grant to emerging or existing incubated companies.

Input Indicators

Total expenditures - all sources (in thousands)	Fiscal Year <u>2003 Actual</u>	Fiscal Year <u>2004 Actual</u>	Fiscal Year <u>2005 Target</u>	Fiscal Year <u>2005 Actual</u>	Fiscal Year <u>2006 Target</u>
	\$ 1,752.2	\$ 1,688.0	\$ 1,800.0	\$ 2,230.0	\$ 2,000.0
Total expenditures - State appropriated fund (in thousands)	\$ 825.2	\$ 120.0	-	-	\$ -
Average monthly full-time equivalents	9.0	5.0	4.0	4.0	4.0

Output Indicators

New companies entering the CTP Research Center Incubator	10	3	4	4	4
Rental income (in thousands)	\$ 1,288.5	\$ 1,446.8	\$ 1,450.0	\$ 1,560.0	\$ 1,600.0
Increase in Space/Lab Inventory square footage	16,500	2,000	30,000	-	6,000

Outcome Indicators

Employment in Chicago Technology Park	1,051	1,157	1,360	1,400	1,500
Research and investment dollars of CTP Companies (in thousands)	\$ 79,350	\$ 85,000	\$ 50,000	\$ 52,000	\$ 52,000
Occupancy of CTP Research Center	100%	100%	100%	98%	100%

**STATE OF ILLINOIS
ILLINOIS MEDICAL DISTRICT COMMISSION
ANALYSIS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2005**

SERVICE EFFORTS AND ACCOMPLISHMENTS: (UNAUDITED)

District Development Area

Mission Statement: Redevelop property to attract medically related commerce and research and other economic development primarily in the District Development Area

Program Goals:

- Objectives:**
1. Continue land acquisition and assemblage for redevelopment South of Roosevelt Road.
 2. Continue strategic planning with City of Chicago for redevelopment of adjacent ACME Barrel facility.
 3. Analyze and implement strategic plan for the expansion of the Western-Ogden TIF District, in coordination with the City of Chicago.
 4. Complete street vacations/land assemblage and planning for City of Chicago 12th District's Police Station.
 5. Complete inter-governmental land transfers with the City of Chicago to consolidate development parcels.
 6. Develop initial plan for redevelopment of 2020 Ogden site consistent with District Master Plan and guidelines.

Input Indicators

Total expenditures - all sources (in thousands)	\$ 4,448.1	<u>Fiscal Year</u> 2003 Actual	<u>Fiscal Year</u> 2004 Actual	<u>Fiscal Year</u> 2005 Target	<u>Fiscal Year</u> 2005 Actual	<u>Fiscal Year</u> 2006 Target
Total expenditures - State appropriated funds (in thousands)	\$ 4,448.1		\$ 3,224.7	\$ 3,000.0	\$ 1,481.0	\$ 3,000.0
Average monthly full-time employees	7.0		5.0	6.0	6.0	6.0

Output Indicators

Land assemblage (square feet)	166,756	184,501	62,900	26,620	30,000
Land parcels assembled (#)	48	57	21	9	10
Land leases negotiated (square feet)	-	-	210,000	-	160,000
Land leases negotiated (#)	-	-	2	-	1

Outcome Indicators

Building openings	5	4	1	-	1
Square footage of buildings completed	270,000	275,000	100,000	-	400,000
Jobs created in District Development Area	210	300	200	125	800

Note: Some prior year amounts have been adjusted.

**STATE OF ILLINOIS
ILLINOIS MEDICAL DISTRICT COMMISSION
ANALYSIS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2005**

SERVICE EFFORTS AND ACCOMPLISHMENTS: (UNAUDITED)

Illinois Medical District

Mission Statement: Nurture or coordinate activities among all institutions within the Illinois Medical District (IMD)

Program Goals:

- Objectives:**
1. Enhance District Directional Signage with banners and markers in order to more clearly designate the IMD.
 2. Coordination, oversight and planning for the Veteran's Administration West Side Medical Center expansion.
 3. Facilitate master planning of major district institutions to ensure coordination with over-all District Master Plan.
 4. Establish greater links between the Illinois Coalition, the Illinois Biotechnology Industry Organization, and other advocacy groups to coordinate biotech information and promotion on behalf of the biotech industry in the State of Illinois.
 5. Initiate planning activities and co-ordination with other City/State/Industry parties for major Chicago 2006 National I-BIO Convention.
 6. Continue District Enhancements, open space and beautification programs.

Input Indicators

Total expenditures - all sources (in thousands)	Fiscal Year <u>2003 Actual</u>	Fiscal Year <u>2004 Actual</u>	Fiscal Year <u>2005 Target</u>	Fiscal Year <u>2005 Actual</u>	Fiscal Year <u>2006 Target</u>
	\$ 1,131.6	\$ 2,649.0	\$ 2,600.0	\$ 938.0	\$ 1,500.0
Total expenditures - State appropriated funds (in thousands)	\$ 458.0	\$ 374.7	\$ -	\$ 192.0	\$ -
Average monthly full-time equivalents	7.0	8.0	8.0	8.0	8.0

Output Indicators

District Security Group meeting and events	9	8	8	8	8
District Member Council meetings	5	5	5	4	5

Outcome Indicators

Total District employment	22,500	23,000	25,000	24,500	25,000
District research dollars (in thousands)	\$ 325,000	\$ 350,000	\$ 300,000	\$ 300,000	\$ 300,000
District Member facility growth (square feet)	395,000	275,000	100,000	50,000	100,000

Note: Some prior year amounts have been adjusted.