
REPORT DIGEST

MEDICAL DISTRICT COMMISSION

FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

For the Year Ended
June 30, 2009

Summary of Findings:

Total this audit	2
Total last audit	4
Repeated from last audit	2

Release Date:
March 3, 2010



State of Illinois
Office of the Auditor General
WILLIAM G. HOLLAND
AUDITOR GENERAL

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SYNOPSIS

- ◆ The Commission did not remit unexpended proceeds from the sale of Commission property into the Income Fund held in the State Treasury.

{Financial Information is summarized on the reverse page.}

MEDICAL DISTRICT COMMISISON
FINANCIAL AUDIT AND COMPLIANCE EXAMINATON
For The Year Ended June 30, 2009

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS	FY 2009	FY 2008
OPERATING REVENUES		
Grants	\$ 741,589	\$3,519,851
Rental and Service Income	3,955,762	3,143,975
Other Operating Revenues.....	90,410	91,348
Total Operating Revenues.....	<u>\$ 4,787,761</u>	<u>\$ 6,755,174</u>
OPERATING EXPENSES		
Property Management and Development.....	\$ 4,759,253	\$ 5,461,990
Grant Programs	512,911	3,346,280
Depreciation and Amortization	<u>\$ 1,045,177</u>	<u>1,351,979</u>
Total Operating Expenses.....	<u>\$ 6,317,341</u>	<u>\$10,160,249</u>
 OPERATING (LOSS) INCOME.....	 <u>\$(1,529,580)</u>	 <u>\$(3,405,075)</u>
NONOPERATING, REVENUES (EXPENSES)		
State Appropriations.....	\$ -----	\$ 37,032
Interest Income	1,525,091	1,635,159
Interest Expense.....	<u>\$(3,229,586)</u>	<u>(2,794,007)</u>
Total Nonoperating Revenues (Expenses).....	<u>\$(1,704,495)</u>	<u>\$(1,121,816)</u>
 Capital Transfers (Net gain/loss)	 \$ 102,306	 \$ 28,879
CHANGES IN NET ASSETS	<u>\$ (3,131,769)</u>	<u>\$ (4,498,012)</u>
STATEMENT OF NET ASSETS	FY 2009	FY 2008
ASSETS		
Cash and Cash Equivalents.....	\$ 2,256,529	\$ 1,402,666
Accounts and Other Receivables	429,314	486,086
Notes Receivable.....	33,915,099	34,935,115
Investments.....	2,310,944	3,034,801
Debt Issuance Costs	706,084	738,798
Capital Assets, Other Assets (net)	<u>56,917,723</u>	<u>57,083,180</u>
Total Assets	<u>\$96,535,693</u>	<u>\$97,680,646</u>
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 1,297,521	\$ 1,588,607
Interest Payable.....	802,820	787,926
Line of Credit	2,993,921	2,592,506
Certificates of Participation.....	27,315,000	27,970,000
Due to other State Agencies	26,093,784	23,529,761
Other	<u>448,541</u>	<u>495,971</u>
Total Liabilities	<u>\$58,951,587</u>	<u>\$56,964,771</u>
NET ASSETS		
Invested in Capital Assets (net).....	\$ 27,678,461	\$ 28,266,807
Restricted for Grants and Capital Projects	323,284	2,373,757
Unrestricted	<u>9,582,361</u>	<u>10,075,311</u>
Total Net Assets.....	<u>37,584,106</u>	<u>\$40,715,875</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$96,535,693</u>	<u>\$97,680,646</u>
EXECUTIVE DIRECTOR		
During Audit Period: Samuel Pruett		
Currently: Samuel Pruett		

FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS

**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 did not remit unexpended proceeds from the sale of Commission property to the State Treasury for deposit into the Medical Center Commission Income Fund.

The Illinois Medical District Act requires the Commission to remit to the State Treasury all moneys on hand (originating from the sale of Commission property) as of June 30 in excess of \$350,000.

**Unexpended proceeds of
\$8,152,049 were not remitted
to the State Treasury**

**As of June 30, 2006 the
unexpended portion of these
proceeds totaled \$7,877,969
and the Commission had not
yet remitted any excess funds
to the State Treasury**

**As of June 30, 2007
\$4,000,000 was pledged as
collateral for a bond offering
and \$4,000,000 as collateral
for a bank line of credit - no
changes were noted in fiscal
years 2008 and 2009**

Commission officials disagree

During Fiscal Year 2004, the Commission sold real property to the Federal Bureau of Investigation. The proceeds from the sale totaled \$10,688,767. As of June 30, 2005, an estimated \$8,152,049 of those proceeds has not been expended or obligated and the Commission did not remit these excess funds to the State Treasury. As of June 30, 2006, the unexpended portion of these proceeds totaled \$7,877,969, and the Commission had not yet remitted any excess funds to the State Treasury. As of June 30, 2007, funds in the amount of \$4,000,000 were pledged as collateral for a \$40 million bond offering and pursuant to a Commission Resolution dated May 23, 2006, the remainder of the funds were pledged 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. (Finding 2, pages 13-16)
This finding was first reported in 2005.

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

The Commission's response to this finding 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, \$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 and the remainder was expended as collateral for a line of credit that was used in the acquisition of parcels of land by eminent domain.

Attorney General also disagrees with Commission measures

The Commission acknowledges that both the Auditor General and Attorney General disagree with the measures taken by the Commission but states these disagreements do not change the facts that the measures taken were within the authority of the Commission. The Commission response acknowledges the Attorney General position that legislative action is required to resolve this matter, and the Commission states it is now diligently pursuing that course. (For previous Commission responses, see Digest Footnote #1)

Auditor Comment

In an Auditor Comment, we stated that the auditors continue to stand by the finding based on the same criteria that was cited in the prior four audits. We noted that 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.

On December 31, 2008 the Office of the Attorney General issued a Formal Opinion (No. 08-004). 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.

OTHER FINDING

Another finding dealt with noncompliance with required contracting procedures. We will review the Commission’s progress toward implementation of all our recommendations in our next audit.

AUDITORS' OPINION

Our auditors stated that the financial statements 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.

WILLIAM G. HOLLAND, Auditor General

WGH:KMC:drh

SPECIAL ASSISTANT AUDITORS

Our special assistant auditors for this audit were E. C. Ortiz & Co., LLP.

DIGEST FOOTNOTES

#1 – FAILURE TO REMIT UNEXPENDED PROCEEDS FROM THE SALE OF COMMISSION PROPERTY INTO THE INCOME FUND HELD IN THE STATE TREASURY – Previous Agency Responses

2008: The Commission continues to disagree with this finding and maintains the Illinois Medical District Act's intent is to be consistent with this position. As previously reported, this matter is pending before the Illinois Attorney General. The Commission further maintains that this should no longer be a finding as there were not funds in excess of \$350,000 at the close of fiscal year 2008 that were either unexpended or not under contractual obligation.