

**STATE OF ILLINOIS
ILLINOIS MEDICAL DISTRICT COMMISSION**

**FINANCIAL AUDIT
AND
COMPLIANCE EXAMINATION
For the Year Ended June 30, 2008**

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, 2008**

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**State of Illinois
Illinois Medical District Commission
Financial Audit and Compliance Examination
For the Year Ended June 30, 2008**

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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 09/19/08)
Director of Corporate and External Affairs (Chief Legal Counsel)	Mr. Mark Jamil
Technical Counsel	Mr. Kenneth Scheiwe
Project Manager, Financial Affairs	Mr. Thomas Custardo (03/04/08 to present)

Commission office is located at:

600 South Hoyne Avenue
Chicago, Illinois 60612



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Chicago, Illinois 60612

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State of Illinois
Governor
Pat Quinn

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

Meghan K. Harte

Executive Director
Samuel W. Pruett

March 10, 2009

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, 2008. Based on this evaluation, we assert that during the year ended June 30, 2008, 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.

Sincerely,

Illinois Medical District Commission



Samuel W. Pruett
Executive Director



Thomas P. Custardo
Project Manager, Financial Affairs



Mark S. Jamil
Director of Corporate and External Affairs
(Chief Legal Counsel)

**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>Current</u>	<u>Prior</u>
<u>Findings</u>	<u>Report</u>	<u>Report</u>
Findings	4	9
Repeated findings	4	3
Prior recommendations implemented or not repeated	5	1

Details of findings are presented in the separately tabbed report section of this report.

Schedule of Findings

<u>Item</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
<u>No.</u>			
FINDINGS (STATE COMPLIANCE)			
08-1	11	Noncompliance with Required Contracting Procedures	Noncompliance Significant Deficiency
08-2	14	Fiscal Control and Internal Auditing Act (FCIAA) Certification and Checklist Not Prepared and Submitted	Noncompliance Significant Deficiency
08-3	15	Failure to Remit Unexpended Proceeds from the Sale of Commission Property into the Income Fund Held in the State Treasury	Noncompliance Significant Deficiency
08-4	17	Inaccurate Reporting of Receipts and Disbursements	Noncompliance Significant Deficiency

**State of Illinois
Illinois Medical District Commission**

Compliance Report

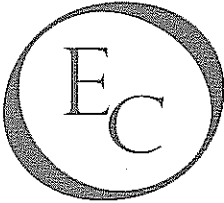
Summary, continued

Schedule of Findings, continued

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
		PRIOR FINDINGS NOT REPEATED
A	19	Inadequate Controls Over Financial Reporting
B	19	Long Outstanding Items Not Adequately Reviewed
C	19	Inaccurate and Untimely Submission of Generally Accepted Accounting Principles (GAAP) Reporting Package
D	20	Inadequate Controls Over Personnel and Payroll Administration
E	20	Inadequate Controls Over Property and Equipment

Exit Conference

Commission management waived having an exit conference per correspondence dated December 22, 2008. Responses to the recommendations were provided by Thomas Custardo, Project Manager, Financial Affairs in correspondence dated December 22, 2008.



E.C. ORTIZ & CO., LLP
CERTIFIED PUBLIC ACCOUNTANTS

**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

and

The Board of Commissioners
Illinois Medical District Commission

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, 2008. 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.

In our opinion, the Commission complied, in all material respects, with the requirements listed in the first paragraph of this report during the year ended June 30, 2008. However, the results of our procedures disclosed instances of noncompliance, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of findings as findings 08-1 to 08-4.

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 08-1 and 08-4 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. We did not consider any of the deficiencies described in the accompanying schedule of findings 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 response to the findings identified in our examination are described in the accompanying schedule of findings. We did not examine the Commission's response and, accordingly, we express no opinion on it.

Supplementary Information for State Compliance Purposes

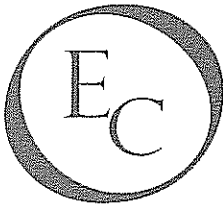
As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the business-type activities of the Commission as of and for the year ended June 30, 2008, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated March 10, 2009. 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 2008 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, 2008, taken as a whole.

We have also previously audited, in accordance with auditing standards generally accepted in the United States, the Commission's basic financial statements for the year ended June 30, 2007. In our report dated April 30, 2008, we expressed unqualified opinions on the respective financial statements of the business-type activities. In our opinion, the 2007 Supplementary Information for State Compliance Purposes, except for the portion marked "unaudited" is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2007 taken as a whole.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, the 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. Dutzig + Co., LLP

March 10, 2009



E.C. ORTIZ & CO., LLP
CERTIFIED PUBLIC ACCOUNTANTS

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

and

The Board of Commissioners
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, 2008, and have issued our report thereon dated March 10, 2009. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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.

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

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

Our consideration of 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 internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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*.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, the 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

March 10, 2009

State of Illinois
Illinois Medical District Commission

Current Findings - State Compliance
For the Year Ended June 30, 2008

08-1 *Noncompliance with Required Contracting Procedures*

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

During our tests of 50 contracts totaling \$3,363,805, we noted the following:

- Six (12%) of 50 contracts tested totaling \$593,040 did not state whether subcontractors will be utilized.
- Ten (20%) of 50 contracts tested totaling \$372,500 did not disclose financial interest statements and did not include individual statements of owners over 5%.
- One (2%) of 50 contracts tested totaling \$40,000 did not indicate the contractor's federal employer identification numbers and legal status disclosure statements.
- Three (6%) of 50 contracts tested totaling \$53,000 did not include statements or provisions with regard to conflicts of interest.
- Twelve (24%) of 50 contracts tested totaling \$391,487 did not include the agency representative signature, name and title printed under the signature, or the dates of contracts or modifications.
- One (2%) of 50 contracts tested, for on-site stationary, operating engineering and facilities management services, totaling \$315,957 did not have the signatures of the chief fiscal officer and chief legal counsel. Only the Executive Director signed the contract.
- Six (12%) of 50 contracts tested totaling \$522,947 were multi-year contracts with missing Contractual Obligation Documents (CODs) noting future years' information. Revised CODs were submitted to the Comptroller's Office before the end of fieldwork.
- Thirteen (26%) of 50 contracts tested totaling \$2,186,182 did not comply with the competitive procurement requirements of the Illinois Procurement Code. These individual contracts were professional and artistic contracts greater than \$20,000. None of these contracts awarded were published in the Illinois Procurement Bulletin as sole source.

State of Illinois
Illinois Medical District Commission

Current Findings - State Compliance, continued
For the Year Ended June 30, 2008

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 500/35-35 allows sole source procurements, emergency procurements, and at the discretion of the chief procurement officer or the State purchasing officer, but not their designees, for professional and artistic contracts that are nonrenewable, one year or less in duration, and have a value of less than \$20,000. 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, and to negotiate contracts at fair and reasonable prices.

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 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, a certification clause on Steel Production Procurement Act and Child Labor Act.

Commission officials stated that the exceptions occurred as a result of oversight and that corrective measures have been undertaken.

State of Illinois
Illinois Medical District Commission

Current Findings - State Compliance, continued
For the Year Ended June 30, 2008

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 Procurement Code. 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. 08-1, 07-6, 06-3, 05-5)

Recommendation

We recommend the Commission adhere to contract requirements, obtain signatures and disclosure statements, and publish sole source justification as required.

Commission Response

The Commission agrees with the recommendation.

State of Illinois
Illinois Medical District Commission

Current Findings - State Compliance, continued
For the Year Ended June 30, 2008

08-2 *Fiscal Control and Internal Auditing Act (FCIAA) Certification and Checklist Not Prepared and Submitted*

The Illinois Medical District Commission (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 or before May 1, 2008 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 the completion and submission of reports by the stated deadlines has and will continue to be a priority. Both the FCIAA Certification and Checklist were not submitted due to an oversight of the former employee assigned the task.

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 Nos. 08-2, 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.

Commission Response

The Commission agrees with the recommendation.

State of Illinois
Illinois Medical District Commission

Current Findings - State Compliance, continued

For the Year Ended June 30, 2008

08-3 *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 was provided as collateral for a \$4,000,000 line of credit with a bank. There were no changes noted to the status of these funds in fiscal year 2008.

The Illinois Medical District Act (70 ILCS 915/10) requires the Commission to remit to the State Treasury all monies 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 that this is an ongoing matter and continues to assert it has complied with the statute.

Failure to remit the excess monies to the State Treasury is a violation of State statutes. (Finding Code Nos. 08-3, 07-8, 06-2, 05-3)

Recommendation

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

State of Illinois
Illinois Medical District Commission

Current Findings - State Compliance, continued

For the Year Ended June 30, 2008

Commission Response

The Commission continues to disagree with this finding and maintains the Illinois Medical District Act's intent is 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 no funds in excess of \$350,000 at the close of fiscal year 2008 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 three 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.

Further, on December 31, 2008 the Office of the Attorney General issued a Formal Opinion (No. 08-004) on the issue. In summary, the Office of the Attorney General agreed with the Illinois Office of the Auditor General's position and concluded by stating that "If the Commission is interested in expanding its authority to lawfully retain monies in excess of the current statutory limitations, then it must address this issue with the General Assembly."

State of Illinois
Illinois Medical District Commission

Current Findings - State Compliance, continued
For the Year Ended June 30, 2008

08-4 *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, 2008 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 incorrectly reported cumulative receipts and disbursements balances. The cash and investment balances were misstated in the C-17 Reports by \$502,104 at year end.

During our examination, we also reviewed the final fiscal year ended June 30, 2008 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 Quarterly Summaries of Accounts Receivable was \$206,000 at year end.

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 these inaccuracies were the result of processes and actions attributed to staff no longer with the Commission. All quarterly financial reporting is now prepared and presented with supporting documentation that is independently verified by another personnel independent of the process.

Failure to accurately report financial information to the Comptroller may distort the State's financial records. (Finding Code Nos. 08-4, 07-9)

Recommendation

We recommend the Commission ensure that quarterly reports are 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, 2008

Commission Response

The Commission agrees with the recommendation.

State of Illinois
Illinois Medical District Commission

Prior Findings Not Repeated

For the Year Ended June 30, 2008

A. *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). (Finding Code No. 07-1)

Status: Not Repeated.

The Commission improved controls over financial reporting. The draft financial statements, including notes, were prepared timely. Based on our audit, the amounts reported in the financial statements agreed to the supporting documentation, and accounts were properly classified.

B. *Long Outstanding Items Not Adequately Reviewed*

The Illinois Medical District Commission (Commission) did not review accounts that were outstanding for more than a year. (Finding Code No. 07-2)

Status: Not Repeated.

During the current engagement, the results of our testing did not disclose similar exceptions.

C. *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. (Finding Code Nos. 07-3, 06-1, 05-2, 04-3, 02-6)

Status: Not Repeated.

During the current engagement, the GAAP Reporting package was submitted to the Comptroller's Office timely. We also noted that the amounts in the GAAP Reporting package agreed to the draft financial statements, including notes, prepared by the Commission.

State of Illinois
Illinois Medical District Commission

Prior Findings Not Repeated, continued

For the Year Ended June 30, 2008

D. *Inadequate Controls Over Personnel and Payroll Administration*

The Illinois Medical District Commission (Commission) did not have adequate controls over personnel and payroll administration. Annual performance evaluations were not prepared; medical and dental benefit coverage were not timely canceled for separated employees; and notification of continuance of health benefits for separated employees who were qualified participants were not provided. (Finding Code No. 07-4)

Status: Not Repeated.

During the current engagement, the results of our testing did not disclose similar exceptions.

E. *Inadequate Controls Over Property and Equipment*

The Illinois Medical District Commission (Commission) did not have adequate controls over its property and equipment. The Commission did not submit the quarterly Agency Report of State Property (Form C-15) on time for one quarter; additions and deletions were not accurate; some equipment items could not be located; some equipment items were not tagged; and equipment listings were not updated. (Finding Code No. 07-5)

Status: Not Repeated.

During the current engagement, the results of our testing did not disclose similar exceptions.

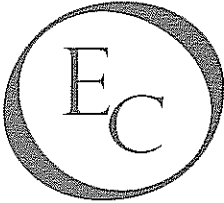
State of Illinois
Illinois Medical District Commission

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.



Independent Auditors' Report

Honorable William G. Holland
Auditor General
State of Illinois

and

The Board of Commissioners
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, 2008, 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.

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, 2008, 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 March 10, 2009 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. Artiz & Co., LLP

March 10, 2009

**State of Illinois
Illinois Medical District Commission
Statement of Net Assets
June 30, 2008**

ASSETS

Current assets:

Cash and cash equivalents (Notes 2 & 3)	\$ 145,722
Cash and cash equivalents, restricted (Notes 2 & 3)	1,256,944
Accounts and other receivables, net (Notes 2 & 4)	486,086
Notes receivable (Note 4)	1,020,016
Debt issuance costs (Note 2)	32,714
<i>Total current assets</i>	<u>2,941,482</u>

Noncurrent assets:

Notes receivable (Notes 2 & 4)	33,915,099
Investments, restricted (Note 3)	3,034,801
Debt issuance costs (Note 2)	706,084
Capital assets, net (Note 5)	57,032,326
Other assets, net (Note 2)	50,854
<i>Total noncurrent assets</i>	<u>94,739,164</u>

TOTAL ASSETS

97,680,646

LIABILITIES

Current liabilities:

Accounts payable and accrued expenses	1,542,522
Interest payable (Note 6)	787,926
Security deposits	434,088
Certificates of participation (Note 6)	655,000
Line of credit (Note 6)	2,592,506
<i>Total current liabilities</i>	<u>6,012,042</u>

Noncurrent liabilities:

Capital lease obligations (Notes 2 & 7)	61,883
Accrued vacation and sick time payable (Note 2)	46,085
Certificates of participation (Note 6)	27,315,000
Due to other state agency (Note 6)	23,529,761
<i>Total noncurrent liabilities</i>	<u>50,952,729</u>

TOTAL LIABILITIES

56,964,771

NET ASSETS (Note 2)

Invested in capital assets, net of related debt	28,266,807
Restricted:	
Expendable for grant activities	121,972
Expendable for capital projects	2,251,785
Unrestricted	10,075,311

TOTAL NET ASSETS

\$ 40,715,875

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, 2008

OPERATING REVENUES

Grants	\$ 3,447,193
Rental and services income	3,143,975
Other operating revenues	91,348
<i>Total operating revenues</i>	<u>6,682,516</u>

OPERATING EXPENSES

Property management and development	5,461,990
Grant programs	3,273,622
Depreciation expense	954,747
Amortization expense	397,232
<i>Total operating expenses</i>	<u>10,087,591</u>

Operating loss (3,405,075)

NONOPERATING REVENUES (EXPENSES)

State appropriations	37,032
Interest income	1,635,159
Interest expense	(2,794,007)
<i>Net nonoperating revenues (expenses)</i>	<u>(1,121,816)</u>

Loss before other revenues, expenses, gains and losses (4,526,891)

Capital transfers from other state agencies	28,879
<i>Decrease in net assets</i>	<u>(4,498,012)</u>

NET ASSETS

Net assets, beginning of year	45,213,887
Net assets, end of year	<u>\$ 40,715,875</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, 2008

CASH FLOWS FROM OPERATING ACTIVITIES

Grant revenue received	\$ 716,331
Payments from tenants	3,227,277
Payments to suppliers	(4,346,422)
Payments to employees	(1,178,468)
Net cash used in operating activities	<u>(1,581,282)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State appropriations	53,498
Cash provided by noncapital financing activities	<u>53,498</u>

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

Draws on loan from other State agency	3,794,250
Payments on loan from other State agency	(550,933)
Purchase of capital assets	(2,613,665)
Principal paid on capital debt and leases	(658,001)
Proceeds from capital debt	550,000
Interest paid on capital debt and leases	(2,780,962)
Net cash used in capital financing activities	<u>(2,259,311)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sales and maturities of investments	3,245,539
Collections on notes receivable	995,016
Interest income on investments	1,669,128
Purchase of investments	(2,351,995)
Net cash provided by investing activities	<u>3,557,688</u>

Net decrease in cash and cash equivalents (229,407)

Cash and cash equivalents, beginning of year	1,632,073
Cash and cash equivalents, end of year	<u>\$ 1,402,666</u>

See accompanying notes to basic financial statements.

State of Illinois
Illinois Medical District Commission
Statement of Cash Flows, continued
For the Year Ended June 30, 2008

**Reconciliation of operating loss to net cash
used in operating activities:**

Operating loss	\$ (3,405,075)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Non-cash expenses included in operating income:	
Depreciation	954,747
Amortization	397,232
Changes in assets and liabilities:	
Accounts and other receivables	79,703
Other assets	14,219
Accounts payable and accrued expenses	485,790
Security deposits	(54,638)
Accrued vacation and sick time payable	(53,260)
Net cash used in operating activities	<u>\$ (1,581,282)</u>

NON-CASH ITEMS

In-kind match included in revenues and expenses	<u>\$ 2,763,973</u>
Capital additions paid from project fund held by Trustee	<u>\$ 2,671,603</u>

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. seq.), is considered part of the executive branch of the State of Illinois, and operates under the authority and review of the Illinois General Assembly. The Commission operates, in part, 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 10 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 Fund 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 State of Illinois CAFR.

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

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 the 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 debt securities with 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 fair market value.

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.

Debt Issuance Costs

Debt issuance costs are amortized over the life of the loans using the straight-line method.

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

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

Other Assets

Other assets include fully-amortized program course development costs and prepaid expenses.

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 levels 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.

Net Assets

In the financial statements, equity is classified in three components as follows:

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

Invested in Capital Assets, Net of Related Debt - This consists of capital assets, net of accumulated depreciation, less the outstanding balances of revenue bonds payable (net of unspent proceeds), 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, 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.

Reclassifications

Certain reclassifications of beginning balances were made due to a change in the accounting for revenue bonds issued by the Illinois Finance Authority. Previously, the bonds were accounted for as a liability of the Commission. There is no effect on net assets because of this change, but the outstanding balance of the bonds and related investments and cash held by the bond trustee have been removed from the Commission and reported on the financial statements of the Illinois Finance Authority, as of July 1, 2007. As a result, the beginning balance presented in the Statement of Cash Flows has been restated. See also Note 6.

3. Deposits and Investments

The Public Funds Investment Act (30 ILCS 235/1 et seq.) and Public Funds Deposit Act (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, 2008 is as follows:

Carrying amount of deposits	\$ 156,283
Carrying amount of investments	4,281,184
	<u>\$ 4,437,467</u>
Cash and cash equivalents	\$ 145,722
Cash and cash equivalents, restricted	1,256,944
Investments, restricted	3,034,801
	<u>\$ 4,437,467</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 \$156,283 at June 30, 2008, while the bank balance was \$188,604 at June 30, 2008. 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, 2008, 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 related to its deposits.

Investments

As of June 30, 2008 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. Agencies	\$ 3,034,801	\$ 802,129	\$ 1,739,392	\$ 493,280	AAA
Money Market	1,246,383	1,246,383	-	-	AAAm
Total	<u>\$ 4,281,184</u>	<u>\$ 2,048,512</u>	<u>\$ 1,739,392</u>	<u>\$ 493,280</u>	

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

Investments amounting to \$3,986,491 held in money markets, U.S. Treasuries, and U.S. Agency Obligations serve as collateral for the \$3,000,000 line of credit with Cole Taylor Bank.

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	\$ 542,152	\$ (230,793)	\$ 311,359
Grants	32,534	-	32,534
Interest	142,193	-	142,193
Total	\$ 716,879	\$ (230,793)	\$ 486,086

Notes receivable inclusive of imputed interest represent two installment sales contracts. The first contract is with the University of Illinois and relates to the installment sale agreement described in Note 6. The contract calls for annual principal payments of \$215,700 each December 1 through the year 2032 for the land portion of the agreement and principal and interest payment equal to the principal and interest payments due on the certificates of participation as noted in Note 6.

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, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>June 30, 2008</u>
Cost:					
Land and Land					
Improvements	\$39,653,506	\$1,091,336	\$ -	\$ -	\$40,744,842
Construction in Progress	829,746	276,656	-	-	1,106,402
Site Improvements	1,623,799	774,930	-	-	2,398,729
Buildings and Building					
Improvements	13,985,959	3,162,974	-	-	17,148,933
Equipment	236,971	98,402	(111,432)	11,005	234,946
Total Cost	<u>56,329,981</u>	<u>5,404,298</u>	<u>(111,432)</u>	<u>11,005</u>	<u>61,633,852</u>
Less Accumulated					
Depreciation:					
Site Improvements	187,939	67,042	-	-	254,981
Buildings and Building					
Improvements	3,360,157	853,515	-	-	4,213,672
Equipment	207,361	34,190	(111,432)	2,754	132,873
Total	<u>3,755,457</u>	<u>954,747</u>	<u>(111,432)</u>	<u>2,754</u>	<u>4,601,526</u>
Capital Assets, Net	<u>\$52,574,524</u>	<u>\$4,449,551</u>	<u>\$ -</u>	<u>\$ 8,251</u>	<u>\$57,032,326</u>

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

Previously placed on hold, the Commission has abandoned plans for both the Graduate Research Facility (GRF) and the Tech Commercialization Center (TCC). The Commission is in the process of evaluating replacement project alternatives.

6. Interest Payable, Lines of Credit, and Long-Term Debt

Interest Payable

Interest payable includes interest due to Illinois Finance Authority of \$671,982.

Lines of Credit

On May 31, 2008, the Commission renewed a \$300,000 operating line of credit from Cole Taylor Bank with a variable interest rate, currently at 6.25%, with a maturity date of August 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 31, 2008, the Commission renewed a second line of credit ("Property Credit Line") with Cole Taylor Bank in the amount of \$3,000,000, at an interest rate of 4.0%, with a maturity date of August 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.

On August 31, 2008, both of the aforementioned lines of credit were consolidated into one line of credit in the amount of \$3,000,000, at an interest rate of 4.45%, maturing on December 2, 2008. This line is collateralized by certain Commission deposits held in money markets, U.S. Treasuries, and U.S. Agency Obligations.

Changes in short-term debt were as follows:

	Balance July 1, 2007	Net Advances	Balance June 30, 2008
Operating line of credit	\$ 263,055	\$ -	\$ 263,055
Property credit line	1,779,451	550,000	2,329,451
Total	<u>\$ 2,042,506</u>	<u>\$ 550,000</u>	<u>\$ 2,592,506</u>

Due to Other State Agency

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 loan agreement includes all cash and investments in the accounts related to the revenue bonds held on behalf of the IFA (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.

Certain cash and investment trust accounts held on behalf of the IFA have been netted against the payable to the IFA in the Commission's basic financial statements. These funds have not yet been utilized by the Commission and are under the control of the IFA.

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

A reconciliation of amounts payable to the IFA is shown below.

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.

Future principal and interest requirements on the loan at June 30, 2008 are as follows (in thousands):

<u>Year(s) ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ -	\$ 2,058	\$ 2,058
2010	-	2,058	2,058
2011	360	2,049	2,409
2012	520	2,029	2,549
2013	680	2,000	2,680
2014-2018	6,545	9,191	15,736
2019-2023	8,895	7,209	16,104
2024-2028	11,475	4,567	16,042
2029-2032	11,525	1,242	12,767
Total	\$ 40,000	\$ 32,403	\$ 72,403
Less amounts held in trust	16,470	-	16,470
Amount due to IFA	<u>\$ 23,530</u>	<u>\$ 32,403</u>	<u>\$ 55,933</u>

Debt Service Reserve Funds (DSR)

Within the provisions of the revenue bonds issued by the IFA, it is specified that funds be set aside that will serve as a debt service reserve for the bonds. 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. These funds are included in the trust assets above.

Certificates of Participation

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 \$27,970,000 as of June 30, 2008.

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

Sinking fund maturities and interest requirements on the certificates of participation payable at June 30, 2008 are as follows (in thousands):

<u>Year(s) ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 655	\$ 1,391	\$ 2,046
2010	680	1,366	2,046
2011	710	1,338	2,048
2012	740	1,308	2,048
2013	770	1,276	2,046
2014-2018	4,410	5,822	10,232
2019-2023	5,610	4,630	10,240
2024-2028	7,175	3,053	10,228
2029-2032	7,220	972	8,192
Total	<u>\$ 27,970</u>	<u>\$ 21,156</u>	<u>\$ 49,126</u>

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 (Note 4) 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.

7. Capitalized Lease Obligations

The Commission leases office equipment with a cost and accumulated depreciation of \$98,402 and \$19,680, respectively, under capital lease arrangements at June 30, 2008. Future minimum lease payments are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2009	\$ 22,056
2010	22,056
2011	22,056
2012	22,056
Total minimum lease payments	88,224
Less: amounts representing interest	8,003
Present value of minimum lease payments	<u>\$ 80,221</u>

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

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.

9. 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, 2008.

10. 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, 2008, are as follows:

Condensed Statement of Net Assets		Condensed Statement of Revenues, Expenses, and Changes in Net Assets	
Assets		Revenues	
Cash	\$ 7,343	Federal grants and contracts	\$ 582,920
Accounts receivable	32,534	State grants and contracts	100,000
Due from other State agencies	179,251	Services	2,764,273
	219,128		3,447,193
Liabilities		Expenses	
Accounts payable	97,156	Grant programs	3,273,622
	97,156	Depreciation expense	2,748
Net assets		Amortization expense	364,518
Restricted, expendable	\$ 121,972		3,640,888
		Change in net assets	(193,695)
		Net assets	
		Beginning of year	315,667
		End of year	\$ 121,972

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

11. Pension Plan

During fiscal year 2008, the Commission ceased participation in the State Employee's Retirement System (SERS).

Beginning in fiscal year 2007, the Commission's full-time employees who are not considered employees of the State, became 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.

Plan description

The Commission's defined benefit pension plan (Regular Plan) for employees provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. The Commission's plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available financial report that includes financial statements and required supplementary information, which may be obtained online at www.imrf.org.

Funding Policy

As set by statute, the Commission's Regular Plan members are required to contribute 4.50% of their annual covered salary. The statutes require employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer contribution rate for calendar year 2007 was 12.77 % of annual covered payroll. The Commission also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

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

Annual Pension Cost

For 2007, the Commission’s annual pension cost of \$75,285 for the Regular Plan was equal to the Commission’s required and actual contributions.

Three Year Trend Information for the Regular Plan

Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/07	\$ 75,285	100%	\$ -
12/31/06	-	-	-
12/31/05	-	-	-

The required contribution was determined as part of the December 31, 2005 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2005 included (a) 7.5% investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10.0% per year depending on age and service, attributable to seniority/merit, and (d) post retirement benefit increases of 3% annually. The actuarial value of the Commission’s Regular Plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period, with a 15% corridor between the actuarial and market value of assets. The Commission’s Regular Plan’s unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2007 was 10 years.

Funded Status and Funding Progress

As of December 31, 2007, the most recent actuarial valuation date, the Regular Plan was 13.50% funded. The actuarial accrued liability for benefits was \$128,085 and the actuarial value of assets was \$17,295, resulting in an underfunded actuarial accrued liability (UAAL) of \$110,790. The covered payroll (annual payroll of active employees covered by the plan) was \$589,547 and the ratio of the UAAL to the covered payroll was 19%.

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

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

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/07	\$ 17,295	\$ 128,085	\$ 110,790	13.50%	\$ 589,547	18.79%
12/31/06	-	-	-	0.00%	-	N/A
12/31/05	-	-	-	0.00%	-	N/A

12. 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 period, starting May 2, 2005 and ending December 31, 2008. The total cost of this contract is \$1,843,345, of which \$1,689,097 was incurred as of June 30, 2008.

State of Illinois
Illinois Medical District Commission

Supplementary Information for State Compliance Purposes

For the Year Ended June 30, 2008

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 State Property
 - Analysis of Significant Variations in Revenues and Expenses
 - Comparative Schedule of Expenses - 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.

State of Illinois
Illinois Medical District Commission

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2008

<u>Federal Grantor/Pass-Through Grantor Program/Grant Title</u>	<u>CFDA Number</u>	<u>Pass-Through Number</u>	<u>FY 2008 Expenditures</u>
<u>DEPARTMENT OF LABOR</u>			
WIA Pilots, Demonstrations, and Research Projects	17.261		<u>\$ 582,889</u>
TOTAL FEDERAL AWARDS EXPENDED			<u><u>\$ 582,889</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, 2008

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 (Commission) in the accompanying basic financial statements. This was recorded on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

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 Corporation 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. BiTmaP is a job-training program with the ultimate goal of expanding Illinois life sciences work force.

3. Schedule of Expenditures of Federal Awards

The Schedule of Expenditures of Federal Awards may differ from the Operating Expenses - Grant Programs presented in the financial statements. Following is the reconciliation:

Operating Expenses - Grant Programs	\$ 3,640,888
Add (Deduct):	
Matching expenditures	(2,763,973)
Amortization	(364,518)
Depreciation	(2,748)
State-funded program expenses	(6,760)
Capitalized course development costs	80,000
Total Federal Awards Expended	<u>\$ 582,889</u>

4. Subrecipient Payments

There were no subrecipient payments made during the year.

**State of Illinois
Illinois Medical District Commission**

Schedule of Net Appropriations, Expenditures and Lapsed Balances *
*Appropriations for Fiscal Year 2008
Fourteen months ended August 31, 2008*

	Appropriations (Net After Transfers)	Expenditures Through June 30, 2008	Lapse Period		Total Expenditures	Lapsed Balances
			Expenditures July 1, to August 31, 2008	Expenditures		
Public Act 95-0348						
General Revenue Fund 001						
Ordinary and Contingent Expenses Lump Sum	\$ 37,033	\$ 37,033	\$ -	\$ -	\$ 37,033	\$ -
Total	\$ 37,033	\$ 37,033	\$ -	\$ -	\$ 37,033	\$ -

* 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, 2008, 2007, and 2006

	Fiscal Years		
	2008	2007	2006
	PA 95-0348	PA 94-0798	PA 94-0015
General Revenue Fund-001:			
Appropriations (Net after transfers)	\$ 37,033	\$ 184,400	\$ 192,000
Expenditures:			
Ordinary and contingent expenses	37,033	176,425	188,214
Total Expenditures	37,033	176,425	188,214
Lapsed Balances	\$ -	\$ 7,975	\$ 3,786
Capital Development Fund - 141:			
Appropriations (Net after transfers)	\$ -	\$ -	\$ 6,965
Expenditures:			
Property acquisitions, demolition, site improvements and related costs within the Medical District	-	-	6,965
Total Expenditures	-	-	6,965
Lapsed Balances	\$ -	\$ -	\$ -
Grand Total, All Funds			
Total Appropriations (Net after transfers)	\$ 37,033	\$ 184,400	\$ 198,965
Total Expenditures	37,033	176,425	195,179
Lapsed Balances	\$ -	\$ 7,975	\$ 3,786

* 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 State Property
For the Year Ended June 30, 2008

	<u>July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>June 30, 2008</u>
Cost:					
Land and Land Improvements	\$ 39,653,506	\$ 1,091,336	\$ -	\$ -	\$ 40,744,842
Construction in Progress	829,746	276,656	-	-	1,106,402
Site Improvements	1,623,799	774,930	-	-	2,398,729
Buildings and Building Improvements	13,985,959	3,162,974	-	-	17,148,933
Equipment	236,971	98,402	(111,432)	11,005	234,946
Total Cost	<u>56,329,981</u>	<u>5,404,298</u>	<u>(111,432)</u>	<u>11,005</u>	<u>61,633,852</u>
Less Accumulated Depreciation:					
Site Improvements	187,939	67,042	-	-	254,981
Buildings and Building Improvements	3,360,157	853,515	-	-	4,213,672
Equipment	207,361	34,190	(111,432)	2,754	132,873
Total	<u>3,755,457</u>	<u>954,747</u>	<u>(111,432)</u>	<u>2,754</u>	<u>4,601,526</u>
Capital Assets, Net	<u>\$ 52,574,524</u>	<u>\$ 4,449,551</u>	<u>\$ -</u>	<u>\$ 8,251</u>	<u>\$ 57,032,326</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, 2008**

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

	2008	2007	Increase (Decrease)	Comments
<u>Revenues</u>				
Grants	\$ 3,447,193	\$ 1,422,250	\$ 2,024,943	This increase is due to a large amount, \$2,763,973, of in-kind revenue received in fiscal year 2008 related to a grant project. This was offset by a decrease in the amount of grant revenue earned from the Department of Labor.
Rental income	\$ 3,143,975	\$ 2,383,679	\$ 760,296	This increase was due to the addition of one large tenant, that paid approximately \$1,364,000 in rents during fiscal year 2008. This was offset by the loss of other tenants including one that had paid approximately \$416,000 of rents in fiscal year 2007.
State appropriations	\$ 37,032	\$ 176,425	\$ (139,393)	This decrease is due to the State of Illinois decreasing the amount of funds appropriated to the Commission during fiscal year 2008.
Interest income	\$ 1,635,159	\$ 2,188,487 *	\$ (553,328)	This decrease is due to the decrease in cash and investments of approximately \$6 million.
<i>* For comparative purposes, the 2007 amount was restated due to a change in the accounting for the revenue bonds. Previously, the bonds were accounted for as a liability of the Commission. There is no effect on net assets as a result of this change, but the outstanding balance of the bonds and related investments and cash held by the bond trustee have been removed from the Commission and reported on the financial statements of the Illinois Finance Authority as of July 1, 2007. The original amount in the 2007 report was \$1,346,789.</i>				
<u>Expenses</u>				
Grant programs	\$ 3,273,622	\$ 1,262,197	\$ 2,011,425	This increase is due to a large amount, \$2,763,973, of in-kind expense recognized in fiscal year 2008 related to a grant project.
Depreciation expense	\$ 954,747	\$ 801,108	\$ 153,639	This increase is due to additional depreciation on assets capitalized during fiscal year 2008.

State of Illinois
Illinois Medical District Commission

Comparative Schedule of Expenses - Locally Held Funds (Non-Appropriated)
For the Years Ended June 30, 2008, and 2007

The following schedules of locally held fund expenses have been derived from the audited financial statements of each year presented. The expenses are presented using the accrual basis of accounting and present the locally held fund expenses of the Commission and its blended component unit.

	<u>2008</u>	<u>2007</u>
Property Management Fund (1240)		
Property management and development	\$ 3,477,238	\$ 2,911,835
Interest expense	145,115	4,097
Total - Fund 1240	<u>3,622,353</u>	<u>2,915,932</u>
Chicago Technology Research Center Fund (1265)		
Property management and development	891,612	721,813
Interest expense	270	463
Total - Fund 1265	<u>891,882</u>	<u>722,276</u>
Chicago Technology Park Fund (1266)		
Property management and development	413,760	220,749
Total - Fund 1266	<u>413,760</u>	<u>220,749</u>
Chicago Technology Park Corporation (1376)		
Grant programs	3,273,622	1,259,309
Total - Fund 1376	<u>3,273,622</u>	<u>1,259,309</u>
Illinois Medical District Restricted Fund (1377)		
Property management and development	679,380	497,744
Interest expense	2,648,622	3,019,704 *
Total - Fund 1377	<u>3,328,002</u>	<u>3,517,448</u>
Total All Funds	<u>\$ 11,529,619</u>	<u>\$ 8,635,714</u>

** For comparative purposes, the 2007 amount was restated due to a change in the accounting for the revenue bonds. Previously, the bonds were accounted for as a liability of the Commission. There is no effect on net assets as a result of this change, but the outstanding balance of the bonds and related investments and cash held by the bond trustee have been removed from the Commission and reported on the financial statements of the Illinois Finance Authority as of July 1, 2007. The original amount in the 2007 report was \$2,178,006.*

State of Illinois
Illinois Medical District Commission

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

For the Years Ended June 30, 2008, and 2007

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 accrual basis of accounting and present the locally held fund revenues of the Commission and its blended component unit.

	<u>2008</u>	<u>2007</u>
Property Management Fund (1240)		
Rental income	\$ 366,942	\$ 674,830
Services income	-	50,248
Other income	-	89,769
Total - Fund 1240	<u>366,942</u>	<u>814,847</u>
Chicago Technology Research Center Fund (1265)		
Rental income	675,868	748,274
Improvements/Repairs income	-	8,523
Services income	7,513	39,260
Other income	-	206
Total - Fund 1265	<u>683,381</u>	<u>796,263</u>
Chicago Technology Park Fund (1266)		
Rental income	245,407	685,330
Services income	1,192	10,126
Total - Fund 1266	<u>246,599</u>	<u>695,456</u>
Chicago Technology Park Corporation (1376)		
Grants	3,446,893	1,422,250
Services income	300	700
Other income	-	76
Total - Fund 1376	<u>3,447,193</u>	<u>1,423,026</u>
Illinois Medical District Restricted Fund (1377)		
Rental income	1,847,053	142,923
Interest income	1,635,159	2,188,487 *
Other income	-	77,647
Total - Fund 1377	<u>3,482,212</u>	<u>2,409,057</u>
Total All Funds	<u>\$ 8,226,327</u>	<u>\$ 6,138,649</u>

* For comparative purposes, the 2007 amount was restated due to a change in the accounting for the revenue bonds. Previously, the bonds were accounted for as a liability of the Commission. There is no effect on net assets as a result of this change, but the outstanding balance of the bonds and related investments and cash held by the bond trustee have been removed from the Commission and reported on the financial statements of the Illinois Finance Authority as of July 1, 2007. The original amount in the 2007 report was \$1,346,789.

**State of Illinois
Illinois Medical District Commission**

Analysis of Significant Account Balances
For the Years Ended June 30, 2008, and 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:

	<u>2008</u>	<u>2007</u>	
Cash in Bank	\$ 156,283	\$ 1,320,687	
Money Market	1,246,383	724	*
U.S. Treasuries	-	310,662	*
U.S. Agencies	3,034,801	14,618,559	*
	<u>\$ 4,437,467</u>	<u>\$ 16,250,632</u>	

** For comparative purposes, the 2007 amounts were restated due to a change in the accounting for the revenue bonds. Previously, the bonds were accounted for as a liability of the Commission. There is no effect on net assets as a result of this change, but the outstanding balance of the bonds and related investments and cash held by the bond trustee have been removed from the Commission and reported on the financial statements of the Illinois Finance Authority as of July 1, 2007. The original amounts in the 2007 report were Money Market - \$1,805,202, U.S. Treasuries - \$3,240,491, and U.S. Agencies - \$21,538,516.*

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 principal payments of \$215,700 each December 1 through the year 2032 for the land portion of the agreement and principal and interest payments equal to the principal and interest payments due on the certificates of participation.

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.

**State of Illinois
Illinois Medical District Commission**

Analysis of Significant Account Balances, continued

For the Years Ended June 30, 2008, and 2007

Other Assets

	<u>2008</u>	<u>2007</u>
Other Assets	<u>\$ 50,854</u>	<u>\$ 429,591</u>

The decrease in others assets was mainly due to the amortization of course development fees in the amount of \$364,518 in 2008.

Liabilities

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

	<u>2008</u>	<u>2007</u>
Accounts payable and accrued expenses	\$ 1,542,522	\$ 1,083,067
Interest payable	787,926	774,881 *
Security deposits	434,088	488,726 **
Line of credit	2,592,506	2,042,506
Capital lease obligations - net of current portion	61,883	-
Accrued vacation and sick time payable - net of current portion	46,085	64,492
Certificates of participation	27,970,000	28,600,000 ***
Due to other State agency	23,529,761	17,656,736 *
	<u>\$ 56,964,771</u>	<u>\$ 50,710,408</u>

Net increase in total liabilities was mostly due to the following: (1) increase in accounts payable of approximately \$430,000 related to a capital project; (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, and (3) increase in the amount due to the Illinois Finance Authority for amounts loaned to the Commission for capital projects.

** For comparative purposes, the 2007 amounts are restated due to a change in the accounting for the revenue bonds. Previously, the bonds were accounted for as a liability of the Commission. There is no effect on net assets as a result of this change, but the outstanding balance of the bonds and related investments and cash held by the bond trustee have been removed from the Commission and reported on the financial statements of the Illinois Finance Authority as of July 1, 2007. The original amounts in the 2007 report were Interest payable - \$712,782 and Revenue bonds payable - \$40,000,000.*

*** The amount presented in 2007 of \$188,726 was a typographical error.*

**** The Certificates of participation was reported as a conduit debt in 2007.*

State of Illinois
Illinois Medical District Commission

Analysis of Accounts Receivable

For the Years Ended June 30, 2008, and 2007

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, (*excluding interest receivable*) is presented below:

<u>Days Outstanding</u>	<u>2008</u>		<u>2007</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
One to thirty	\$ 90,766	15.8%	\$ 69,172	12.2%
Thirty-one to three hundred sixty	305,012	53.1%	283,232	50.0%
Over three hundred sixty	178,908	31.1%	214,132	37.8%
	<u>574,686</u>	<u>100.0%</u>	<u>566,536</u>	<u>100.0%</u>
Estimated uncollectible amount	<u>230,793</u>		<u>210,793</u>	
Accounts Receivable (Net)	<u>\$ 343,893</u>		<u>\$ 355,743</u>	

There were no significant variations in accounts receivable from 2007 to 2008.

State of Illinois
Illinois Medical District Commission

Analysis of Operations
For the Year Ended June 30, 2008

Commission Functions and Planning Program

Description of Planning System:

Functions

The Illinois Medical District Commission (Commission) was created in 1941 by the Medical District Act (Act), 70 ILCS 915/0.01 et. seq. The Commission's primary purpose is that of assembling the nation's premier concentration of health care facilities and providers; fostering the economic expansion of Illinois by supporting the growth of its life science community; providing for the ongoing facilities, resources and expansions of social service organizations that assure the well-being of Illinoisans with disabilities; creating the State's largest emergency response and disaster preparedness community; and fostering cooperation and collaboration between Federal, State, County and Local governmental bodies in achieving these common objectives.

The Commission operates entirely under locally held funds which are maintained 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's main office is located at 600 South Hoyne Avenue, Chicago, Illinois 60612, within 560 acres of medical research facilities, labs, biotech business incubator, raw development area, universities, and over 40 healthcare related facilities. The Illinois medical district (District) is the nation's largest urban medical district, holds one of the nation's largest college of medicine, and is 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, 2008

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 |
| Director of Corporate and External Affairs
(Chief Legal Counsel) | - Mr. Mark Jamil |
| Acting Fiscal Officer | - Mr. Robert Nauert (until 09/19/08) |
| Operations Manager | - Mr. Hartwig C. Zakin |
| Project Manager, Financial Affairs | - Mr. Thomas Custardo |

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. Larry M Doody

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

By State 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;
- 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, 2008*

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, and the Jesse Brown V.A. Medical Center.

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 master plan (as revised) 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 of Chicago 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.

State of Illinois

Illinois Medical District Commission

Analysis of Operations, continued

For the Year Ended June 30, 2008

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 8 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. In close proximity or adjacent to existing new development, this program continues with projects that are at or near completion. 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 are status reports on land acquisitions, buildings or renovations of facilities statistics and statistics on the percent of occupancy for Commission owned 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 Grants

The Commission's component unit, Chicago Technology Park Corporation (Corporation) received a \$100,000 grant during the year from the Illinois Department of Commerce and Economic Opportunity to manage the Bio-Tip program. This funding is mainly directed toward student internships, as well as assistance in conveying industry meetings, conducting market analysis, and improving federally-funded BiTmaP program awareness in Illinois. As of June 30, 2008, the Corporation's state-funded program expenses totaled \$6,760.

State of Illinois
Illinois Medical District Commission

Analysis of Operations, continued
For the Year Ended June 30, 2008

Average Number of Employees

The average number of employees at the Commission during the fiscal years 2008, 2007 and 2006 is as follows:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Administration	5	10	9
Programmatic	0	7	3
Maintenance	1	6	5
Clerical	1	3	4
Contractual Positions	<u>11</u>	<u>1</u>	<u>5</u>
Total	<u>18</u>	<u>27</u>	<u>26</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, 2008

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

The Commission governs development within the District, a 560-acre area bordered by Ashland Avenue, the Eisenhower Expressway, Oakley Boulevard, and 16th 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 District. The District is home to the Illinois Forensic Center (Crime Lab) and the American Red Cross of Greater Chicago 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 and 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 in the Park that has their origins from the 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.

It is the Commission's goal to position Illinois as a leader in biotechnology and medical research commercialization. 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. As the land acquisition program is ongoing, the Commission meets regularly with developers and the City of Chicago to plan and coordinate redevelopment activities.