

**STATE OF ILLINOIS
ILLINOIS MEDICAL DISTRICT COMMISSION**

**FINANCIAL AUDIT
AND
COMPLIANCE EXAMINATION
For the Year Ended June 30, 2007**

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, 2007**

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**State of Illinois
Illinois Medical District Commission
Financial Audit and Compliance Examination
For the Year Ended June 30, 2007**

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**State of Illinois
Illinois Medical District Commission**

Commission Officials

Executive Director	Mr. Samuel Pruett
Chief of Staff	Mr. Mich Hein (07/01/06 to 10/08/07)
Acting Chief Fiscal Officer	Mr. Robert Nauert (11/01/06 to present)
Chief Fiscal Officer	Ms. Paula Philbrook (07/01/06 to 10/12/06)
Director of External and Corporate Affairs	Mr. Mark Jamil (05/01/07 to present)
Technical Counsel	Mr. Kenneth Scheiwe

Commission office is located at:

600 South Hoyne Avenue
Chicago, Illinois 60612



ILLINOIS MEDICAL DISTRICT

Illinois Medical District
600 South Hoyne Avenue
Chicago, Illinois 60612

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312-633-3438 F
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www.imdc.org

State of Illinois
Governor
Rod R. Blagojevich

Cook County Board
President
Todd H. Stroger

City of Chicago
Mayor
Richard M. Daley

Commissioners

Kenneth D. Schmidt, M.D.
President

Abraham C. Morgan
Vice President

John E. Partelow
Secretary

Leon Dingle, Jr., Ph.D.
Treasurer

Bob J. Nash

Larry M. Doody

Executive Director
Samuel W. Pruett

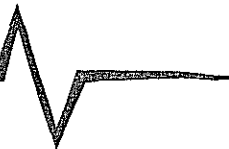
April 30, 2008

E. C. Ortiz & Co., LLP
333 S Des Plaines St, Suite 2-N
Chicago, Illinois 60661

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 (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 Commission's compliance with the following assertions during the year ended June 30, 2007. Based on this evaluation, we assert that during the year ended June 30, 2007, the Commission has materially complied with the assertions below.

- A. The 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 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 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. State revenues and receipts collected by the 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 Commission on behalf of the State or held in trust by the Commission have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.





ILLINOIS MEDICAL DISTRICT

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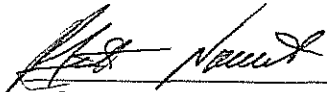
Yours very truly,

Illinois Medical District Commission

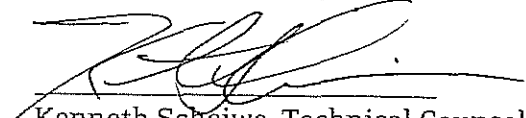
State of Illinois
Governor
Rod R. Blagojevich


Samuel W. Pruett, Executive Director

Cook County Board
President
Todd H. Stroger


Robert Nauert, Acting Chief Fiscal Officer

City of Chicago
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Treasurer

Bob J. Nash

Larry M. Doody

Executive Director
Samuel W. Pruett



**State of Illinois
Illinois Medical District Commission**

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.

ACCOUNTANTS' REPORTS

The Independent Accountants' Report on State Compliance, on Internal Control Over 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>Compliance</u>	<u>Financial</u>	<u>Prior</u>
	<u>Report</u>	<u>Report</u>	<u>Compliance</u>
<u>Findings</u>			<u>Report</u>
Findings	7	2	4
Repeated findings	3	-	4
Prior recommendations implemented or not repeated	1	-	2

Details of *State Compliance* findings are presented in the separately tabbed report section of this report. Details of *Government Auditing Standards* findings are issues related to significant deficiencies and material weaknesses in internal control over financial reporting. Findings related to *Government Auditing Standards* have been included in this report.

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page(s)</u>	<u>Description</u>
FINDINGS (<i>GOVERNMENT AUDITING STANDARDS</i>)		
07-1	12-17	Inadequate Controls Over Financial Reporting
07-2	18-19	Long Outstanding Items Not Adequately Reviewed

**State of Illinois
Illinois Medical District Commission**

Compliance Report

Summary of Findings, Continued

<u>Item No.</u>	<u>Page(s)</u>	<u>Description</u>
FINDINGS (STATE COMPLIANCE)		
07-3	20-21	Inaccurate and Untimely Submission of Generally Accepted Accounting Principles (GAAP) Reporting Package
07-4	22-23	Inadequate Controls Over Personnel and Payroll Administration
07-5	24-26	Inadequate Controls Over Property and Equipment
07-6	27-30	Noncompliance with Required Contracting Procedures
07-7	31-32	Fiscal Control and Internal Auditing Act (FCIAA) and Certification Checklist Not Prepared and Submitted
07-8	33-34	Failure to Remit Unexpended Proceeds from the Sale of Commission Property into the Income Fund Held in the State Treasury
07-9	35-36	Inaccurate Reporting of Receipts and Disbursements
PRIOR FINDING NOT REPEATED (STATE COMPLIANCE)		
07-10	37	Noncompliance with State Publication Laws

**State of Illinois
Illinois Medical District Commission**

Compliance Report

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Commission personnel at an exit conference on April 2, 2008. The following representatives were in attendance:

Illinois Medical District Commission

Samuel Pruett, Executive Director
Mark Jamil, Director of Corporate and External Affairs
Robert Nauert, Acting Chief Fiscal Officer
Thomas Custardo, Project Manager, Financial Affairs
Kenneth Scheiwe, Technical Counsel

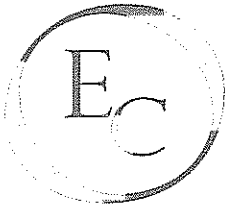
Illinois Office of the Auditor General

Kevin Carhill, OAG Manager

E.C. Ortiz & Co., LLP

Edilberto C. Ortiz, Partner
Stella B. Santos, Partner
Janis P. Arato, Senior

Responses to the recommendations were provided by Thomas Custardo in a letter dated April 21, 2008.



**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 (Commission) 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, 2007. The management of the Commission is responsible for compliance with these requirements. Our responsibility is to express an opinion on the Commission's compliance based on our examination.

- A. The 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 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 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. State revenues and receipts collected by the 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 Commission on behalf of the State or held in trust by the Commission have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the Audit Guide as adopted by the Auditor General pursuant to the Act; and, accordingly, included examining,

on a test basis, evidence about the Commission's compliance with those requirements listed in the first paragraph of this report and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Commission's compliance with specified requirements.

As described in findings 07-1 to 07-9 in the accompanying schedule of findings, the Commission did not comply with requirements regarding laws and regulations, including the State Uniform Accounting System, in its financial and fiscal operations. Compliance with such requirements is necessary, in our opinion, for the Commission to comply with the requirements listed in the first paragraph of this report.

In our opinion, except for the noncompliance described in the preceding paragraph, the Commission complied, in all material respects, with the requirements listed in the first paragraph of this report during the year ended June 30, 2007.

Internal Control

The management of the Commission is responsible for establishing and maintaining effective internal control over compliance with the requirements listed in the first paragraph of this report. In planning and performing our examination, we considered the Commission's internal control over compliance with the requirements listed in the first paragraph of this report 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, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over compliance.

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

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with the requirements listed in the first paragraph of this report on a timely basis. *A significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to comply with the requirements listed in the first paragraph of this report such that there is more than a remote likelihood that noncompliance with a requirement that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as items 07-1 and 07-9 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a requirement listed in the first paragraph of this report will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings, we consider items 07-1 and 07-3 to be material weaknesses.

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.

The Commission's responses to the findings identified in our examination are described in the accompanying schedule of findings. We did not examine the Commission's responses and, accordingly, we express no opinion on it.

Supplementary Information for State Compliance Purposes

As Special Assistant Auditors for the Auditor General, we have audited the basic financial statements of the business-type activities of the Commission as of and for the year ended June 30, 2007, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated April 30, 2008. 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 Commission. The 2007 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, 2007, taken as a whole. The prior year comparative information has been derived from the Commission's basic financial statements as of and for the year ended June 30, 2006, which were audited by other auditors who expressed unqualified opinion on the basic financial statements in their report dated January 29, 2007.

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

E. C. Ortiz & Co. LLP

April 30, 2008



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Honorable William G. Holland
Auditor General
State of Illinois

Commissioners of
Illinois Medical District Commission

As Special Assistant Auditors for the Auditor General, we have audited the basic financial statements of the Illinois Medical District Commission (Commission) as of and for the year ended June 30, 2007, and have issued our report thereon dated April 30, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting (07-1 and 07-2).

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 07-1 to be a material weakness.

Compliance and Other Matters

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We have conducted a State compliance examination of the Commission as required by the Illinois State Auditing Act. We also noted certain matters which we have reported to management of the Commission in a separate letter dated April 30, 2008.

The Commission's responses to the finding identified in our audit are described in the accompanying schedule of findings. We did not audit the Commission's responses and, accordingly, we express no opinion on them.

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

E. C. Bertig & Co. LLP

April 30, 2008

State of Illinois
Illinois Medical District Commission

Current Findings - Government Auditing Standards
For the Year Ended June 30, 2007

07-1 *Inadequate Controls Over Financial Reporting*

The Illinois Medical District Commission (Commission) did not have an adequate system of internal controls over financial reporting to allow management or employees in the normal course of performing their assigned functions to prevent or detect financial statement misstatements in a timely manner. The Commission did not record some transactions and did not properly record several other transactions. As a result, the Commission did not properly apply the appropriate generally accepted accounting principles (GAAP).

During our audit, we noted the following:

- a) The Commission did not maintain sufficient internal controls over the processing of all financial transactions and numerous adjustments were needed to present financial statements in accordance with generally accepted accounting principles.

Specifically, the following were noted in our audit:

- Cash equivalents totaling \$7,093,090 included investments maturing beyond three months from the date of purchase, which should have been reported as investments. Investments totaling \$11,003,361 included amounts maturing within three months from the date of purchase which should have been reported as cash equivalents.
- Investments and Notes Receivable were not properly classified as current and noncurrent.
- Amortization expense on intangibles totaling \$469,036 was not recorded.
- Several expenditure accounts totaling \$345,990 composed of capital outlay expenditures were actually purchased and capitalized in fiscal year 2006 but the Commission failed to reconcile the beginning balances in fiscal year 2007 and accordingly failed to reverse the accrual in fiscal year 2007.
- Several adjusting entries related to the accrual of expenditures made in fiscal year 2006 were not reversed in fiscal year 2007 including 2006 accrual for vacation and sick time for \$71,660.

The Commission subsequently corrected the financial statements for the above adjustments.

State of Illinois
Illinois Medical District Commission

Current Findings - Government Auditing Standards, continued
For the Year Ended June 30, 2007

We also noted that:

- The Commission failed to comply with the original provision of the lease contract of one of the tenants which mandates an escalation of 4% annually. This resulted in a lower rental billing (\$3,718) for fiscal year 2007.
- Invoices for contractual services totaling \$25,470 pertaining to fiscal year 2007 paid in fiscal year 2008 were not properly accrued in the accounting records.
- Fifteen other adjustments relating to other expenditure accruals, reversal and accrual of liabilities, reclassification of accounts, and correction of previous entries were also noted.

These adjustments were not material to the financial statements and were not booked by the Commission as of June 30, 2007.

- b) The Commission did not maintain adequate controls over the maintenance of capital asset records and the recording of capital asset transactions.

Specifically, the following were noted in our audit:

- The Commission acquired a parcel of land in 2002, which had two buildings. The initial plan was to raze both buildings, thus the entire acquisition cost was recorded as land at the time of purchase. One of the two buildings was razed, however, starting in 2003, the remaining building was rented out. The Commission did not adjust its records to allocate the portion of the original cost of the building component when it was converted to a revenue-generating asset. Accordingly, the Commission did not record depreciation expense for the remaining building. The building component was valued at \$126,000 and cumulative depreciation expense totaled \$38,850.
- During the year, the Commission acquired certain parcels of land through exchange of similar assets with other State and governmental entities totaling \$248,211. The Commission recorded these transactions by recognizing an expense and deleting the assets exchanged. However, the Commission failed to record the assets acquired.

State of Illinois
Illinois Medical District Commission

Current Findings - Government Auditing Standards, continued
For the Year Ended June 30, 2007

- Architect fees incurred during the year in the construction of a building not yet completed as of June 30, 2007 totaling \$266,008 were erroneously recorded to Building and Building Improvement account instead of Construction in Progress.
- Costs incurred in acquiring parcels of land for which the title and ownership has not been transferred to the Commission as of June 30, 2007 totaling \$142,502 were recorded as Construction in Progress instead of Prepaid Asset.
- Costs of parcels of land for which title and ownership has been transferred to the Commission as of June 30, 2007 totaling \$208,385 were recorded as Construction in Progress instead of Land.

The Commission subsequently corrected the financial statements for the above adjustments.

We also noted that the notes to financial statements originally submitted did not contain the required disclosures on assets pledged as collateral and significant construction projects that were put on hold.

The Commission is charged with the responsibility of establishing and maintaining an effective system of internal controls over financial statement preparation in order to detect, prevent or correct misstatements in the drafted financial statements (including disclosures), in accordance with generally accepted accounting principles. Commission internal controls over financial reporting should include personnel with the knowledge and expertise to complete a thorough review of drafted financial statements to ensure that they are free of material misstatements.

The following accounting principles relate to the above transactions:

- Governmental Accounting Standards Board (GASB) Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting, defines cash equivalents as short-term, highly liquid investments that are both (a) readily convertible to known amounts of cash and (b) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. For an investment to be considered a cash equivalent, it must mature no more than three months after the date it is purchased.

State of Illinois
Illinois Medical District Commission

Current Findings - Government Auditing Standards, continued
For the Year Ended June 30, 2007

- GASB Statement No. 34 - Basic Financial Statements – Management’s Discussion and Analysis – for State and Local Governments requires that assets should be presented in the statement of net assets in a classified format to distinguish between current and long-term. Current portion of assets is defined by generally accepted accounting principles as amounts due within one year from the balance sheet date.
- Governmental Accounting Standards Board (GASB) Statement No. 34, requires the accrual basis of accounting for business type activities. Financial Accounting Standards Board (FASB) Concepts Statement No.1 requires that the financial effects of transactions should be recorded in the periods in which those transactions occur rather than in periods in which cash is paid. The accrual basis of accounting requires expenses to be recognized when incurred.
- GAAP require that costs and expenses and the associated reduction in assets be recognized when incurred. The matching principle also indicates that when it is reasonable to do so, expenses should be matched with revenues. When expenses are matched with revenues, they are not recognized until the associated revenue is also recognized.
- GAAP also requires that the purchase price of land and building be allocated based on the ratio of appraised values of individual items at the time of purchase.
- Statewide Accounting and Management System (SAMS) Manual Procedure 05.50.01 defines Construction in Progress as the accumulation of cost incurred during the construction of an asset. The accumulated costs should be held in Construction in Progress account until such time as the project is determined to be “substantially complete” (i.e. ready for its intended use). It also defines Prepaid Asset as items paid for in advance of use including insurance, deposits and other expenses.

Good internal controls require that all significant accounts be monitored and reconciled on a regular basis to the underlying documentation. In addition, the account balances and reconciliations should be reviewed to ensure that the information is accurately reported and adequately supported. Any necessary adjustments should be made in a timely manner.

State of Illinois
Illinois Medical District Commission

Current Findings - Government Auditing Standards, continued
For the Year Ended June 30, 2007

Commission officials stated that the errors and inaccuracies were due to lack of staff and inexperienced personnel preparing the reports.

Inadequate controls over financial reporting prevent the Commission from preparing financial statements in accordance with accounting principles generally accepted in the United States of America and could result in inaccurate, incomplete and untimely preparation of financial statements. Also, management or employees in the normal course of performing their assigned functions may not be able to prevent or detect financial statement misstatements in a timely manner. (Finding Code No. 07-1)

Recommendation

The Commission should comprehensively review their procedures to ensure that the financial statements, including disclosures, are complete, accurate, and comply with the generally accepted accounting principles.

Commission Response

The Commission agrees with this recommendation.

State of Illinois
Illinois Medical District Commission

Current Findings - Government Auditing Standards, continued
For the Year Ended June 30, 2007

07-2 Long Outstanding Items Not Adequately Reviewed

The Illinois Medical District Commission (Commission) did not review accounts that were outstanding for more than a year.

During our review of the accounting records, we noted the following:

- As of June 30, 2007, receivables included outstanding receivables from current employees from January to May 2007 pertaining to health insurance, sick leave, telephone, dental, and life insurance totaling \$3,127. There is also a receivable from a terminated employee of \$927 pertaining to health insurance.
- Security deposits include deposits of former tenants totaling \$26,206. These deposits, if unclaimed after 7 years, should be remitted to the State Treasurer. The Commission does not maintain a summary of security deposits by year of receipt.
- The Commission incurs operating costs such as electricity and maintenance costs that are billable to tenants on a monthly basis. We noted one tenant was not billed monthly. This tenant was billed on January 30, 2007 for common area fees and operating costs totaling \$18,298. This billing was for four months from the last bill dated September 25, 2006.

Good internal controls require that all significant accounts are reconciled and reviewed on a regular basis. The State of Illinois Uniform Disposition of Unclaimed Property Act (765 ILCS 1025/8.1) requires government agencies to review their records each year to determine if they possess any unclaimed property (property abandoned for seven years) and file a report with the Treasurer's Office. Section 6.2 of the lease agreements include a stipulation that operating costs will be billed to the lessee on a monthly basis when incurred by the lessor.

Commission officials stated that they failed to reconcile and monitor these accounts due to lack of staff.

Failure to periodically review and monitor account balances may result in long outstanding accounts that cannot be recovered. The Commission may also fail to comply with State statutes with regards to the disposition of long outstanding accounts. (Finding Code No. 07-2)

State of Illinois
Illinois Medical District Commission

Current Findings - Government Auditing Standards, continued
For the Year Ended June 30, 2007

Recommendation

We recommend the Commission perform a periodic review of account balances to ensure that they are timely collected and differences promptly reconciled. We also recommend the Commission maintain a summary of security deposits by year of receipts and bill the lessees' operating costs in a timely manner.

Commission Response

The Commission agrees with this recommendation. The accounting department has subsequently corrected all outstanding amounts owed and instituted a policy whereby employees/contractors must pay any outstanding amounts owed (that are not disputed) within 15 days of the invoice date.

State of Illinois
Illinois Medical District Commission

Current Findings - State Compliance
For the Year Ended June 30, 2007

07-3 *Inaccurate and Untimely Submission of Generally Accepted Accounting Principles (GAAP) Reporting Package*

The Illinois Medical District Commission (Commission) did not properly prepare the “GAAP Reporting Package” for timely submission to the Illinois Office of the Comptroller.

The Commission submitted an initial GAAP Package to the Comptroller’s Office on September 21, 2007, which included information for the financial statements. The Comptroller’s Office questioned several accounts and requested numerous clarifications. Our analysis of the support for the financial statements and related schedules disclosed that the Commission did not keep adequate records, schedules, or reconciliations to support the initial GAAP submissions. The Commission recorded numerous adjustments subsequent to their submission. The auditors also proposed additional adjustments to the financial statements. At the conclusion of our fieldwork on January 5, 2008, the Commission had not finalized a revised GAAP Package for submission to the Comptroller’s Office.

The Statewide Accounting Management System (SAMS) Manual Chapter 27 details the procedures for Agency Reporting. Agencies are required to submit GAAP Reporting Packages which are used by the Comptroller to prepare the State’s General Purpose Financial Statements. The information reported by the agency should agree to the underlying supporting records at the agency and should be reconciled to records at the Office of the State Comptroller.

Commission officials stated they were unaware of the deadlines for submitting the GAAP Package to the Office of the State Comptroller. The inadequate records were due to turnover of key employees in the Fiscal department who used to prepare the GAAP report.

Inaccurate submission of GAAP Reporting Package may distort the State’s financial reporting. Failure to timely prepare the financial statements in accordance with applicable accounting standards delays the audit process and the State’s financial reporting. (Finding Code Nos. 07-3, 06-1, 05-2, 04-3, 02-6)

Recommendation

We recommend the Commission improve its procedures to ensure that accounting records are appropriately and timely maintained so that schedules or reconciliations to support the “GAAP Reporting Packages” can be prepared in the future.

State of Illinois
Illinois Medical District Commission

Current Findings - State Compliance, continued
For the Year Ended June 30, 2007

Commission Response

The Commission agrees with this recommendation.

State of Illinois
Illinois Medical District Commission

Current Findings - State Compliance, continued
For the Year Ended June 30, 2007

07-4 *Inadequate Controls Over Personnel and Payroll Administration*

The Illinois Medical District Commission (Commission) did not have adequate controls over personnel and payroll administration.

As of June 30, 2007, the Commission consists of 16 employees, 2 of which are State of Illinois employees and the rest are contractual employees. We reviewed 14 personnel files and payroll records, and noted the following:

- Annual performance evaluations were not prepared for any employees for the last two fiscal years.
- Two (40%) of the five separated employees' medical and dental (Blue Cross Blue Shield of Illinois) benefit coverage were not timely cancelled after separation from the Commission. Medical and dental benefit coverage of one employee who elected Illinois Continuation of Benefit (similar to COBRA) was still in effect as of September 30, 2007 (with signed election form for 18 months instead of the 9-month maximum requirement) although coverage should have been only until April 30, 2007 for medical benefits and July 31, 2007 for dental benefits. Although both the Commission and employees pay for the premiums, the other former employee's welfare benefit coverage was not terminated until four months after separation. The total overpayment in premiums by the Commission was \$3,051.
- Four (80%) of the five qualifying participants (separated employees) did not have formal notification on file regarding their rights to continue health benefits upon separation.

The Illinois Administrative Code, Title 80, Section 302.270 states that performance records shall include an evaluation of employee performance prepared by each agency and such evaluation shall be prepared not less often than annually.

The Commission's Personnel Policy Manual on Performance Evaluation states that performance of each employee shall be evaluated at least on an annual basis by the Director in consultation with the employee's Supervisor and a signed annual evaluation form is to be placed in each employee's personnel file.

State of Illinois
Illinois Medical District Commission

Current Findings - State Compliance, continued

For the Year Ended June 30, 2007

The Illinois Continuation Law (215 ILCS 5/367e(4)) for insurance companies and (215 ILCS 125/4-9.2(4)) for HMOs requires the employer or plan administrator to notify participants in writing of their right to continue health benefits when certain qualifying events have occurred. The type of qualifying event determines who is qualified for continued coverage and for how long. Qualifying events may include termination of employment, employee's retirement, or reduction in employee's hours. The participant must request such continuation in writing within the 10-day period following the later of the date of employment termination or the date when the written notification has been received. Continuation coverage must be provided for nine months after the date when the participant's insurance stops due to employment termination or reduction in hours.

Commission officials stated that exceptions noted were due to the following: a) performance evaluations were not conducted because the frequency was changed from annual to biennial, however, the policy manual was not updated to reflect the change; and b) the Commission did not formally establish well defined procedures in administering benefits, particularly when terminating employees. The handling of benefit and personnel matters primarily rested with the prior Fiscal Officer and with her termination, certain practices were not followed.

Inadequate controls over personnel resulted in noncompliance with the Commission's policies and State laws. (Finding Code No. 07-4)

Recommendation

We recommend the Commission adopt formal policies on annual employee performance evaluations that comply with the Illinois Administrative Code. We also recommend the Commission adopt formal policies and procedures for administering employee benefits.

Commission Response

The Commission agrees with this recommendation and acknowledges that separated employee benefit rejection/acceptance notifications that were sent and acknowledged and held in a separate file, should have been memorialized in their personnel file.

State of Illinois
Illinois Medical District Commission

Current Findings - State Compliance, continued
For the Year Ended June 30, 2007

07-5 Inadequate Controls Over Property and Equipment

The Illinois Medical District Commission (Commission) did not have adequate controls over its property and equipment.

In our review of the quarterly Agency Report of State Property (Form C-15), which is a report of property required to be filed by every State Agency with the Comptroller's Office, we noted the following:

- For the quarter ended September 30, 2006, the C-15 report was filed on January 31, 2007 (three months late).
- The additions and deletions to the construction in progress account for the four quarters of fiscal year 2007 were not accurate. The amount of additions (\$338,204) and deletions (\$338,204) included the costs already recorded as part of the prior year's beginning construction in progress account.

In our tracing of 30 items from the property records to the actual location of the item, we noted the following:

- Four (4) items tested with a total value of \$23,401 could not be located on the Commission's premises. These items were a copier, a scanner, a chair and a laptop.
- Two (2) items tested with a total value of \$27,818 were not tagged with the Commission's decal. These consisted of a parking lot access system and a vehicle. The Commission subsequently affixed the Commission's decal on these items.
- A laptop valued at \$2,600 was assigned to a third party for a grant project but no documentation was available to support the assignment.
- The property tag number did not match with the tag number shown in the property records of a copier valued at \$44,640.

State of Illinois
Illinois Medical District Commission

Current Findings - State Compliance, continued

For the Year Ended June 30, 2007

During our tracing of 10 actual properties/equipment items back to the property records, we noted the following:

- Four (4) items selected were not tagged with the Commission's decal. Two of the four items, consisting of a fax machine and a laptop were recorded in the property listing based on the serial number or description. The remaining two items were recorded in the property listing.
- A laptop was not recorded in the property listing.
- Two (2) items tested (a computer monitor and a laptop) were not properly maintained. The items were not being used, dusty and appeared to be obsolete.

During our review of 25 unused or surplus equipment, we noted the following:

- Three (3) items were not found in the Commission's Master Property List and deletions listing submitted to the Department of Central Management Services (DCMS). These consisted of a card scan 300, a computer table, and a printer.
- Twelve (12) items appear to be obsolete and not being used, however, these were not included in the deletions listing submitted to DCMS. These items consisted of three computer desktops, two printers, a computer monitor, a network switch, an outlet back-up, and six pieces of office furnitures.

The Statewide Management System Manual (SAMS) Procedure 29.20.10 requires that the Form C-15 is to be filed on a quarterly basis and should be submitted to the Office of the Comptroller no later than the last day of the month following the last day of the quarter. Procedure 29.10.10 also requires agencies to maintain detailed property records and update property records as necessary to reflect the current balance of State property.

The State Property Control Act (30 ILCS 605/6.02) requires that each responsible officer maintain a permanent record of all items of property under his jurisdiction and control.

State of Illinois
Illinois Medical District Commission

Current Findings - State Compliance, continued
For the Year Ended June 30, 2007

DCMS Property Control Rules (44 Illinois Administrative Code, Section 5010.210: Marking of State-Owned Equipment) requires each piece of equipment to be marked with a unique six-digit identification number. The identification number maybe applied by using the agency's inventory decal or by indelibly marking the number on the property.

DCMS Property Control Rules (44 Illinois Administrative Code Section 5010.400: Equipment Inventory Recording) requires that agencies adjust property records within 30 days of acquisition, change or deletion of equipment items.

The State Comptroller Act (15 ILCS 405/17) requires that DCMS and each other State agency so holding such property shall report to the Comptroller, on forms prescribed by the Comptroller, all property acquired or disposed of by that agency, in such detail and at such times as the Comptroller requires, by rule, to maintain accurate, current inventory records.

Commission officials indicated that the discrepancies noted between the property listing and the physical observation were due to oversight.

Inadequate controls over property and equipment results in inaccurate and incomplete property records and non-compliance with the State Property Act. It could also result in incorrect accounting information and could cause unnecessary equipment expenditures and inaccurate financial reporting. Loss of Commission property and equipment may not be detected timely or remain undetected without an accurate property inventory listing. (Finding Code No. 07-5)

Recommendation

We recommend the Commission adhere to mandated procedures to ensure that property and equipment records are accurately maintained and updated, and that required reports are accurate and filed timely.

State of Illinois
Illinois Medical District Commission

Current Findings - State Compliance, continued
For the Year Ended June 30, 2007

Commission Response

The Commission agrees with this recommendation.

State of Illinois
Illinois Medical District Commission

Current Findings - State Compliance, continued
For the Year Ended June 30, 2007

07-6 Noncompliance with Required Contracting Procedures

The Illinois Medical District Commission (Commission) did not comply with certain contracting procedures.

During our tests of 22 contracts, we noted the following:

- Two (9%) of 22 contracts tested totaling \$120,000 (architectural and engineering services) did not comply with the competitive bidding requirements of the Illinois Procurement Code.
- Four (18%) of 22 contracts awarded totaling \$245,000 (cleaning, architectural, engineering and grants management consulting services) were not published in the Illinois Procurement Bulletin as sole source.
- Six (27%) of 22 contracts tested totaling \$640,418 were not filed with the Office of the State Comptroller as of fiscal year-end. All 6 contracts were executed in the current fiscal year and were paid from locally held funds.
- One (5%) of the contracts tested, amounting to \$252,618, lacked the required signatures of the chief legal counsel and the chief fiscal officer of the agency. Only the chief executive officer signed the contract.
- Two (9%) contracts had expenditures paid from locally held funds which exceeded the amount of contract maximum. Both contracts were awarded not to exceed \$25,000. Payments under one contract (legal services) were \$175,000 and payments for the other (cleaning services) were \$74,000. No amendments to the original contracts were executed to authorize payments exceeding \$25,000.
- Payments to a vendor totaling \$33,332 for cleaning services for the period January to March 2007 were not covered in the contract period signed by the Commission and the vendor. The original contract which ended August 31, 2006 was extended until December 31, 2006. No subsequent amendment or extension was executed.
- Seven (32%) of 22 contracts tested totaling \$817,218 did not include all the required certifications or clauses. We noted that at least one of the following certifications or clauses were missing from these contracts:

State of Illinois
Illinois Medical District Commission

Current Findings - State Compliance, continued
For the Year Ended June 30, 2007

- a) Disclosure of financial interest statements were incomplete, owners over 5% did not file individual statements or one of the sections not completed in one of the contracts.
 - b) Compliance with the State Prohibition of Goods from Child Labor Act in six of the contracts.
- No documentation was available to support seven vendor contracts, required to be filed with the Office of the State Comptroller, were actually filed.

We also noted that payments made to 6 vendors totaling \$579,716 did not comply with the competitive procurement requirements of the Illinois Procurement Code. None of these payments or contracts awarded were published in the Illinois Procurement Bulletin as sole source.

The Illinois Procurement Code (30 ILCS 500/20-5) requires all State contracts to be awarded by competitive sealed bidding unless otherwise authorized by law. In addition, 30 ILCS 500/20-10 requires all invitations for bids to be published in the Illinois Procurement Bulletin. 30 ILCS 500/20-25 states that the purchasing agency shall publish in the Illinois Procurement Bulletin a notice when there is only one economically feasible source with a description of the item to be procured and the intended sole source contractor. 30 ILCS 535/1 states it is the policy of the State to publicly announce all requirements for architectural, engineering, and land surveying services, to procure these services on the basis of demonstrated competence and qualifications, to negotiate contracts at fair and reasonable prices.

The Illinois Procurement Code (30 ILCS 500/20-80(b)) and SAMS Procedure 15.10.40 require all state agencies to file contracts exceeding \$10,000 with the State Comptroller within 15 calendar days after execution. It also requires that all modifications to any contract be filed with the State Comptroller. An Affidavit for Late Filing must be completed for any contract liability not filed within thirty (30) days of execution. In addition, 30 ILCS 500/20-80(d) states that when the contract for services involving professional or artistic services is not reduced to writing prior to the commencement of the contract, the agency should file the contract and “an affidavit, signed by the chief executive officer of the State agency or his or her designee, stating that the services for which payment is being made were agreed to before commencement of the services and setting forth an explanation of why the contract was not reduced to writing before the services commenced.”

State of Illinois
Illinois Medical District Commission

Current Findings - State Compliance, continued
For the Year Ended June 30, 2007

SAMS Procedure 15.20.10 (Page 5) 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."

The Illinois Procurement Code (30 ILCS 105/9.02) and SAMS Procedure 15.10.20 (Page 7) require three signatures for contracts of \$250,000 or more for any new contract or contract renewal in the amount of \$250,000 or more in a fiscal year, or any order against a master contract in the amount of \$250,000 or more in a fiscal year, or any contract amendment or change to an existing contract that increases the value of the contract to or by \$250,000 or more in a fiscal year, shall be signed or approved in writing by the chief executive officer of the agency, and shall also be signed or approved in writing by the agency's chief legal counsel and chief fiscal officer.

The Illinois Procurement Code (30 ILCS 500/50-35(a)) Disclosures and potential conflicts of interest, requires that all offers from responsive bidders or offerors with an annual value of more than \$10,000 shall be accompanied by disclosure of the financial interests of the contractor, bidder, or proposer. The financial disclosure of each successful bidder or offeror shall become part of the publicly available contract. On construction contracts, SAMS Procedure 15.20.35 requires among others certification clause on Steel Production Procurement Act and Child Labor Act.

Commission officials stated that, during the initial period of this audit cycle, they were of the opinion that they were not required to follow the Illinois Procurement Code. Upon receipt of last year's audit findings, the Commission implemented procedures aimed at full compliance with the Code. To the best of its knowledge, the Commission believes that the subject contracts were filed with the Comptroller's office but the Commission maintained no evidence of delivery. With respect to the certification clause issues, the Commission utilized contract forms as provided by the DCMS to all agencies which are immediately utilized upon receipt. Several certification clauses were enacted months prior to the change in the forms; omission of these additional certification clauses was inadvertent. In relation to the not to exceed \$25,000 language in the contracts, this was a scrivener's error.

State of Illinois
Illinois Medical District Commission

Current Findings - State Compliance, continued
For the Year Ended June 30, 2007

Failure to adhere to a competitive bidding process or requiring vendor quotations may result in the Commission not getting the lowest possible cost for the services provided. Failure to advertise the notice of intent to contract or notice of award on a sole source basis resulted in noncompliance with Illinois Administrative Code. Failure to file contracts and contract modifications with the Office of the State Comptroller on a timely basis resulted in noncompliance with State statutes and regulations. Failure to reduce to writing the contract for services and obtain required signatures exposes the Commission to potential liabilities and unnecessary legal costs in case of dispute over the scope of services and responsibilities. (Finding Code Nos. 07-6, 06-3, 05-5)

Recommendation

We recommend the Commission adhere to its procedures to ensure all contracts over \$5,000 (professional and artistic) and over \$10,000 (all other) are filed with the Office of the Comptroller in accordance with State statutes and regulations. We further recommend that an Affidavit for Late Filing should be completed for any contract liability not filed within thirty (30) days of execution. Contract requirements and signatures, sole source justification, and disclosure statements must be obtained in all instances and published as required.

Commission Response

The Commission agrees with this recommendation.

State of Illinois
Illinois Medical District Commission

Current Findings - State Compliance, continued
For the Year Ended June 30, 2007

07-7 *Fiscal Control and Internal Auditing Act (FCIAA) and Certification Checklist Not Prepared and Submitted*

The Commission did not prepare the FCIAA Checklist to document reviews performed of its system of internal fiscal and administration controls. In addition, the Commission did not submit the required certification on May 1, 2007 to the Auditor General.

The Fiscal Control and Internal Auditing Act (Act) (30 ILCS 10/3003) and Statewide Accounting Management System (SAMS) Procedure 02.50.30 require that by May 1 of each year, each chief executive officer of all State agencies shall, on the basis of an evaluation conducted in accordance with guidelines established under Section 3002, prepare and transmit to the Auditor General a certification that: (1) the systems of internal fiscal and administrative controls of the State agency fully comply with the requirements of this Act; or (2) the systems of internal fiscal and administrative controls of the State agency do not fully comply with the requirements of this Act. It further states that if the systems do not fully comply with the requirements of this Act, the certification shall include a report describing any material weaknesses in the systems of internal fiscal and administrative controls and the plans and schedule for correcting the weaknesses, or a statement of the reasons why the weaknesses cannot be corrected.

Commission officials stated that they were familiar and aware of the requirement of the Act, however, the report was not prepared due to the changes in the key employees.

Failure to document the evaluation of the Commission's systems of internal and fiscal and administrative controls through a Certification Review Checklist and the submission of a certification by the Chief Executive Officer resulted in noncompliance with the Act and SAMS. (Finding Code No. 07-7)

Recommendation

We recommend the Commission comply with the requirements of the Act and SAMS procedure. The Commission should submit the required certification and FCIAA checklist to the Office of the Auditor General.

State of Illinois
Illinois Medical District Commission

Current Findings - State Compliance, continued
For the Year Ended June 30, 2007

Commission Response

The Commission agrees with this recommendation.

State of Illinois
Illinois Medical District Commission

Current Findings - State Compliance, continued

For the Year Ended June 30, 2007

07-8 *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. As of June 30, 2006, the unexpended portion of these proceeds was \$7,877,969 and the Commission had not yet remitted any of these excess funds to the State Treasury for deposit into the Income Fund as required by statute. As of June 30, 2007, funds in the amount of \$4,000,000 were pledged as collateral for purposes of the issuance of the \$40 Million Bond Offering in January of 2006. In addition, pursuant to a Commission Resolution dated May 23, 2006, the remainder of the funds were provided as collateral for a \$4,000,000 line of credit with a bank.

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 fiscal year 2005, and thus, it was not required to transmit any proceeds relative to the sale of the property. In addition, Commission officials stated that they requested a legal interpretation of this statute from the Illinois Attorney General's Office in a filing dated October 25, 2006. At the conclusion of our fieldwork on January 5, 2008, the Commission had not yet received a response from the Illinois Attorney General's Office.

Failure to remit the excess moneys to the State Treasury is a violation of State statutes. (Finding Code Nos. 07-8, 06-2, 05-3)

State of Illinois
Illinois Medical District Commission

Current Findings - State Compliance, continued
For the Year Ended June 30, 2007

Recommendation

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

Commission Response

The Commission continues to disagree with this finding and maintains the IMD Act intent to be consistent with this position. As previously reported, this matter is pending before the Illinois Attorney General. The Commission further maintains that this should no longer be a finding as there were not funds in excess of \$350,000 at the close of fiscal year 2007 that were either unexpended or not under contractual obligation.

Auditors' Comment

The auditors continue to stand by the finding based on the same criteria that were cited in the prior two audits, namely that:

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 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 Commission to hold for an indefinite period of time an unlimited accumulation of money that has been "set aside" or "pledged as collateral" or "committed" but not paid out.

State of Illinois
Illinois Medical District Commission

Current Findings - State Compliance, continued
For the Year Ended June 30, 2007

07-9 *Inaccurate Reporting of Receipts and Disbursements*

The Illinois Medical District Commission (Commission) inaccurately reported receipts and disbursements and accounts receivable during the fiscal year.

During our examination, we reviewed the final fiscal year June 30, 2007 Reports of Receipts and Disbursements (C-17) prepared by the Commission for each of the following funds: Property Management Fund, IMD District Member Council Fund, CTP Research Center Fund, IMD Revolving Fund, CTP Park Development Fund, IMD Restricted Fund and the CTP Restricted Fund. Of the seven C-17 Reports that we examined, six could not be reconciled with the Commission's accounting records. The Commission did not report total receipts and disbursements balances on a cumulative basis. The cash and investment balances were misstated in the C-17 Reports by \$3,168,403 at year end.

During our examination, we also reviewed the final fiscal year ended June 30, 2007 Quarterly Summaries of Accounts Receivable (C-97, C-98, and C-99) for each of the following funds: Property Management Fund, CTP Research Center Fund, and CTP Park Development Fund. We noted that the total net receivables reported did not agree with the Commission's accounting records. The total amount of misstatement in the Accounts Receivable was \$100,900.

The Statewide Accounting Management System (SAMS) procedure 33.13.20 prescribes the procedures for completing Form C-17. SAMS requires the amount of cash on hand and in banks to be reported on Form C-17.

SAMS procedure 26.30.10 through 26.30.50 prescribes the procedures for completing Forms C-97, C-98, and C-99 based on an agency's accounting records.

Commission officials stated that the errors were due to changes in accounting personnel.

Failure to accurately report financial information to the Comptroller may distort the State's financial records. (Finding Code No. 07-9)

Recommendation

We recommend the Commission ensure that quarterly reports were accurately completed and reviewed before filing with the Comptroller's office.

State of Illinois
Illinois Medical District Commission

Current Findings - State Compliance, continued
For the Year Ended June 30, 2007

Commission Response

The Commission agrees with this recommendation.

State of Illinois
Illinois Medical District Commission

Prior Finding Not Repeated

For the Year Ended June 30, 2007

State Compliance

07-10 *Noncompliance with State Publication Laws*

The Commission did not comply with the Illinois Procurement Code (Code) regarding Commission publications. The publications made by the Commission during fiscal year 2006 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. (Finding Code No. 06-4)

Status: Not Repeated.

During the current engagement, our testing disclosed that the Commission’s publications included the required information by the Illinois Procurement Code.

**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 (Commission) was performed by E.C. Ortiz and Co., LLP.

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

Summary of Findings

The auditors identified matters involving the Commission's internal control over financial reporting that they considered to be significant deficiencies. The significant deficiencies are described in the accompanying Schedule of Findings on pages 12-19 of this report, as finding 07-1 (*Inadequate Controls Over Financial Reporting*) and finding 07-2 (*Long Outstanding Items Not Adequately Reviewed*). The auditors also considered finding 07-1 to be a material weakness.

Exit Conference

The findings and recommendations appearing in this report were discussed with Commission personnel at an exit conference on April 2, 2008. The following representatives were in attendance:

Illinois Medical District Commission

Samuel Pruett, Executive Director
Mark Jamil, Director of Corporate and External Affairs
Robert Nauert, Acting Chief Fiscal Officer
Thomas Custardo, Project Manager, Financial Affairs
Kenneth Scheiwe, Technical Counsel

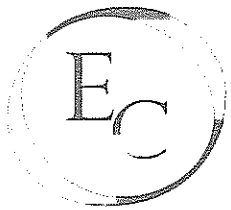
Illinois Office of the Auditor General

Kevin Carhill, OAG Manager

E.C. Ortiz & Co., LLP

Edilberto C. Ortiz, Partner
Stella B. Santos, Partner
Janis P. Arato, Senior

The responses to the recommendations were provided by Thomas Custardo in a letter dated April 21, 2008.



INDEPENDENT AUDITORS' REPORT

Honorable William G. Holland
Auditor General
State of Illinois

Commissioners of
Illinois Medical District Commission

As Special Assistant Auditors for the Auditor General, we have audited the accompanying basic financial statements of the business-type activities of the Illinois Medical District Commission (Commission) as of and for the year ended June 30, 2007, as listed in the Table of Contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative financial information has been derived from the Commission's June 30, 2006 financial statements audited by another auditor whose report dated January 29, 2007, expressed an unqualified opinion on those financial statements.

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 the 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Commission as of June 30, 2007, and the respective changes in net assets and cash flows 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 our report dated April 30, 2008 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 control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in

accordance with *Government Auditing Standards* and should be considered in assessing the results of our 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.

E. C. Ortiz & Co. LLP

April 30, 2008

**STATE OF ILLINOIS
ILLINOIS MEDICAL DISTRICT COMMISSION
STATEMENT OF NET ASSETS**

	June 30,	
	2007	(Comparative Totals Only) 2006
ASSETS		
<i>Current assets:</i>		
Cash and cash equivalents (Note 3)	\$ 14,097	\$ 322,615
Cash and cash equivalents, restricted (Note 3)	16,086,455	13,555,066
Short-term investments, restricted (Note 3)	7,809,236	9,914,150
Accounts and other receivables - net (Note 4)	594,805	823,821
Current portion of notes receivable (Note 4)	365,016	363,279
<i>Total current assets</i>	24,869,609	24,978,931
<i>Noncurrent assets:</i>		
Notes receivable - net of current portion (Note 4)	6,965,115	7,330,131
Investments, restricted (Note 3)	3,995,108	7,175,329
Bond issuance costs - net	771,513	804,228
Capital Assets - net (Note 5)	52,574,524	52,421,905
Other assets	429,591	571,558
<i>Total noncurrent assets</i>	64,735,851	68,303,151
TOTAL ASSETS	\$ 89,605,460	\$ 93,282,082
LIABILITIES		
<i>Current liabilities:</i>		
Accounts payable and accrued expenses	\$ 1,083,067	\$ 1,115,434
Interest payable	712,782	871,281
Security deposits	488,726	435,503
Line of credit (Note 6)	2,042,506	1,268,232
<i>Total current liabilities</i>	4,327,081	3,690,450
<i>Noncurrent liabilities:</i>		
Capital lease obligations - net of current portion (Note 7)	-	10,127
Accrued vacation and sick time payable - net of current portion	64,492	56,384
Revenue bonds payable (Note 6)	40,000,000	40,000,000
<i>Total noncurrent liabilities</i>	40,064,492	40,066,511
TOTAL LIABILITIES	\$ 44,391,573	\$ 43,756,961
NET ASSETS		
Invested in capital assets, net of related debt	\$ 35,408,403	\$ 31,924,875
Restricted:		
Expendable for grant activities	312,919	621,125
Expendable for capital projects	3,669,235	6,573,428
Unrestricted	5,823,330	10,405,693
TOTAL NET ASSETS	\$ 45,213,887	\$ 49,525,121

See accompanying notes to basic financial statements

**STATE OF ILLINOIS
ILLINOIS MEDICAL DISTRICT COMMISSION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

	For the year ended June 30,	
		(Comparative Totals Only)
	2007	2006
OPERATING REVENUES		
Grants	\$ 1,422,250	\$ 1,535,795
Rental income	2,383,679	2,257,362
Other operating revenues	144,231	321,958
<i>Total operating revenues</i>	3,950,160	4,115,115
OPERATING EXPENSES		
Property management and development	5,506,023	3,687,311
Grant programs	1,262,197	1,097,001
Depreciation expense	801,108	621,634
Amortization expense	32,714	13,631
<i>Total operating expenses</i>	7,602,042	5,419,577
<i>Operating loss</i>	(3,651,882)	(1,304,462)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	176,425	195,179
Interest income	1,346,789	809,756
Interest expense	(2,182,566)	(926,386)
<i>Net nonoperating revenues (expenses)</i>	(659,352)	78,549
<i>Loss before other revenues, expenses, gains and losses</i>	(4,311,234)	(1,225,913)
Gain (loss) on disposal of capital assets	-	(2,919)
Capital transfers from other state agencies	-	292,129
<i>Decrease in Net Assets</i>	(4,311,234)	(936,703)
NET ASSETS		
Net assets, beginning of year	49,525,121	50,461,824
Net assets, end of year	\$ 45,213,887	\$ 49,525,121

See accompanying notes to basic financial statements

**STATE OF ILLINOIS
ILLINOIS MEDICAL DISTRICT COMMISSION
STATEMENT OF CASH FLOWS**

	For the year ended June 30,	
	2007	(Comparative Totals Only) 2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Grant revenue received	\$ 1,103,781	\$ 1,079,614
Payments from tenants	2,667,027	2,505,714
Payments to suppliers	(4,675,419)	(4,501,685)
Payments to employees	(869,944)	(1,263,749)
Other revenues	-	208,086
Net cash provided by operating activities	<u>(1,774,555)</u>	<u>(1,972,020)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	172,660	191,107
Proceeds from noncapital debt	827,497	394,388
Net cash provided by (used in) noncapital financing activities	<u>1,000,157</u>	<u>585,495</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Capital appropriations from State	(184,567)	6,965
Purchase of capital assets	(1,096,226)	(19,051,722)
Principal paid on capital debt and leases	(6,804)	(342,263)
Proceeds from capital debt	-	40,097,056
Proceeds from sale of capital assets	-	363,279
Interest paid on capital debt and leases	(2,341,065)	(78,354)
Payment of bond issuance costs	-	(817,859)
Net cash provided by (used in) capital financing activities	<u>(3,628,662)</u>	<u>20,177,102</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	5,285,135	30,355,000
Interest income on investments	1,340,796	684,314
Purchase of investments	-	(45,035,818)
Net cash used in investing activities	<u>6,625,931</u>	<u>(13,996,504)</u>
Net increase in cash and cash equivalents	2,222,871	4,794,073
Cash and cash equivalents, beginning of year	13,877,681	9,083,608
Cash and cash equivalents, end of year	<u>\$ 16,100,552</u>	<u>\$ 13,877,681</u>

See accompanying notes to basic financial statements

**STATE OF ILLINOIS
ILLINOIS MEDICAL DISTRICT COMMISSION
STATEMENT OF CASH FLOWS**

	For the year ended June 30,	
	(Comparative Totals Only)	
	2007	2006
Reconciliation of operating loss to net cash provided by (used in) operating activities:		
Operating Loss	\$ (3,651,882)	\$ (1,304,462)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Non-cash expenses included in operating income:		
Amortization	501,749	13,631
Depreciation	801,108	621,634
Changes in assets and liabilities:		
Accounts receivable	238,773	(381,656)
Notes Receivable	363,279	-
Due from other State agencies	-	75,000
Other assets	-	(556,295)
Accounts payable	(27,582)	(448,662)
Wages and benefits payable	-	7,044
Security deposits	-	17,176
Accrued vacation and sick payable	-	16,791
Deferred revenue	-	(32,221)
Net cash provided by (used in) operating activities	\$ (1,774,555)	\$ (1,972,020)

See accompanying notes to basic financial statements

State of Illinois
Illinois Medical District Commission
Notes to Basic Financial Statements

1. Organization

The Illinois Medical District Commission (Commission) is a special district created by statute (70 ILCS 915/0.01 et. sea.), 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:

- 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
- Fiscal dependency on the primary government.

State of Illinois
Illinois Medical District Commission
Notes to Basic Financial Statements, continued

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 (CAFR) may be obtained by writing to the State Comptroller's Office, Financial Reporting Department, 325 West Adams Street, Springfield, Illinois 62704.

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

The Commission has determined that the Chicago Technology Park Corporation (Corporation) meets the above criteria; therefore, it has been included as a blended component unit in this financial report. Condensed financial statements for the Corporation are included in Note 9. Complete financial statements for the Corporation can be obtained by writing to the Chicago Technology Park Corporation, 600 South Hoyne Avenue, Chicago, Illinois 60612.

Basis of Accounting

For financial reporting purposes the Commission is considered a special-purpose government engaged only in business-type activities as defined by GASB Statement No. 34. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. Accordingly, the Commission's financial statements have been presented on 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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the 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 for the benefit of the Commission are recognized as revenues to the extent expended, limited to available appropriations and represent only the portion of these 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 CAFR.

State of Illinois
Illinois Medical District Commission
Notes to Basic Financial Statements, continued

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 Appropriations

This 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.

Classification of Revenues

The Commission has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating revenues: Operating revenues include activities that directly relate to the operational purposes of the Commission and primarily include rent and service payments from tenants as well as certain grants.

Nonoperating revenues: Nonoperating revenues include State appropriations and investment income.

Cash and Cash Equivalents

Cash and cash equivalents include certificates of deposit and debt securities 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 United States Treasury and Agency Obligations with maturities in excess of 90 days at the time of acquisition. Investments are carried at cost which approximates fair market value.

State of Illinois
Illinois Medical District Commission
Notes to Basic Financial Statements, continued

Accounts and Notes Receivable

Accounts receivable include amounts due from tenants for rent, parking, or other chargeable costs; and from grants. The amounts 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 include 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

Compensated Absences

The liability for compensated absences consists of unpaid, accumulated vacation and sick leave balances for Commission employees. 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.

**State of Illinois
Illinois Medical District Commission
Notes to Basic Financial Statements, continued**

Net Assets

In the 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.

3. Deposits and Investments

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 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.

State of Illinois
Illinois Medical District Commission
Notes to Basic Financial Statements, continued

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, 2007 is as follows:

Carrying amount of deposits	\$ 1,320,687
Carrying amount of investments	26,584,209
	<u>\$ 27,904,896</u>
Cash and cash equivalents	\$ 14,097
Cash and cash equivalents, restricted	16,086,455
Short-term investments, restricted	7,809,236
Investments, restricted	3,995,108
	<u>\$ 27,904,896</u>

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.

Deposits

The Commission utilizes several different bank accounts for the various activities of the Commission. The book balance of such accounts was \$1,320,687 at June 30, 2007, while the bank balance was \$1,469,177 at June 30, 2007. The difference between the above amounts primarily represents checks and deposits which had not cleared the bank.

Custodial credit risk for deposits exists when, in the event of the failure of a depository financial institution, the Commission's deposits may not be recovered. As of June 30, 2007, the Commission's deposits were covered by the Federal Deposit Insurance Corporation (FDIC) and by collateral held by the financial institution in the Commission's name. The Commission therefore, has no custodial credit risk in its deposits.

Investments

As of June 30, 2007 the Commission had the following investments:

Investment	Carrying Amount/ Fair Value	Maturity			Rating
		Less than 1 Year	1 to 5 Years	6 to 10 Years	
U.S. Treasuries	\$ 3,240,491	\$ 2,157,242	\$1,083,249	\$ -	
U.S. Agencies	21,538,516	18,325,103	2,470,958	742,455	AAA
Money Market	1,805,202	1,805,202	-	-	AAAm
Total	<u>\$ 26,584,209</u>	<u>\$ 22,287,547</u>	<u>\$ 3,554,207</u>	<u>\$742,455</u>	

State of Illinois
Illinois Medical District Commission
Notes to Basic Financial Statements, continued

Investments amounting to \$3,895,845 held in mutual funds serve as collateral for the \$4,000,000 line of credit with Cole Taylor Bank which was subsequently reduced to \$3,000,000 in May 12, 2007.

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.

4. 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 the Commission by major type as well as the related allowance for doubtful accounts.

	Accounts Receivable	Allowance for doubtful accounts	Net
Rents and related fees	\$ 568,744	\$ (210,793)	\$ 357,951
Grants	65,645	-	65,645
Interest	154,744	-	154,744
Others	16,465	-	16,465
Total	\$ 805,598	\$ (210,793)	\$ 594,805

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 11. The contract calls for annual principal payments of \$215,700 each December 1 through the year 2032.

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.

State of Illinois
Illinois Medical District Commission
Notes to Basic Financial Statements, continued

5. Capital Assets

	<u>July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>June 30, 2007</u>
Cost:					
Land and Land Improvements	\$39,133,089	\$ 446,946	\$ (257,125)	\$ 330,596	\$39,653,506
Construction in Progress	805,267	7,015	-	17,464	829,746
Site Improvements	1,552,691	71,344	(236)	-	1,623,799
Buildings and Building Improvements	13,615,587	540,470	(30,090)	(140,008)	13,985,959
Equipment	230,770	59,201	-	(53,000)	236,971
Total Cost	<u>55,337,404</u>	<u>1,124,976</u>	<u>(287,451)</u>	<u>155,052</u>	<u>56,329,981</u>
Less Accumulated Depreciation:					
Site Improvements	134,247	53,692	-	-	187,939
Buildings and Building Improvements	2,605,971	702,736	-	51,450	3,360,157
Equipment	175,281	26,579	-	5,501	207,361
Total	<u>2,915,499</u>	<u>783,007</u>	<u>-</u>	<u>56,951</u>	<u>3,755,457</u>
Capital Assets, Net	<u>\$52,421,905</u>	<u>\$ 341,969</u>	<u>\$ (287,451)</u>	<u>\$ 98,101</u>	<u>\$52,574,524</u>

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

The Commission is putting two project facilities on hold. The facilities were the Graduate Research Facility Building (GRF) and Tech Commercialization Center (TCC). If the Commission decides to discontinue these projects, it will be subject to a material loss. As of September 2007, the total cost incurred for the GRF was about \$293,000 and as of November 2007, the total cost incurred for the TCC was about \$615,000. All fees are related to the design and plan for the construction of the buildings. The Board of Commissioners and management have yet to decide what projects to replace them.

6. 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 May 31, 2008. This line of credit was used to fund certain operations of the Commission.

State of Illinois
Illinois Medical District Commission
Notes to Basic Financial Statements, continued

On May 12, 2007, the Commission renewed a second line of credit ("Property Credit Line") with Cole Taylor Bank. Originally \$4,000,000, this was reduced for a maximum balance of \$3,000,000 at an interest rate of 6.45% and matures on May 31, 2008. This line is collateralized by certain Commission deposits held in mutual funds. 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:

	Balance July 1, 2006	Net Advances	Balance June 30, 2007
Operating line of credit	\$ 263,055	\$ -	\$ 263,055
Property credit line	1,005,177	774,274	1,779,451
Total	<u>\$ 1,268,232</u>	<u>\$ 774,274</u>	<u>\$ 2,042,506</u>

Bonds Payable

On January 31, 2006, the Illinois Finance Authority (IFA) issued \$40 million of revenue bonds (Series 2006) on behalf of the Commission. Concurrently, the Commission and the IFA entered into a loan and security agreement, in which the IFA provided \$40 million to the Commission. The intent of the funds is to purchase certain real estate parcels within the Illinois Medical District and to construct a facility to be used for the life science research and/or other medical related activities. The security for the bonds includes all cash and investments in the accounts related to the revenue bonds (including a Debt Service Reserve Fund discussed below), the revenues from the acquired and built properties, pledged revenues from additional property owned by the Commission and the moral obligation of the State of Illinois.

The revenue bonds are comprised of tax-exempt (Series 2006A) and taxable bonds (Series 2006B). Certain features of the bonds are as follows:

Description	Amount	Interest Rate	Matures September 1,	Sinking Fund Payments Begin
Series 2006A	\$ 2,245,000	4.125%	2018	2010
Series 2006A	5,255,000	4.700%	2031	2019
Total	<u>\$ 7,500,000</u>			
Series 2006B	\$ 7,465,000	5.140%	2018	2010
Series 2006B	25,035,000	5.330%	2031	2019
Total	<u>\$ 32,500,000</u>			

State of Illinois
Illinois Medical District Commission
Notes to Basic Financial Statements, continued

Interest is paid on September 1 and March 1 of each year beginning in September 2006 with principal payments made on the September date only, beginning in 2010.

Revenue bonds payable as of June 30, 2007 consist of the following:

<u>Description</u>	<u>Amount</u>
Illinois Finance Authority Tax-Exempt Revenue Bonds Series 2006A	\$ 7,500,000
Illinois Finance Authority Taxable Revenue Bond Series 2006B	<u>32,500,000</u>
Total	<u>\$ 40,000,000</u>

Sinking fund maturities and interest requirements on revenue bonds payable at June 30, 2007 area as follows (in thousands):

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ -	\$ 2,058	\$ 2,058
2009	-	2,058	2,058
2010	-	2,058	2,058
2011	360	2,049	2,409
2012	520	2,029	2,549
2013-2017	5,695	9,491	15,186
2018-2022	8,465	7,656	16,121
2023-2027	10,905	5,152	16,057
2028-2032	14,055	1,910	15,965
Total	<u>\$ 40,000</u>	<u>\$ 34,461</u>	<u>\$ 74,461</u>

Debt Service Reserve Funds (DSR)

Within the provisions of the revenue bonds, it is specified that the Commission set aside funds that will serve as a debt service reserve for each type of bond. These funds are equivalent to one year's debt service (approximately \$3.24 million in total) and are to be used whenever a deficiency exists in the payment of principal and/or interest on the Series 2006 Revenue Bonds.

State of Illinois
Illinois Medical District Commission
Notes to Basic Financial Statements, continued

7. Capitalized Lease Obligations

The Commission leases office equipment with a cost and accumulated depreciation of \$33,274 and \$19,934, respectively, under capital lease arrangements at June 30, 2007. Future minimum lease payments at June 30, 2007 are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2008	\$ 7,476
2009	3,036
Total minimum lease payments	10,512
Less: amounts representing interest	385
Present value of minimum lease payments	<u>\$10,127</u>

8. 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 Basic Financial Statements, continued

9. Component Unit

Condensed financial statements for Chicago Technology Park Corporation, an Illinois not-for-profit corporation, as of and for the year ended June 30, 2007 are as follows:

Condensed Statement of Net Assets		Condensed Statement of Revenues, Expenses, and Changes in Net Assets	
Assets		Revenues	
Cash	\$ 14,097	Grants	\$1,422,250
Accounts receivable	68,245	Other	700
Other assets	284,518		1,422,950
Capital assets	2,748	Expenses	
	369,608	Grant program activities	1,731,232
Liabilities		Depreciation	5,503
Accounts payable	53,941		1,736,735
Net assets		Nonoperating revenue	
Invested in capital assets, net of related debt	2,748	Interest income	76
Restricted, expendable	312,919	Change in Net Assets	(313,709)
	\$ 315,667	Net assets	
		Beginning of year	629,376
		End of year	\$ 315,667

10. 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 2007 are included in the State of Illinois' Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2007. The SERS issues a separate CAFR that may be obtained by writing to the SERS, 2101 South Veterans Parkway, Springfield, Illinois, 62794.

State of Illinois
Illinois Medical District Commission
Notes to Basic Financial Statements, continued

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 2007, the employer contribution rate was 7.792%.

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 2007 budget process. The pickup is subject to sufficient annual appropriations and those employees covered may vary across employee groups and State agencies.

Beginning in fiscal year 2007, the Commission's full-time employees who are not considered employees of the State, are eligible to participate in the Illinois Municipal Retirement Fund (IMRF), a pension trust fund covering employees of local governments and school districts in Illinois. Commission employees were eligible to enter the plan as of April 1, 2007. The IMRF was established under statutes adopted by the Illinois General Assembly.

The Commission pays employer retirement contributions as a member of the IMRF equal to 12.77% of the participants payroll. All participants are required to submit 4.5% of their earnings as well.

11. 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 \$28.6 million as of June 30, 2007.

State of Illinois
Illinois Medical District Commission
Notes to Basic Financial Statements, continued

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.

12. Litigation

On September 1, 2005, the Commission and the Chicago Technology Park Corporation (Corporation), a component unit of the Commission, were named defendants in a lawsuit seeking judgment of \$243,000. The Commission and the Corporation intend to vigorously contest this matter and believe 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, 2007.

13. Commitments

The Corporation, a component unit of the Commission, received a grant (BiTmaP) from the U.S. Department of Labor in 2004 to train unemployed and/or underemployed information technology professionals in the field of bio-informatics. Under the terms of this grant, the Corporation 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 \$1,365,610 was incurred as of June 30, 2007.

State of Illinois
Illinois Medical District Commission
Notes to Basic Financial Statements, continued

14. Segment Information

A segment is an identifiable activity reported as a stand-alone entity for which one or more revenue bonds are outstanding. A segment has a specific identifiable revenue stream pledged in support of revenue bonds and has related expenses, gains and losses, assets, and liabilities that are required by an external party to be accounted for separately. The Commission has one segment that meets the reporting requirements of GASB Statement No. 34. Commission operations include construction, rental, and parking activities.

Following are condensed financial statements for the segment:

Condensed Statements of Net Assets at June 30, 2007

Assets:	
Current assets	\$ 19,774,875
Noncurrent assets, Other	3,187,156
Noncurrent assets, Capital assets	<u>19,310,992</u>
Total assets	<u>\$ 42,273,023</u>
Liabilities:	
Current liabilities	\$ 1,099,503
Noncurrent liabilities	<u>40,000,000</u>
Total liabilities	41,099,503
Net assets:	
Restricted, expendable	<u>1,173,520</u>
Total liabilities and net assets	<u>\$ 42,273,023</u>

**Condensed Statements of Revenues, Expenses and
Changes in Net Assets for the Year Ended June 30, 2007**

Operating revenue	\$ 220,570
Amortization expenses	(32,714)
Depreciation expense	(263,275)
Other operating expenses	(483,231)
Nonoperating expenses	<u>(921,760)</u>
Increase in net assets	(1,480,410)
Net assets - beginning of year	<u>2,653,930</u>
Net assets - end of year	<u>\$ 1,173,520</u>

State of Illinois
Illinois Medical District Commission

Supplementary Information for State Compliance Purposes

For the Year Ended June 30, 2007

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
 - Schedule of Net Appropriations, Expenditures and Lapsed Balances
 - Comparative Schedule of Net Appropriations, Expenditures, and Lapsed Balances
 - Schedule of Changes in Capital Assets
 - Analysis of Significant Variations in Revenues and Expenses
 - Comparative Schedule of Expenditures - Locally Held Funds (Non-Appropriated)
 - Comparative Schedule of Revenues - Locally Held Funds (Non-Appropriated)
 - Analysis of Significant Account Balances
 - Analysis of Accounts Receivable
- Analysis of Operations
 - Commission Functions and Planning Program
 - Average Number of Employees
 - Service Efforts and Accomplishments (Unaudited)

The accountants' 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 accountants' opinion, except for that 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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Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2007

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Pass-Through Number	FY 2007 Expenditures
<u>DEPARTMENT OF LABOR</u>			
Employment and Training Administration Pilots, Demonstrations, and Research Projects	17.261		<u>\$ 1,674,007</u>
TOTAL FEDERAL AWARDS EXPENDED			<u><u>\$ 1,674,007</u></u>

The accompanying notes are an integral part of this schedule.

State of Illinois
Illinois Medical District Commission

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007

1. Significant Accounting Policy

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards by federal agency represents the financial assistance transactions of the Chicago Technology Park Corporation (Corporation), which has been reported as a blended component unit of the Illinois Medical District Commission in the accompanying basic financial statements. This was recorded on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

2. Description of Program

BiTmaP

This is a training program that certifies information technology (IT) professionals in the field of bioinformatics. BiTmaP is sponsored by a \$3 million grant awarded to the Chicago Technology Park by the U.S. Department of Labor. The grant supports a partnership with the Corporation and the University of Illinois at Chicago to create and manage an online training curriculum at the interface of information technology and the life sciences. The ultimate goal of BiTmaP is to partner with local and regional businesses, learning institutions, industrial organizations, and workforce development agencies to place BiTmaP students in successful careers in bioinformatics.

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Illinois Medical District Commission

Schedule of Net Appropriations, Expenditures and Lapsed Balances

Appropriations for Fiscal Year 2007

Fourteen months ended August 31, 2007

	Appropriations (Net After Transfers)	Expenditures Through June 30, 2007	Lapse Period Expenditures July 1, to August 31, 2007	Total Expenditures	Lapsed Balances
Public Act 94-0798					
General Revenue Fund 001					
Ordinary and Contingent Expenses Lump Sum	\$ 184,400	\$ 159,960	\$ 16,465	\$ 176,425	\$ 7,975
Total	<u>\$ 184,400</u>	<u>\$ 159,960</u>	<u>\$ 16,465</u>	<u>\$ 176,425</u>	<u>\$ 7,975</u>

* *The information contained in this schedule was taken from Commission records which have been reconciled to those of the Office of State Comptroller.*

State of Illinois
Illinois Medical District Commission

**Comparative Schedule of Net Appropriations, Expenditures,
and Lapsed Balances***

For the Years Ended June 30, 2007, 2006, and 2005

	Fiscal Years		
	2007	2006	2005
	PA 94-0798	PA 94-0015	PA 93-0842
General Revenue Fund-001:			
Appropriations (Net after transfers)	\$ 184,400	\$ 192,000	\$ 192,000
Expenditures:			
Ordinary and contingent expenses	176,425	188,214	192,000
Total Expenditures	176,425	188,214	192,000
Lapsed Balances	\$ 7,975	\$ 3,786	\$ -
Capital Development Fund - 141			
Appropriations (Net after transfers)	\$ -	\$ 6,965	\$ 488,339
Expenditures:			
Re-appropriation of unexpended funds	-	6,965	481,376
Total Expenditures	-	6,965	481,376
Lapsed Balances	\$ -	\$ -	\$ 6,963
Grand Total, All Funds			
Total Appropriations (Net after transfers)	\$ 184,400	\$ 198,965	\$ 680,339
Total Expenditures	176,425	195,179	673,376
Lapsed Balances	\$ 7,975	\$ 3,786	\$ 6,963

* The information contained in this schedule was taken from Commission records which have been reconciled to those of the State Comptroller.

State of Illinois
Illinois Medical District Commission

Schedule of Changes in Capital Assets
For the Years Ended June 30, 2007 and 2006

Cost:	<u>July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>June 30, 2007</u>
Land and Land Improvements	\$ 39,133,089	\$ 446,946	\$ (257,125)	\$ 330,596	\$ 39,653,506
Construction in Progress	805,267	7,015	-	17,464	829,746
Site Improvements	1,552,691	71,344	(236)	-	1,623,799
Buildings and Building Improvements	13,615,587	540,470	(30,090)	(140,008)	13,985,959
Equipment	230,770	59,201	-	(53,000)	236,971
Total Cost	<u>55,337,404</u>	<u>1,124,976</u>	<u>(287,451)</u>	<u>155,052</u>	<u>56,329,981</u>
Less: Accumulated Depreciation:					
Site Improvements	134,247	53,692	-	-	187,939
Buildings and Building Improvements	2,605,971	702,736	-	51,450	3,360,157
Equipment	175,281	26,579	-	5,501	207,361
Total	<u>2,915,499</u>	<u>783,007</u>	<u>-</u>	<u>56,951</u>	<u>3,755,457</u>
Capital Assets, Net	<u>\$ 52,421,905</u>	<u>\$ 341,969</u>	<u>\$ (287,451)</u>	<u>\$ 98,101</u>	<u>\$ 52,574,524</u>

The information was obtained from Commission records which have been reconciled to the State Comptroller.

State of Illinois
Illinois Medical District Commission

Analysis of Significant Variations in Revenues and Expenses

For the Year Ended June 30, 2007

Following are explanations for significant variances between revenues and expense accounts exceeding \$91,000 and 15%:

	2007	Increase (Decrease)	2006	Comments
Other operating revenues	\$ 144,231	\$ (177,727)	\$ 321,958	A program initiative income was received in fiscal year 2006 from Inland US Management LLC for the Ashland and Roosevelt development.
Property management and development	5,506,023	1,818,712	3,687,311	Increase due to the following: (1) numerous non-capitalizable support service expenditures such as cleaning, ground and building maintenance and marketing, (2) grant contribution of \$781,405, (3) full year amortization of course development of \$469,035, and (4) IMRF contribution of \$142,498.
Grant programs	1,262,197	165,196	1,097,001	Increase mainly due to the full year implementation of the BiTmaP grant program.
Depreciation expense	801,108	179,474	621,634	Increase due to the full year depreciation of property acquired with bond funds for Fiscal year 2007. Depreciation in Fiscal year 2006 was only for 5 months.
Interest income	1,346,789	537,033	809,756	Increase mainly due to the full year interest earned for Fiscal year 2007 while six months for Fiscal year 2006 since the investments and securities were placed only in January 2006.
Interest expense	(2,182,566)	(1,256,180)	(926,386)	Increase mainly due to bond interest expense for the full year in Fiscal year 2007. Fiscal year 2006 interest expense was only for six months.
Gain (loss) on disposal of capital assets	107,055	109,974	(2,919)	Increase due to the gain on sale of accessory parking lot site.
Capital transfers from other state agencies	-	(292,129)	292,129	Decrease due to no capital transfers from Capital Development Board in fiscal year 2007.

State of Illinois
Illinois Medical District Commission

Comparative Schedule of Expenditures - Locally Held Funds (Non-Appropriated)

For the Years Ended June 30, 2007, and 2006

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.

	<u>2007</u>	<u>2006</u>
Property Management Fund (1240)		
Property management and development	\$ 2,911,835	\$ 954,490
Interest	4,097	9,199
Total - Fund 1240	<u>2,915,932</u>	<u>963,689</u>
Chicago Technology Research Center Fund (1265)		
Property management and development	721,813	1,219,054
Interest	463	687
Total - Fund 1265	<u>722,276</u>	<u>1,219,741</u>
Chicago Technology Park Fund (1266)		
Property management and development	220,749	733,767
Total - Fund 1266	<u>220,749</u>	<u>733,767</u>
Chicago Technology Park Corporation (1376)		
Grant programs	1,259,309	1,097,001
Total - Fund 1376	<u>1,259,309</u>	<u>1,097,001</u>
Illinois Medical District Revolving Fund (1337)		
Property management and development	-	6,865
Total - Fund 1337	<u>-</u>	<u>6,865</u>
Illinois Medical District Restricted Fund (1377)		
Property management and development	497,744	1,211,045
Interest expense	2,178,006	916,500
Total - Fund 1377	<u>2,675,750</u>	<u>2,127,545</u>
Total All Funds	<u>\$ 7,794,016</u>	<u>\$ 6,148,608</u>

State of Illinois
Illinois Medical District Commission

Comparative Schedule of Revenues - Locally Held Funds (Non-Appropriated)

For the Years Ended June 30, 2007, and 2006

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.

	<u>2007</u>	<u>2006</u>
Property Management Fund (1240)		
Rental income	\$ 674,830	\$ 713,304
Services income	50,248	70,903
Interest income	-	4,864
Other income	89,769	195,582
Total - Fund 1240	<u>814,847</u>	<u>984,653</u>
Chicago Technology Research Center Fund (1265)		
Rental income	748,274	664,199
Improvements/Repairs income	8,523	10,942
Services income	39,260	27,146
Interest income	-	550
Other income	206	-
Total - Fund 1265	<u>796,263</u>	<u>702,837</u>
Chicago Technology Park Fund (1266)		
Rental income	685,330	776,875
Improvements/Repairs income	-	495
Services income	10,126	4,386
Interest income	-	980
Total - Fund 1266	<u>695,456</u>	<u>782,736</u>
Chicago Technology Park Corporation (1376)		
Grants	1,422,250	1,578,071
Interest income	-	306
Services income	700	-
Other income	76	-
Total - Fund 1376	<u>1,423,026</u>	<u>1,578,377</u>
Illinois Medical District Restricted Fund (1377)		
Rental income	142,923	102,984
Interest income	1,346,789	803,056
Other income	77,647	12,504
Total - Fund 1377	<u>1,567,359</u>	<u>918,544</u>
Total All Funds	<u>\$ 5,296,951</u>	<u>\$ 4,967,147</u>

State of Illinois
Illinois Medical District Commission

Analysis of Significant Account Balances
For the Year Ended June 30, 2007

Cash, Cash equivalents and investments

Cash, cash equivalents and investments consist of checking accounts, money market accounts and investments in U.S. Treasury and U.S. Agency obligations. The Commission's cash and investments are classified as follows:

	2007	2006
Cash in Bank	\$ 1,320,687	\$ 380,689
Money Market	1,805,202	1,181,192
U.S. Treasuries	3,240,491	5,892,223
U.S. Agencies	21,538,516	23,513,056
	<u>\$ 27,904,896</u>	<u>\$ 30,967,160</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 sale portion of the sale. The payment is received annually in December.

On July 26, 2004, the Commission entered into an installment 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.

Other Assets

	2007	2006
Other Assets	<u>\$ 429,591</u>	<u>\$ 571,558</u>

Decrease in others assets was mainly due to the full year amortization of the course development in Fiscal year 2007.

State of Illinois
Illinois Medical District Commission

Analysis of Significant Account Balances, continued
For the Year Ended June 30, 2007

Liabilities

A comparative analysis of Commission's liabilities is provided below:

	2007	2006
Accounts payable and accrued expenses	\$ 1,083,067	\$ 1,115,434
Interest payable	712,782	871,281
Security deposits	188,726	435,503
Line of credit	2,042,506	1,268,232
Capital lease obligations - net of current portion	-	10,127
Accrued vacation and sick time payable - net of current portion	64,492	56,384
Revenue bonds payable	40,000,000	40,000,000
	<u>\$ 44,091,573</u>	<u>\$ 43,756,961</u>

Net increase in total liabilities was mostly due to the following: (1) accrual of the IMRF contribution; (2) increase in line of credit due to several loan advances drawn used to finance management and development projects such as the Graduate Research Facility. This increase was partially offset by the decrease in interest accrual for the bonds and the reclassification of security deposits to land.

State of Illinois
Illinois Medical District Commission

Analysis of Accounts Receivable

For the Years Ended June 30, 2007, and 2006

Accounts Receivable balances were maintained for locally held funds during the audit period. Collections on accounts receivable are handled by the Executive Director, Chief Fiscal Officer or Legal Counsel. If the Commission personnel cannot collect on a receivable, the Commission turns those receivables over to a collection agency. An aging of accounts receivable as of June 30, is presented below:

<u>Days Outstanding</u>	<u>2007</u>		<u>2006</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
One to thirty	\$ 69,172	12.2%	\$ 597,092	68.4%
Thirty-one to three hundred sixty	283,232	50.0%	108,429	12.4%
Over three hundred sixty	214,132	37.8%	167,642	19.2%
	<u>566,536</u>	<u>100.0%</u>	<u>873,163</u>	<u>100.0%</u>
Estimated uncollectible amount	<u>210,793</u>		<u>210,793</u>	
Accounts Receivable (Net)	<u>\$ 355,743</u>		<u>\$ 662,370</u>	

Decrease in accounts receivables was due to the collection of receivables from the Department of Labor in relation to its funding for the BiTmaP grant program. This increase was partially offset by the decrease in accounts receivable from tenants who were delayed in settling their outstanding accounts at year end.

State of Illinois
Illinois Medical District Commission

Analysis of Operations

For the Year Ended June 30, 2007

Commission Functions and Planning Program

Description of Planning System:

Functions

The primary purpose of the Illinois Medical District Commission (Commission), created in July 1, 1941 by the Medical District Act (Act), 70 ILCS 915/0.01 et. seq., is to provide assembled development site 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 healthcare professionals.

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 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 Corporation (Corporation). The Corporation is an area or areas within the Illinois Medical District designated for research and development of medically related technologies and products. The Corporation 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 Corporation also includes Enterprise Center I and Enterprise Center II which provide "acceleration" wet lab space for incubator facility graduates.

The Commission's main office is located at 600 South Hoyne Avenue, Chicago, Illinois 60612 which is a 560 acres of medical research facilities, labs, biotech business incubator, raw development area, universities, and over 40 healthcare related facilities. Two other offices are located at 1334 South Ashland Avenue, Chicago, Illinois and 2225 West Harrison Street, Chicago, Illinois. The Commission is the nation's largest urban medical district, holds one of the nation's largest college of medicine, and the largest biotechnology/medical complex in the State of Illinois.

State of Illinois
Illinois Medical District Commission

Analysis of Operations, continued
For the Year Ended June 30, 2007

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. Currently, there are only 6 Commissioners as one of the two Mayor's appointees died in 2007. Commission officials are as follows:

Principal Officers

Executive Director	- Mr. Samuel Pruett
Chief of Staff	- Mr. Mich Hein
Director of External and Corporate Affairs	- Mr. Mark Jamil
Technical Counsel	- Mr. Kenneth Scheiwe
Acting Fiscal Officer	- Mr. Robert Nauert

Board of Commissioners

Mr. Kenneth D. Schmidt, M.D.
Mr. Abraham C. Morgan
Dr. Leon M. Dingle, Jr.
Mr. John E. Partelow
Mr. Bob J. Nash
Mr. Michael Fitzgerald

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 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 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 Corporation;
- Borrow funds for activities;
- 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, like the Chicago City Planning Commission.

State of Illinois

Illinois Medical District Commission

Analysis of Operations, continued

For the Year Ended June 30, 2007

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 Commission of Illinois Medical Center, Rush Commission Medical Center, John H. Stroger, Jr. Hospital of Cook County, Jesse Brown V.A. Medical Center, and Chicago Technology Park Corporation.

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 the Commission's 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 Corporation 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 Corporation visually distinguished and attractive;
- To provide a high level 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.

Included in the Commission's plan for fiscal year 2007 is to attract more medically-related commerce and research, and new business ventures and then facilitate the growth of life science companies and coordinate activities among all institutions within the Illinois Medical District. The Commission's approach includes the effective operation of the Chicago Technology Park as well as land management within the District Development Area. In this endeavor, the Commission will bring value to their area through education, research, technology, advances in health care, and successful business enterprise.

State of Illinois
Illinois Medical District Commission

Analysis of Operations, continued
For the Year Ended June 30, 2007

Currently, the Illinois Medical District's (District) acquisition program is focused south of Roosevelt Road – the District Development Area – where the District is the majority property owner. This redevelopment effort is one of the largest comprehensive redevelopment projects within the City of Chicago. For the past 7 years, the District has been acquiring and demolishing vacant, abandoned, older or dilapidated properties in order to assemble developable parcels for medical, governmental and institutional development. This program continues and the current projects is near completion in close proximity to or adjacent to existing new development. As part of this comprehensive redevelopment process, the Commission has coordinated and collaborated with other local government and regulatory agencies.

The measures of performance that Commission management uses a 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.

For financial reporting purposes, the Commission is considered a special-purpose government engaged only in business-type activities as defined by GASB Statement No. 34. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

State of Illinois
Illinois Medical District Commission

Analysis of Operations, continued

For the Year Ended June 30, 2007

Average Number of Employees

The average number of employees at the Commission during the fiscal years 2007, 2006 and 2005 is as follows:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Administration	10	9	9
Programmatic	7	3	2
Laborers	6	5	3
Clerical	3	4	5
Contractual Positions	<u>1</u>	<u>5</u>	<u>3</u>
Total	<u>27</u>	<u>26</u>	<u>22</u>

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

State of Illinois
Illinois Medical District Commission

Analysis of Operations, continued
For the Year Ended June 30, 2007

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 72-75. This section of the report presents to the reader some basic data (financial and non-financial) related to the accomplishment of those functions.

Program	Expenditures (in thousands)	Employee Headcount
Chicago Technology Park Corporation	\$ 150	2
District Development	120	5
Illinois Medical District	600	11
Agency Totals	\$ 870	18

The expenditures do not include additional expenditures from locally held funds. The headcount includes 17 employees paid from locally held funds.

The Commission governs development within the District, 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 District 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 Commission nurtures or coordinates growth among all institutions within the Medical District. The District 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 (opened in Spring 2006) is integral to such efforts.

The Chicago Technology Park (Park) is a 56-acre development located within the boundaries of the District 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

**State of Illinois
Illinois Medical District Commission**

Analysis of Operations, continued
For the Year Ended June 30, 2007

Service Efforts and Accomplishments (Unaudited), continued

in the Park that has their origins from District's major 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 Park is home to the Chicago ITEC, a collaborative effort to support and assist emerging, incubated companies and enhance the pace of commercialization. It is the Commission's goal to position Illinois as a leader in biotechnology and medical research commercialization. To advance these efforts, the Commission is 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 District 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 Commission 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, continued
For the year ended June 30, 2007

Service Efforts and Accomplishments (Unaudited), continued

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.

	<u>Fiscal Year 2003 Actual</u>	<u>Fiscal Year 2004 Actual</u>	<u>Fiscal Year 2005 Actual</u>	<u>Fiscal Year 2006 Actual</u>	<u>Fiscal Year 2007 Actual</u>
<u>Input Indicators</u>					
Total expenditures - all sources (in thousands)	\$1,752.2	\$1,688.0	\$2,230.0	\$3,324.0	\$3,844.0
Total expenditures - State appropriated fund (in thousands)	\$825.2	\$120.0	\$ -	\$ 100.0	\$80.0
Average monthly full-time equivalents	9.0	5.0	4.0	5.0	4.0
<u>Output Indicators</u>					
New companies entering the CTP Research Center Incubator	10	3	4	3	2
Rental income (in thousands)	\$1,288.5	\$1,446.8	\$1,560.0	\$1,600.0	\$1,713.0
Increase in Space/Lab Inventory square footage	16,500	2,000	-	6,000	-
<u>Outcome Indicators</u>					
Employment in Chicago Technology Park	1,051	1,157	1,400	1,447	1,500
Research and investment dollars of CTP Companies (in thousands)	\$79,350	\$85,000	\$52,000	\$52,000	\$50,000
Occupancy of CTP Research Center	100%	100%	98%	90%	85%

**State of Illinois
Illinois Medical District Commission**

**Analysis of Operations, continued
For the year ended June 30, 2007**

Service Efforts and Accomplishments (Unaudited), continued

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.

	<u>Fiscal Year 2003 Actual</u>	<u>Fiscal Year 2004 Actual</u>	<u>Fiscal Year 2005 Actual</u>	<u>Fiscal Year 2006 Actual</u>	<u>Fiscal Year 2007 Actual</u>
<u>Input Indicators</u>					
Total expenditures - all sources (in thousands)	\$4,448.1	\$3,224.7	\$1,481.0	\$1,323	\$1,640.0
Total expenditures - State appropriated funds (in thousands)	\$4,448.1	\$3,224.7	\$481.4	\$7.0	\$-
Average monthly full-time employees	7.0	5.0	6.0	6.0	6.0
<u>Output Indicators</u>					
Land assemblage (square feet)	166,756	184,501	26,620	526,950	131,000
Land parcels assembled (#)	48	57	9	16	43
Land leases negotiated (square feet)	-	-	-	150,000	-
Land leases negotiated (#)	-	-	-	1	-
<u>Outcome Indicators</u>					
Building Openings	5	4	-	1	-
Square footage of buildings completed	270,000	275,000	-	383,000	-
Jobs created in District Development Area	210	300	125	1,000	-

**State of Illinois
Illinois Medical District Commission**

Analysis of Operations, continued
For the year ended June 30, 2007

Service Efforts and Accomplishments (Unaudited), continued

Illinois Medical District

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

Program Goals:

- Objectives:
1. Enhance District Directional Signage with banners and markers in order to more clearly designate the District.
 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 coordination with other City/State/Industry parties for major Chicago 2006 National I-BIO Convention.
 6. Continue District enhancements, open space, and beautification programs.

	<u>Fiscal Year 2003 Actual</u>	<u>Fiscal Year 2004 Actual</u>	<u>Fiscal Year 2005 Actual</u>	<u>Fiscal Year 2006 Actual</u>	<u>Fiscal Year 2007 Actual</u>
<u>Input Indicators</u>					
Total expenditures - all sources (in thousands)	\$1,131.6	\$2,649.0	\$938.0	\$1,109.0	\$1,469.0
Total expenditures - State appropriated funds (in thousands)	\$458.0	\$374.7	\$192.0	\$ 88.0	\$96.0
Average monthly full-time equivalents	7.0	8.0	8.0	8.0	13.0
<u>Output Indicators</u>					
District Security Group meeting and events	9	8	8	8	8
District Member Council meetings	5	5	4	3	3
<u>Outcome Indicators</u>					
Total District employment	22,500	23,000	24,500	25,000	25,000
District research dollars (in thousands)	\$325,000	\$350,000	\$300,000	\$303,000	\$300,000
District Member facility growth (square feet)	395,000	275,000	50,000	100,000	100,000