

**STATE OF ILLINOIS  
ILLINOIS MEDICAL DISTRICT COMMISSION  
(A Component Unit of the State of Illinois)**

**FINANCIAL AUDIT  
AND  
COMPLIANCE EXAMINATION  
For the Year Ended June 30, 2009**

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

**State of Illinois  
 Illinois Medical District Commission  
 (A Component Unit of the State of Illinois)  
 Financial Audit and Compliance Examination  
 For the Year Ended June 30, 2009**

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**State of Illinois  
Illinois Medical District Commission  
(A Component Unit of the State of Illinois)  
Financial Audit and Compliance Examination  
For the Year Ended June 30, 2009**

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**State of Illinois  
Illinois Medical District Commission  
(A Component Unit of the State of Illinois)**

**Commission Officials**

Executive Director	Mr. Samuel Pruett
Director of Corporate and External Affairs (Chief Legal Counsel)	Mr. Mark Jamil
Technical Counsel	Mr. Kenneth Scheiwe
Project Manager, Financial Affairs	Mr. Thomas Custardo

***Commission office is located at:***

600 South Hoyne Avenue  
Chicago, Illinois 60612



Illinois Medical District  
600 South Hoyne Avenue  
Chicago, Illinois 60612

312-633-3434 T  
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312-633-3440 TDD

[www.imdc.org](http://www.imdc.org)

State of Illinois  
Governor  
Pat Quinn

Cook County Board  
President  
Todd H. Stroger

City of Chicago  
Mayor  
Richard M. Daley

Commissioners

John E. Parello  
President

Abraham C. Morgan  
Vice President

Meghan K. Harte  
Secretary

Leon Dingle Jr., Ph.D.  
Treasurer

Kenneth D. Schmidt, M.D.

Bob J. Nash

Larry M. Dody

Executive Director  
Samuel W. Pruett

December 31, 2009

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

Ladies and Gentlemen:

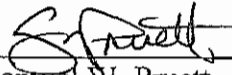
We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the Illinois Medical District Commission (Commission). We are responsible for and we have established and maintained 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, 2009. Based on this evaluation, we assert that during the year ended June 30, 2009, the Commission has materially complied with the assertions below.

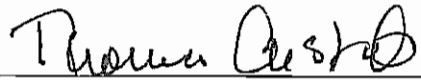
- A. The Commission has obligated, expended, received and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Commission has obligated, expended, received and used public funds of the State in accordance with 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.

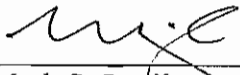


Yours very truly,

Illinois Medical District Commission

  
\_\_\_\_\_  
Samuel W. Pruett  
Executive Director

  
\_\_\_\_\_  
Thomas Custardo  
Project Manager, Financial Affairs

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

**State of Illinois  
 Illinois Medical District Commission  
 (A Component Unit of the State of Illinois)**

**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>Current Report</u>	<u>Prior Report</u>
<u>Number of Findings</u>	2	4
Repeated findings	2	4
Prior recommendations implemented or not repeated	2	5

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

**Schedule of Findings**

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS (STATE COMPLIANCE)			
09-1	11	Noncompliance with Required Contracting Procedures	Noncompliance Significant Deficiency
09-2	13	Failure to Remit Unexpended Proceeds from the Sale of Commission Property into the Income Fund Held in the State Treasury	Noncompliance Significant Deficiency

**State of Illinois  
Illinois Medical District Commission  
(A Component Unit of the State of Illinois)**

**Compliance Report**

**Summary, continued**

**Schedule of Findings, continued**

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
		PRIOR FINDINGS NOT REPEATED
A	16	Fiscal Control and Internal Auditing Act (FCIAA) Certification and Checklist Not Prepared and Submitted
B	16	Inaccurate Reporting of Receipts and Disbursements

**Exit Conference**

Commission management waived having an exit conference per correspondence dated December 11, 2009. Responses to the recommendations were provided by Thomas Custardo, Project Manager, Financial Affairs in correspondence dated December 11, 2009.





**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 (a component unit of the State of Illinois) (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, 2009. 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, 2009. 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 09-1 and 09-2.

### **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 as a basis for designing 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.

A *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 and correct noncompliance with the requirements listed in the first paragraph of this report on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a requirement listed in the first paragraph of this report will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance described in findings 09-1 and 09-2 in the accompanying schedule of findings that we consider to be significant deficiencies in internal control over compliance. A *significant deficiency* is a deficiency, or

combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

As required by the Audit Guide, immaterial findings excluded from this report have been reported in a separate letter to your office.

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

### **Supplementary Information for State Compliance Purposes**

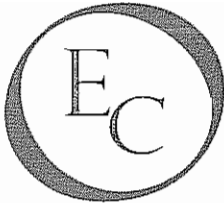
As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the business-type activities of the Commission as of and for the year ended June 30, 2009, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated December 31, 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 2009 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, 2009 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, 2008. In our report dated March 10, 2009 of prior report on basic financial statements, we expressed unqualified opinions on the respective financial statements of the business-type activities. In our opinion, the 2008 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, 2008, 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. Ortiz & Co., LLP*

December 31, 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 financial statements of the business-type activities of the Illinois Medical District Commission (a component unit of the State of Illinois) (Commission), as of and for the year ended June 30, 2009, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated December 31, 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 deficiency in internal control* 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 and correct misstatements on a timely basis.

*A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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*

December 31, 2009

**State of Illinois**  
**Illinois Medical District Commission**  
**(A Component Unit of the State of Illinois)**

**Current Findings - State Compliance**

*For the Year Ended June 30, 2009*

09-1 *Noncompliance with Required Contracting Procedures*

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

During our testing of 20 contracts totaling \$1,216,227, we noted the following:

- One (5%) contract totaling \$26,000 did not include disclosure of financial and potential conflict of interest information.
- Two (10%) contracts totaling \$87,000 for Architectural and Engineering Services failed to include a certification that the provisions of the Architectural, Engineering, and Land Surveying Qualifications Based Selection Act were complied with.

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.

The Architectural, Engineering, and Land Surveying Qualifications Based Selection Act (30 ILCS 535/60) states that “Each contract for architectural, engineering, and land surveying services by a State agency shall contain a certificate signed by a representative of the State agency and the firm that the provisions of this Act were complied with.”

Commission officials stated that the exceptions occurred as a result of oversight.

Failure to include disclosure of financial and potential conflict of interest information and required contract certification clause resulted in noncompliance with State mandates. (Finding Code Nos. 09-1, 08-1, 07-6, 06-3, 05-5)

***Recommendation***

We recommend the Commission comply with disclosure and certification requirements of the Illinois Procurement Code and the Architectural, Engineering, and Land Surveying Qualifications Based Selection Act.

**State of Illinois  
Illinois Medical District Commission  
(A Component Unit of the State of Illinois)**

**Current Findings - State Compliance, continued**  
*For the Year Ended June 30, 2009*

***Commission Response***

The Commission agrees with the recommendation.

**State of Illinois**  
**Illinois Medical District Commission**  
**(A Component Unit of the State of Illinois)**

**Current Findings - State Compliance, continued**

*For the Year Ended June 30, 2009*

09-2 *Failure to Remit Unexpended Proceeds from the Sale of Commission Property into the Income Fund Held in the State Treasury*

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

During fiscal year 2004, the Commission sold real property held by the Commission to the Federal Bureau of Investigation. The proceeds from the sale totaled \$10,688,767. A portion of those proceeds were expended for authorized purposes in fiscal year 2004 and 2005. As of June 30, 2005, an estimated \$8,152,049 of those proceeds had not been expended or obligated to liquidate an enforceable legal obligation existing as of June 30, 2005. As of June 30, 2006, the unexpended portion of these proceeds was \$7,877,969 and the Commission had not yet remitted any of these excess funds to the State Treasury for deposit into the Income Fund as required by statute. As of June 30, 2007, funds in the amount of \$4,000,000 were pledged as collateral for purposes of the issuance of the \$40 Million Bond Offering in January of 2006. In addition, pursuant to a Commission Resolution dated May 23, 2006, the remainder of the funds were provided as collateral for a \$4,000,000 line of credit with a bank. There were no changes noted to the status of these funds in fiscal years 2008 and 2009.

The Illinois Medical District Act (70 ILCS 915/10) requires the Commission to remit to the State Treasurer for deposit into the Medical Center Commission Income Fund 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).

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**  
**(A Component Unit of the State of Illinois)**

**Current Findings - State Compliance, continued**

*For the Year Ended June 30, 2009*

Commission officials stated that the Commission stands by its interpretation that the funds were liquidated, thus, no amount is due to be remitted into the Income Fund.

Failure to remit the excess moneys to the State Treasury is a violation of State statutes. (Finding Code Nos. 09-2, 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 or seek statutory remedy.

***Commission Response***

The response of the Illinois Medical District Commission (“Commission”) to the finding of the Auditor General regarding unexpended funds, remains, as stated in prior responses, that the Commission did not remit unexpended proceeds from the sale of Commission property to the State Treasury because the proceeds have been expended. As the Commission has noted in prior responses to the Auditor General, \$4,025,000 of the amounts that the Auditor General maintains must be deposited were expended upon the cash equity portion of bonds issued by the Illinois Finance Authority pursuant to an intergovernmental agreement between the State of Illinois, by and through its Office of Management and Budget, and the Commission. The remainder was expended as collateral for a line of credit that was used in the acquisition of parcels of land by eminent domain. Condemnation can be a protracted process. The line of credit has been used to avoid having to dismiss and refile cases, a process that would have provided sellers with the opportunity reappraise their properties and increase their demands. The net effect of the line of credit has been to save taxpayers money in acquisitions that were authorized by the General Assembly and the Governor.

The Commission acknowledges and understands that both the Auditor General and Attorney General disagree with measures taken by the Commission in furtherance of its legislatively-mandated purposes. These disagreements do not change the facts that the measures taken were within the authority of the Commission, they were undertaken in good faith and that, as a result of these steps, there are no unexpended funds available for deposit into the State Treasury. The Attorney General has suggested that legislative action is required

to resolve this matter. The Commission agrees with the Attorney General on this point, and is now diligently pursuing that course. More specifically, the Commission is seeking the following revisions to the Illinois Medical District Act (changes in *italics*):

“Sec. 2.1. Grants; loans; contracts. The Commission may apply for and accept grants, loans (*including lines of credit*), or appropriations from the State of Illinois . . .”

“Sec. 10. Disposition of money; income fund. All money received by the Commission from the sale or lease of any property, in excess of such amount expended by the Commission for authorized purposes under this Act or as may be necessary to satisfy the obligation of any revenue bond issued pursuant to Section 5, *or other instrument of credit undertaken by the Commission pursuant to Section 2.1, including obligations of collateral*, shall be paid into the State Treasury for deposit into the Medical Center Commission Income Fund . . .”

The Commission will fully disclose the reasons for its past actions and the bases for its requested revisions to the General Assembly. We believe that the legislature will support these revisions, and enact legislation that will resolve this matter to the satisfaction of all involved.

#### ***Auditors' Comment***

The auditors continue to stand by the finding based on the same criteria that were cited in the prior four 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*

**State of Illinois**  
**Illinois Medical District Commission**  
**(A Component Unit of the State of Illinois)**

**Current Findings - State Compliance, continued**

*For the Year Ended June 30, 2009*

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.

Not only, according to the Attorney General, were the monies at issue "on hand" and not properly remitted to the State Treasurer but they were used by the Commission as security for an unauthorized line of credit. The auditors continue to believe these monies should be remitted to the State Treasury.

**State of Illinois**  
**Illinois Medical District Commission**  
**(A Component Unit of the State of Illinois)**

**Prior Findings Not Repeated**

*For the Year Ended June 30, 2009*

A. *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. (Finding Code No. 08-2)

Status: Not Repeated.

During the current engagement, the Commission prepared the checklist and submitted the required certification timely.

B. *Inaccurate Reporting of Receipts and Disbursements*

The Illinois Medical District Commission (Commission) inaccurately reported receipts, disbursements, and accounts receivable during the fiscal year. (Finding Code No. 08-4)

Status: Not Repeated.

During the current engagement, our sample testing did not disclose inaccuracies in the reporting of receipts, disbursements, and accounts receivables.

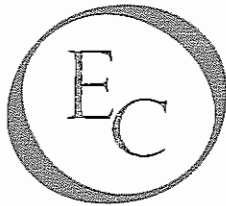
**State of Illinois  
Illinois Medical District Commission  
(A Component Unit of the State of Illinois)**

**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.



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

## **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 (a component unit of the State of Illinois) (Commission) as of and for the year ended June 30, 2009, as listed in the Table of Contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative information has been derived from the Commission's June 30, 2008 financial statements and, in our report dated March 10, 2009, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Commission as of June 30, 2009, 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 December 31, 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. Ortiz + Co., LLP*

December 31, 2009

State of Illinois  
 Illinois Medical District Commission  
 (A Component Unit of the State of Illinois)  
 Statement of Net Assets

	June 30,	
	2009	(Comparative Totals Only) 2008
<b>ASSETS</b>		
<i>Current assets:</i>		
Cash and cash equivalents (Notes 2 & 3)	\$ 1,933,245	\$ 1,081,592
Cash and cash equivalents, restricted (Notes 2 & 3)	323,284	321,074
Short-term investments (Notes 2 & 3)	508,125	-
Accounts receivable - net (Notes 2 & 4)	315,513	343,893
Interest receivable (Note 4)	113,801	142,193
Notes receivable (Note 4)	1,046,016	1,020,016
Debt issuance costs (Note 2)	32,714	32,714
<i>Total current assets</i>	<u>4,272,698</u>	<u>2,941,482</u>
<i>Noncurrent assets:</i>		
Notes receivable (Notes 2 & 4)	32,869,083	33,915,099
Investments (Note 3)	1,802,819	3,034,801
Debt issuance costs - net (Note 2)	673,370	706,084
Capital Assets - net (Note 5)	56,893,772	57,032,326
Other assets	23,951	50,854
<i>Total noncurrent assets</i>	<u>92,262,995</u>	<u>94,739,164</u>
<b>TOTAL ASSETS</b>	<u>96,535,693</u>	<u>97,680,646</u>
<b>LIABILITIES</b>		
<i>Current liabilities:</i>		
Accounts payable and accrued expenses	1,253,230	1,542,522
Interest payable (Note 6)	802,820	787,926
Security deposits	406,534	434,088
Certificates of participation (Note 6)	680,000	655,000
Line of credit (Note 6)	2,993,921	2,592,506
<i>Total current liabilities</i>	<u>6,136,505</u>	<u>6,012,042</u>
<i>Noncurrent liabilities:</i>		
Capital lease obligations (Notes 2 & 7)	42,007	61,883
Compensated absences	44,291	46,085
Certificates of participation (Note 6)	26,635,000	27,315,000
Due to other State agency (Note 6)	26,093,784	23,529,761
<i>Total noncurrent liabilities</i>	<u>52,815,082</u>	<u>50,952,729</u>
<b>TOTAL LIABILITIES</b>	<u>58,951,587</u>	<u>56,964,771</u>
<b>NET ASSETS (Note 2)</b>		
Invested in capital assets, net of related debt	27,678,461	28,266,807
Restricted:		
Expendable for grant activities	-	121,972
Expendable for capital projects	323,284	321,074
Unrestricted	9,582,361	12,006,022
<b>TOTAL NET ASSETS</b>	<u>\$ 37,584,106</u>	<u>\$ 40,715,875</u>



**State of Illinois**  
**Illinois Medical District Commission**  
**(A Component Unit of the State of Illinois)**  
**Statement of Revenues, Expenses, and Changes in Net Assets**

	June 30,	
	2009	(Comparative Totals Only) 2008
<b>OPERATING REVENUES</b>		
Rental income	\$ 3,955,762	\$ 3,143,975
Grants	741,589	3,519,851
Other operating revenues	90,410	91,348
<i>Total operating revenues</i>	<u>4,787,761</u>	<u>6,755,174</u>
<b>OPERATING EXPENSES</b>		
Property management and development	4,759,253	5,461,990
Grant programs	512,911	3,346,280
Depreciation expense	1,012,463	954,747
Amortization expense	32,714	397,232
<i>Total operating expenses</i>	<u>6,317,341</u>	<u>10,160,249</u>
<i>Operating loss</i>	<u>(1,529,580)</u>	<u>(3,405,075)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State appropriations	-	37,032
Interest income	1,525,091	1,635,159
Interest expense	(3,229,586)	(2,794,007)
<i>Net nonoperating expenses</i>	<u>(1,704,495)</u>	<u>(1,121,816)</u>
<i>Loss before other revenues, expenses, gains and losses</i>	(3,234,075)	(4,526,891)
Capital transfers from other state agencies	102,306	28,879
<i>Decrease in Net Assets</i>	<u>(3,131,769)</u>	<u>(4,498,012)</u>
<b>NET ASSETS</b>		
Net assets, beginning of year	40,715,875	45,213,887
Net assets, end of year	<u>\$ 37,584,106</u>	<u>\$ 40,715,875</u>

**State of Illinois**  
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**Statement of Cash Flows**

	<b>June 30,</b>	
	<b>2009</b>	<b>(Comparative Totals Only) 2008</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Grant revenue received	\$ 738,717	\$ 716,331
Payments received from tenants	4,014,464	3,227,277
Payments to suppliers	(4,678,635)	(4,346,422)
Payments to employees	(719,705)	(1,178,468)
Net cash used in operating activities	<u>(645,159)</u>	<u>(1,581,282)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State appropriations	-	53,498
Net cash provided by noncapital financing activities	<u>-</u>	<u>53,498</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
Draws on loan from other State agency	2,602,637	3,794,250
Payments on loan from other State agency	(751,450)	(550,933)
Purchase of capital assets	(162,515)	(2,613,665)
Principal paid on capital debt and leases	(18,729)	(658,001)
Proceeds from capital debt	401,415	550,000
Interest paid on capital debt and leases	(3,214,692)	(2,780,962)
Net cash used in capital financing activities	<u>(1,143,334)</u>	<u>(2,259,311)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales and maturities of investments	800,000	3,245,539
Collections on notes receivable	365,016	995,016
Interest income on investments	1,477,340	1,669,128
Purchase of investments	-	(2,351,995)
Net cash provided by investing activities	<u>2,642,356</u>	<u>3,557,688</u>
Net increase (decrease) in cash and cash equivalents	853,863	(229,407)
Cash and cash equivalents, beginning of year	1,402,666	1,632,073
Cash and cash equivalents, end of year	<u>\$ 2,256,529</u>	<u>\$ 1,402,666</u>

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**Statement of Cash Flows**

	<u>June 30,</u>	
	<u>2009</u>	<u>(Comparative Totals Only) 2008</u>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>		
Operating loss	\$ (1,529,580)	\$ (3,405,075)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Non-cash expenses included in operating income:		
Depreciation	1,012,463	954,747
Amortization	32,714	397,232
Loss on disposal of capital assets	58,138	-
Non-capitalized transfers from other State Agencies	45,610	-
Changes in assets and liabilities:		
Accounts receivable	28,380	79,703
Other assets	26,903	14,219
Accounts payable	(290,439)	485,790
Security deposits	(27,554)	(54,638)
Compensated absences	(1,794)	(53,260)
Net cash used in operating activities	<u>\$ (645,159)</u>	<u>\$ (1,581,282)</u>
<b>NON-CASH ITEMS</b>		
In-kind match included in revenues and expenses	<u>\$ 35,406</u>	<u>\$ 2,763,973</u>
Capital additions from project fund held by Trustee	<u>\$ 712,836</u>	<u>\$ 2,671,603</u>

**State of Illinois**  
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**Notes to Basic Financial Statements**

**1. Organization**

The Illinois Medical District Commission (Commission), 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. 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 non-appropriated funds received by the Commission are 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.

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

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**Notes to Basic Financial Statements**

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.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*, the Commission follows all applicable Governmental Accounting Standards Board (GASB) pronouncements. In addition, the Commission applies all applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins of the committee on Accounting Procedures issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The Commission has elected not to apply FASB pronouncements issued after November 30, 1989.

Appropriations made from the State of Illinois General Revenue or Capital Development Funds 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.

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

Unexpended Appropriation

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

State Appropriations

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

During fiscal year 2009, the Commission did not receive an appropriation from the State of Illinois.

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 a maturity of 90 days or less at the time of acquisition, money market accounts, and cash in banks for locally held funds.

Investments

Investments include United States Treasury and Agency Obligations with maturities in excess of 90 days at the time of acquisition. Investments are carried at fair market value.

**State of Illinois**  
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**Notes to Basic Financial Statements**

**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.

**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 (In Years)</u>
Land	\$ 100,000	N/A
Land Improvements	25,000	N/A
Site Improvements	25,000	3-50
Buildings	100,000	10-60
Building Improvements	25,000	10-45
Equipment	5,000	3-25

**Compensated Absences**

On January 1, 2009, the Commission converted from accumulating vacation and sick time to one category called paid time off.

The liability for compensated absences consists of vested, accumulated paid time off leave balances for Commission employees. The liability has been calculated based on the employees' current salary level and includes salary related costs (e.g., FICA and Medicare tax).

**Net Assets**

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

**Invested in Capital Assets, Net of Related Debt** - This consists of capital assets, net of accumulated depreciation, less the outstanding balances of 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.

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

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

**Use of Estimates**

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

**Reclassifications**

Certain reclassifications have been made to the prior year financial statement amounts in order to conform with the current year presentation.

**3. Deposits and Investments**

The Public Funds Investment Act and Public Funds Deposit Act (30 ILCS 235/1 et seq. and 30 ILCS 225/1 et seq.) provide general guidance concerning the criteria to be met for the placement of public funds in a financial institution and the types of investment instruments permitted. These statutes authorize the Commission to purchase certain obligations of the U.S. Treasury, Federal agencies and instrumentalities; certificates of deposit and time deposits covered by Federal depository insurance; commercial paper of U.S. corporations with assets exceeding \$500,000,000, if such paper is rated at the highest classification established by at least two standard rating services; money market mutual funds and investment in the Illinois Funds.

A reconciliation of deposits and investments presented below and the financial statement captions shown on the Statement of Net Assets for the year ended June 30, 2009 is as follows:

Carrying amount of deposits	\$ 265,486
Carrying amount of investments	4,301,987
	<u>\$ 4,567,473</u>
Cash and cash equivalents	\$ 1,933,245
Cash and cash equivalents, restricted	323,284
Short-term investments	508,125
Investments	1,802,819
	<u>\$ 4,567,473</u>



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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. As of June 30, 2009, no Commission funds were held in 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 \$265,486 at June 30, 2009, while the bank balance was \$294,749 at June 30, 2009. 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, 2009, 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, 2009 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	\$ 2,310,944	\$ 508,125	\$ 1,802,819	\$ -	Aaa*
Money Market	1,991,043	1,991,043	-	-	Not rated
Total	<u>\$ 4,301,987</u>	<u>\$ 2,499,168</u>	<u>\$ 1,802,819</u>	<u>\$ -</u>	

\* Rated by Moody's

Investments amounting to \$3,978,703 held in money markets, U.S. Treasuries and U.S. Agency Obligations serve as collateral for the \$3,000,000 line of credit with MB Financial Bank.

**Interest Rate Risk**

In order to limit interest rate risk, the Commission adheres to the State of Illinois Public Funds Investment Act, 30 ILCS 235.

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**Notes to Basic Financial Statements**

**4. Accounts, Interest 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	\$ 546,306	\$ (230,793)	\$ 315,513

Interest receivable includes interest due from the University of Illinois of \$113,801 related to the installment sale of real estate as described in Note 6.

Notes receivable inclusive of imputed interest represents 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 payments 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  
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 Notes to Basic Financial Statements**

**5. Capital Assets**

	<u>July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2009</u>
Cost:				
Land and Land				
Improvements	\$40,744,842	\$ 96,310	\$ -	\$40,841,152
Construction in Progress	1,106,402	-	-	1,106,402
Site Improvements	2,398,729	712,836	66,789	3,044,776
Buildings and Building				
Improvements	17,148,933	108,505	-	17,257,438
Equipment	234,946	14,396	11,005	238,337
Total Cost	<u>61,633,852</u>	<u>932,047</u>	<u>77,794</u>	<u>62,488,105</u>
Less Accumulated				
Depreciation:				
Site Improvements	254,981	99,758	8,651	346,088
Buildings and Building				
Improvements	4,213,672	878,611	-	5,092,283
Equipment	132,873	34,094	11,005	155,962
Total Accumulated	<u>4,601,526</u>	<u>1,012,463</u>	<u>19,656</u>	<u>5,594,333</u>
Capital Assets, Net	<u>\$57,032,326</u>	<u>\$ (80,416)</u>	<u>\$ 58,138</u>	<u>\$56,893,772</u>

Included in additions for 2009 are capital assets transferred from other state agencies totaling \$56,656.

During 2009 the Commission re-evaluated two projects (Graduate Research Facility and the Tech Commercialization Center) which had previously been placed on hold. As of July 15, 2009, the Commission has replaced both with alternative projects that have been approved by the Commission's bond counsel and the Illinois Finance Authority. The start and time frame of the projects are undetermined as they are contingent on key real estate transactions with the City of Chicago.

**6. Lines of Credit and Long-Term Debt**

**Interest Payable**

Interest payable includes interest due to the Illinois Finance Authority of \$679,039, interest payable on certificates of participation of \$113,801, and \$9,980 interest payable on the line of credit.

**Lines of Credit**

On August 31, 2008, the Commission's \$300,000 operating line of credit from Cole Taylor Bank was consolidated with the Commission's second line of credit ("Property Credit Line") in the amount of \$3,000,000 with Cole Taylor Bank. This line of credit

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was collateralized by certain Commission deposits held in money market and mutual funds.

On January 8, 2009, the Commission refinanced the line of credit ("Property Credit Line") from Cole Taylor Bank with a line of credit from MB Financial Bank. The amount of this line of credit is \$3,000,000 with a variable interest rate (4.0% at June 30, 2009). This line matures on January 1, 2010 and is collateralized by certain Commission deposits held in money market and mutual funds with MB Financial Bank. This line of credit is used to make property acquisitions in the District, and is intended to be repaid by funds received from the State's capital budget at a later date.

Changes in short-term debt were as follows:

	Balance July 1, 2008	Net Advances	Balance June 30, 2009
Operating line of credit	\$ 263,055	\$ (263,055)	\$ -
Property credit line – MB Financial Bank	-	2,993,921	2,993,921
Property credit line – Cole Taylor Bank	2,329,451	(2,329,451)	-
Total	<u>\$ 2,592,506</u>	<u>\$ 401,415</u>	<u>\$ 2,993,921</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 is to loan the \$40 million to the Commission. The intent of this undertaking was 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 trust 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.

Changes in debt payable to the Illinois Finance Authority were as follows:

	Balance July 1, 2008	Draws	Payments	Balance June 30, 2009
Due to IFA	\$ 23,529,761	\$ 2,564,023	\$ -	\$ 26,093,784

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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. A reconciliation of amounts payable to the IFA is shown in the debt service schedule 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, 2009 are as follows (in thousands):

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ -	\$ 2,058	\$ 2,058
2011	360	2,049	2,409
2012	520	2,029	2,549
2013	680	2,000	2,680
2014	840	1,964	2,804
2015-2019	7,310	8,847	16,157
2020-2024	9,360	6,735	16,095
2025-2029	12,070	3,953	16,023
2030-2032	8,860	710	9,570
Total	<u>\$ 40,000</u>	<u>\$ 30,345</u>	<u>\$ 70,345</u>
Less amounts held in trust	<u>13,907</u>	<u>-</u>	<u>13,907</u>
Amount due to IFA	<u>\$ 26,093</u>	<u>\$ 30,345</u>	<u>\$ 56,438</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. As of June 30, 2009, the Commission was in compliance with all covenants required by the loan and security agreement dated January 31, 2006.

**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 \$27,315,000 as of June 30, 2009.

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Changes in long-term debt related to certificates of participation were as follows:

	<u>Balance</u> July 1, 2008	<u>Draws</u>	<u>Payments</u>	<u>Balance</u> June 30, 2009
Certificates of participation	\$ 27,970,000	\$ -	\$ 655,000	\$ 27,315,000

Sinking fund maturities and interest requirements on the certificates of participation payable at June 30, 2009 are as follows (in thousands):

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	805	1,242	2,047
2015-2019	4,620	5,612	10,232
2020-2024	5,890	4,348	10,238
2025-2029	7,550	2,681	10,231
2030-2032	5,550	593	6,143
Sub-Total	<u>27,315</u>	<u>\$ 19,764</u>	<u>\$ 47,079</u>
Less current portion	680		
Total	<u>\$ 26,635</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.

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**7. Capitalized Lease Obligations**

The Commission leases office equipment with a cost and accumulated depreciation of \$98,402 and \$39,361, respectively, under capital lease arrangements at June 30, 2009. Future minimum lease payments at June 30, 2009 are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2010	\$ 22,056
2011	22,056
2012	22,056
Total minimum lease payments	66,168
Less amounts representing interest	4,359
Present value of minimum lease payments	<u>\$ 61,809</u>

**8. Risk Management**

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

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

**9. Litigation**

On September 1, 2005, a component unit of the Commission, the Chicago Technology Park Corporation (Corporation), was named a defendant in a lawsuit seeking judgment of \$243,000. The Corporation has vigorously contested this matter and believes the outcome will be in favor of the Corporation. Therefore, no liability amount has been recorded on the financial statements as of June 30, 2009.

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**10. Component Unit**

The Chicago Technology Park Corporation was voluntarily dissolved on June 26, 2009. All remaining assets and liabilities were transferred to a liquidating trust as of that date.

Condensed financial statements for Chicago Technology Park Corporation, an Illinois not-for-profit corporation, as of and for the year ended June 30, 2009 are as follows:

<u>Condensed Statement of Net Assets</u>		<u>Condensed Statement of Revenues, Expenses, and Changes in Net Assets</u>	
Assets		Revenues	
Cash	\$ -	Grants	\$ 390,939
Liabilities		Expenses	
Accounts payable	-	Grant program activities	512,911
Net assets	\$ -	Change in net assets	(121,972)
		Net assets	
		Beginning of year	121,972
		End of year	\$ -

**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 for Regular 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



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financial statements and required supplementary information. That report may be obtained online at [www.imrf.org](http://www.imrf.org).

**Funding Policy**

As set by statute, the Commission's Regular plan members are required to contribute 4.50 percent 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 2008 was 12.77 percent 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.

**Annual Pension Cost**

For 2008, the Commission's annual pension cost of \$62,815 for the Regular plan was equal to the Commission's required and actual contributions.

**Three Year Trend information for the Regular Plan**

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/08	\$ 62,815	100%	\$ -
12/31/07	75,285	100%	-
12/31/06	-	100%	-

The required contribution for 2008 was determined as part of the December 31, 2006, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2006, included (a) 7.5 percent 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 11.6% 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 20% 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, 2006, was 9 years.

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**Funded Status and Funding Progress**

As of December 31, 2008, the most recent actuarial valuation date, the Regular plan was 41.59 percent funded. The actuarial accrued liability for benefits was \$438,161 and the actuarial value of assets was \$182,240, resulting in an underfunded actuarial accrued liability (UAAL) of \$255,921. The covered payroll (annual payroll of active employees covered by the plan) was \$491,897 and the ratio of the UAAL to the covered payroll was 52 percent.

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 Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (e)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/08	\$ 182,240	\$ 438,161	\$ 255,921	41.59%	\$ 491,897	52.03%
12/31/07	17,295	128,085	110,790	13.50%	589,547	18.79%
12/31/06	-	-	-	N/A	-	N/A

**12. Contingencies**

The Chicago Technology Park Corporation (a component unit of the Commission) received grant funding from Federal sources which is subject to audit by the granting agency. The Corporation has received approximately \$2.9 million of federal funding under the BiTmaP grant program. The Corporation is currently in discussions with the United States Department of Labor regarding the results of an audit. Based on the outcome of this audit, the Corporation could be liable for a portion of the funding previously received.

**13. Prior Period Adjustment**

During the current fiscal year, management identified certain personnel costs from prior periods that had not been properly reported on the Chicago Technology Park Corporation's (Corporation) financial statements. These costs were originally paid by the Commission. The Corporation had not reduced the balance due from the Commission nor recorded the corresponding expense. The impact of this restatement was to decrease due from other State agencies by \$72,658 with a corresponding increase to accounts receivable. This adjustment had no effect on net assets.

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**Supplementary Information for State Compliance Purposes**  
*For the Year Ended June 30, 2009*

**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
  - 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.

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**Schedule of Expenditures of Federal Awards**  
*For the Year Ended June 30, 2009*

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Pass-Through Number	FY 2009 Expenditures
<u>DEPARTMENT OF LABOR</u>			
WIA Pilots, Demonstrations, and Research Projects	17.261	-	<u>\$ 384,265</u>
TOTAL FEDERAL AWARDS EXPENDED			<u><u>\$ 384,265</u></u>

The accompanying notes are an integral part of this schedule.

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**Notes to the Schedule of Expenditures of Federal Awards**  
*For the Year Ended June 30, 2009*

**1. Significant Accounting Policy**

Basis of Presentation

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

**2. Description of Program**

BiTmaP

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

**3. Schedule of Expenditures of Federal Awards**

The Schedule of Expenditures of Federal Awards may differ from the Total Operating Expense presented in the financial statements. Following is the reconciliation:

Total Operating Expense	\$ 512,911
Deduct:	
Matching expenditures	35,406
State-funded grant expenditures	69,309
Refund to State grantor agency	<u>23,931</u>
Total Federal Awards Expended	<u>\$ 384,265</u>

**4. Subrecipient Payments**

There were no subrecipient payments made during the year.

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

*For the Years Ended June 30, 2009, 2008, and 2007*

	Fiscal Years		
	2009 N/A	2008 PA 95-0348	2007 PA 94-0798
General Revenue Fund-001:			
Appropriations (Net after transfers)	\$ -	\$ 37,033	\$ 184,400
Expenditures:			
Ordinary and contingent expenses	-	37,033	176,425
Total Expenditures	-	37,033	176,425
Lapsed Balances	\$ -	\$ -	\$ 7,975
Capital Development Fund - 141:			
Appropriations (Net after transfers)	\$ -	\$ -	\$ -
Expenditures:			
Property acquisitions, demolition, site improvements and related costs within the Medical District	-	-	-
Total Expenditures	-	-	-
Lapsed Balances	\$ -	\$ -	\$ -
Grand Total, All Funds			
Total Appropriations (Net after transfers)	\$ -	\$ 37,033	\$ 184,400
Total Expenditures	-	37,033	176,425
Lapsed Balances	\$ -	\$ -	\$ 7,975

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

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**Schedule of Changes in State Property**  
*For the Years Ended June 30, 2009 and 2008*

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Cost:	July 1, 2008	Additions	Deletions	Adjustments	June 30, 2009
Land and Land Improvements	\$ 40,744,842	\$ 190,389	\$ -	\$ -	\$ 40,935,231
Construction in Progress	1,106,402	-	-	-	1,106,402
Site Improvements	2,398,729	712,836	-	5,688	3,117,253
Improvements	17,148,933	184,264	-	-	17,333,197
Equipment	234,946	18,501	(12,601)	197,762	438,608
Total Cost	<u>\$ 61,633,852</u>	<u>\$ 1,105,990</u>	<u>\$ (12,601)</u>	<u>\$ 203,450</u>	<u>\$ 62,930,691</u>
Cost:	July 1, 2007	Additions	Deletions	Adjustments	June 30, 2008
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
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>

This summary schedule was prepared using State property records required by the Illinois Administrative Code. The capitalization policy in the Code is different than the capitalization policy established by the Office of the Comptroller for financial reporting in accordance with generally accepted accounting principles.

Amounts included in the adjustments column represent items below the capitalization thresholds for financial reporting purposes that were not included in this schedule in the previous year.

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**Analysis of Significant Variations in Revenues and Expenses  
For the Year Ended June 30, 2009**

Following are explanations for significant variances between revenues and expense accounts which exceeded \$50,000 and 15%:

	2009	2008	Increase (Decrease)	Comments
<b>Revenues</b>				
Grants revenue**	\$ 741,589	\$ 3,519,851	* \$ (2,778,262)	This decrease is due to a large amount, \$2,763,973, of in-kind revenue received in fiscal year 2008 related to a grant project. This particular grant ended as of 09/30/08 and the in kind revenue was only 35,406 in fiscal year 2009.  * The original amount in the 2008 report was \$3,447,193.
Rental income	\$ 3,955,762	\$ 3,143,975	\$ 811,787	The increase was due to the addition of one large tenant in FY08 whose lease commenced a couple of months after the beginning of FY08. Thus in fiscal year 2009, the Agency received a full year's worth of rent from this tenant. There was also another tenant who was given rent holidays in FY 08 but started paying rent in FY09.
<b>Expenses</b>				
Grant programs**	\$ 512,911	\$ 3,346,280	* \$ (2,833,369)	This decrease is due to a large amount, \$2,763,973, of in-kind expense recognized in fiscal year 2008 related to a grant project, which ended as of 09/30/08.  * The original amount in the 2008 report was \$3,273,622.
Amortization expense	\$ 32,714	\$ 397,232	\$ (364,518)	The decrease is due to the fact that there was no more amortization of curriculum development expenses in FY09.
Interest expense	\$ 3,229,586	\$ 2,794,007	\$ 435,579	The increase in interest expense is a result of the increase in the due to other State agency account and the line of credit.

\*\* During the current fiscal year, management identified certain personnel costs from prior periods that had not been properly reported on the Chicago Technology Park Corporation's (Corporation) financial statements. These costs were originally paid by the Commission. The Corporation had not reduced the balance due from the Commission nor recorded the corresponding expense. The impact of this restatement was to decrease due from other State agencies by \$72,658 with a corresponding increase to accounts receivable. This adjustment had no effect on net assets.



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**Comparative Schedule of Expenses - Locally Held Funds (Non-Appropriated)**

*For the Years Ended June 30, 2009, and 2008*

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

	<u>2009</u>	<u>2008</u>
<b>Property Management Fund (1240)</b>		
Property management and development	\$ 2,096,921	\$ 3,477,238
Interest expense	123,169	145,115
Total - Fund 1240	<u>2,220,090</u>	<u>3,622,353</u>
<b>Chicago Technology Research Center Fund (1265)</b>		
Property management and development	988,600	891,612
Interest expense	-	270
Total - Fund 1265	<u>988,600</u>	<u>891,882</u>
<b>Chicago Technology Park Fund (1266)</b>		
Property management and development	325,726	413,760
Total - Fund 1266	<u>325,726</u>	<u>413,760</u>
<b>Chicago Technology Park Corporation (1376)</b>		
Grant programs	512,911	3,346,280 *
Total - Fund 1376	<u>512,911</u>	<u>3,346,280</u>
<b>Illinois Medical District Restricted Fund (1377)</b>		
Property management and development	1,348,006	679,380
Interest expense	3,106,417	2,648,622
Total - Fund 1377	<u>4,454,423</u>	<u>3,328,002</u>
<b>Total All Funds</b>	<u>\$ 8,501,750</u>	<u>\$ 11,602,277</u>

\* During the current fiscal year, management identified certain personnel costs from prior periods that had not been properly reported on the Chicago Technology Park Corporation's (Corporation) financial statements. These costs were originally paid by the Commission. The Corporation had not reduced the balance due from the Commission nor recorded the corresponding expense. The impact of this restatement was to decrease due from other State agencies by \$72,658 with a corresponding increase to accounts receivable. This adjustment had no effect on net assets. The original amount in the 2008 report was \$3,273,622.

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

*For the Years Ended June 30, 2009, and 2008*

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>2009</u>	<u>2008</u>
<b>Property Management Fund (1240)</b>		
Rental income	\$ 53,434	\$ 366,942
Total - Fund 1240	<u>53,434</u>	<u>366,942</u>
<b>Chicago Technology Research Center Fund (1265)</b>		
Rental income	1,141,372	675,868
Services income	-	7,513
Total - Fund 1265	<u>1,141,372</u>	<u>683,381</u>
<b>Chicago Technology Park Fund (1266)</b>		
Rental income	790,556	245,407
Services income	-	1,192
Total - Fund 1266	<u>790,556</u>	<u>246,599</u>
<b>Chicago Technology Park Corporation (1376)</b>		
Grants	741,589	3,519,551 *
Services income	-	300
Total - Fund 1376	<u>741,589</u>	<u>3,519,851</u>
<b>Illinois Medical District Restricted Fund (1377)</b>		
Rental income	1,970,400	1,847,053
Interest income	1,525,091	1,635,159
Total - Fund 1377	<u>3,495,491</u>	<u>3,482,212</u>
Total All Funds	<u>\$ 6,222,442</u>	<u>\$ 8,298,985</u>

\* During the current fiscal year, management identified certain personnel costs from prior periods that had not been properly reported on the Chicago Technology Park Corporation's (Corporation) financial statements. These costs were originally paid by the Commission. The Corporation had not reduced the balance due from the Commission nor recorded the corresponding expense. The impact of this restatement was to decrease due from other State agencies by \$72,658 with a corresponding increase to accounts receivable. This adjustment had no effect on net assets. The original amount in the 2008 report was \$3,446,893.

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**Analysis of Significant Account Balances**  
*For the Year Ended June 30, 2009*

**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>2009</u>	<u>2008</u>
Cash in Bank	\$ 265,486	\$ 156,283
Money Market	1,991,043	1,246,383
U.S. Treasuries	-	-
U.S. Agencies	<u>2,310,944</u>	<u>3,034,801</u>
	<u>\$4,567,473</u>	<u>\$4,437,467</u>

**Notes Receivable**

On June 1, 2002 the Commission entered into an installment sale agreement for the sale of land and construction of a building for the University of Illinois. The Commission issued certificates of participation and constructed the building. The resulting receivable related to the building portion of the installment sale and the related debt have been treated as conduit debt issued by the Commission. The agreement calls for the University of Illinois 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 (inclusive of imputed interest) over 20 years, totaling \$2,164,668. The first payment became due November 30, 2004 and the remaining payments are due annually in November.

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**Analysis of Significant Account Balances, continued**  
*For the Year Ended June 30, 2009*

**Liabilities**

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

	<u>2009</u>	<u>2008</u>
Accounts payable and accrued expenses	\$ 1,253,230	\$ 1,542,522
Interest payable	802,820	787,926
Security deposits	406,534	434,088
Line of credit	2,993,921	2,592,506
Capital lease obligations - net of current portion	42,007	61,883
Accrued vacation and sick time payable - net of current portion	44,291	46,085
Certificates of participation	27,315,000	27,970,000
Due to other State agency	26,093,784	23,529,761
	<u>\$ 58,951,587</u>	<u>\$ 56,964,771</u>

Net increase in total liabilities was mostly due to the following: (1) increase in line of credit due to several loan advances drawn to finance management and development projects (2) increase in the amount due to the Illinois Finance Authority for amounts loaned to the Commission.

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**Analysis of Accounts Receivable**

*For the Years Ended June 30, 2009, and 2008*

Accounts Receivable balances were maintained for locally held funds during the audit period. Collections on accounts receivable are handled by the Executive Director, Project Manager, Financial Affairs or Chief 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>2009</u>		<u>2008</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
One to thirty	\$ 35,285	6.5%	\$ 90,766	15.8%
Thirty-one to three hundred sixty	268,062	49.0%	305,012	53.1%
Over three hundred sixty	242,959	44.5%	178,908	31.1%
	<u>546,306</u>	<u>100.0%</u>	<u>574,686</u>	<u>100.0%</u>
Less:				
Estimated uncollectible amount	<u>230,793</u>		<u>230,793</u>	
Accounts Receivable (Net)	<u>\$ 315,513</u>		<u>\$ 343,893</u>	

There were no significant variations in accounts receivable from 2008 to 2009.

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**Analysis of Operations**

*For the Year Ended June 30, 2009*

**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 located within 560 acres of medical research facilities, labs, biotech business incubator, raw development area, universities, and over 40 healthcare related facilities. The Commission is the nation's largest urban medical district, holds one of the nation's largest college of medicine, and the largest biotechnology/medical complex in the State of Illinois.

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. Commission officials are as follows:

Principal Officers

Executive Director

Chief Legal Counsel

Project Manager, Financial Affairs

Operations Manager

- Mr. Samuel Pruett
- Mr. Mark Jamil
- Mr. Thomas P. Custardo
- Mr. Hartwig C. Zakin

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**Analysis of Operations, continued**  
*For the Year Ended June 30, 2009*

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

Ms. Meghan K. Harte

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

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

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

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.

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

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

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 a status reports on land acquisitions, buildings or renovations of facilities statistics and statistics on the percent of occupancy for Commission owned buildings.

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.



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**Average Number of Employees**

The average number of employees at the Commission during the fiscal years 2009, 2008 and 2007 is as follows:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Administration	5	5	10
Programmatic	0	0	7
Maintenance	2	1	6
Clerical	1	1	3
Contractual Positions	<u>7</u>	<u>11</u>	<u>1</u>
Total	<u><u>15</u></u>	<u><u>18</u></u>	<u><u>27</u></u>

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

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**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 16<sup>th</sup> Street on the Near West Side of Chicago. The District is one of the nation's largest urban Medical Districts and includes Rush University Medical Center, John H. Stroger Jr. Hospital of Cook County, University of Illinois at Chicago Medical Center, Jesse Brown VA Medical Center, and 30 other healthcare institutions. The Commission nurtures or coordinates growth among all institutions within the Medical District. The District is home to the Illinois Forensic Center (Crime Lab), and the American Red Cross of Greater Chicago Headquarters. The District Security Group and District Member Council organize activities and projects to improve the safe environment and coordinate signage and beautification. The District or its institutions are actively involved in many bio-terrorism, public safety and disaster response and preparedness projects and activities. The new regional FBI headquarters (opened in Spring 2006) is integral to such efforts.

The Chicago Technology Park (Park) is a 56-acre development located within the boundaries of the District where facilities are available for technology commercialization and research. Its primary objective is to grow and attract startup technology based firms in Illinois with an emphasis on biotechnology. There are currently over 30 biotech or technology based firms in the Park that has their origins from District's major facilities, including a 56,000 square-foot state-run incubator, the 20,000 square-foot Enterprise Center I, the 15,000 square-foot Enterprise Center II and the 70,000 square-foot Tech 2000 building as well as other research, treatment, and emergency communication facilities.

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.