

State of Illinois
University Park,
Southern Illinois University at Edwardsville, Inc.

COMPLIANCE EXAMINATION

For the two years ended June 30, 2005

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

State of Illinois
University Park,
Southern Illinois University at Edwardsville, Inc.

COMPLIANCE EXAMINATION

For the two years ended June 30, 2005

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Findings and Recommendations	
Current Findings	None
Prior Findings not Repeated	None

State of Illinois
University Park,
Southern Illinois University at Edwardsville, Inc.

COMPLIANCE EXAMINATION

For the two years ended June 30, 2005

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Note: Financial Statements and Independent Auditors' Report for the years ended June 30, 2005 and 2004, have been issued under separate covers.

State of Illinois
University Park,
Southern Illinois University at Edwardsville, Inc.

UNIVERSITY PARK OFFICIALS

June 30, 2005

The University Park Board of Directors:

Mr. William K. Anderson
Dr. M. Robert Carver
Mrs. Sharon Hahs
Mr. Robert E. McClellan Jr.
Mr. Steve McRae
Mr. Bart Solon
Dr. James Walker
Mr. Robert Wetzel
Mr. Ronald D. Winney
Dr. John Haller, representative of Dr. James Walker

Members added during the year:

Ms. Sally G. Metz
Dr. Vaughn Vandegrift, Chancellor

Members retired during the year:

Mrs. Sherri Brown
Dr. David J. Werner

Southern Illinois University personnel who provide significant administrative support to the University Park include:

Executive Director	Mr. Brian Donnelly
Operations Manager	Ms. Janet Haroian
Administrative Secretary	Ms. Cheryl Madson

University Park offices are located at:

University Park
Southern Illinois University at Edwardsville, Inc.
One North Research Drive
Edwardsville, IL 62025-3604



September 28, 2005

Kerber, Eck, & Braeckel LLP
1000 Meyers Building
Springfield, Illinois 62701

Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grants that could have a material effect on the operations of University Park, Southern Illinois University at Edwardsville Inc. (University Park). 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 University Park's compliance with the following assertions during the two-year period ended June 30, 2005. Based on this evaluation, we assert that during the year(s) ended June 30, 2004 and June 30, 2005, University Park has materially complied with the assertions below.

- A. University Park 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. University Park 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. University Park has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. The State revenues and receipts collected by University Park are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.
- E. The money or negotiable securities or similar assets handled by University Park on behalf of the State or held in trust by the Park have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

Sincerely,

Brian Donnelly
Executive Director

State of Illinois
University Park,
Southern Illinois University at Edwardsville, Inc.

COMPLIANCE REPORT SUMMARY

For the two years ended June 30, 2005

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

AUDITORS' REPORTS

The Independent Accountants' Report on State Compliance, on Internal Control Over Compliance and on Supplementary Information for State Compliance Purposes does not contain scope limitations, disclaimers, or other significant non-standard language.

SUMMARY OF FINDINGS

<u>Number of</u>	<u>This Report</u>	<u>Prior Report</u>
Findings	0	0
Repeated findings	0	0
Prior recommendations implemented or not repeated	0	0

EXIT CONFERENCE

University Park Officials waived an exit conference.



Independent Accountants' Report on State Compliance,
on Internal Control Over Compliance, and on
Supplementary Information for State Compliance Purposes

Honorable William G. Holland
Auditor General, State of Illinois

Compliance

As Special Assistant Auditors for the Auditor General, we have examined University Park, Southern Illinois University at Edwardsville, Inc.'s (University Park) 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 years ended June 30, 2005 and 2004. The management of University Park is responsible for compliance with these requirements. Our responsibility is to express an opinion on University Park's compliance based on our examination.

- A. University Park 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. University Park 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. University Park has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. The State revenues and receipts collected by University Park 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 University Park on behalf of the State or held in trust by University Park have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the Audit Guide as adopted by the Auditor General pursuant to the Act; and, accordingly, included examining, on a test basis; evidence about University Park's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on University Park's compliance with specified requirements.

In our opinion, University Park complied, in all material respects, with the aforementioned requirements during the two years ended June 30, 2005.

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

Internal Control

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

Our consideration of internal control over compliance with the aforementioned requirements would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws and regulations that would be material in relation to one or more of the aforementioned requirements being examined may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over compliance that we consider to be material weaknesses.

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

Supplementary Information for State Compliance Purposes

As Special Assistant Auditors for the Auditor General, we have audited the basic financial statements of University Park as of and for the year ended June 30, 2005, and have issued our report thereon dated September 28, 2005. 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 University Park. The 2005 Supplementary Information for State Compliance Purposes, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is stated fairly, in all material respects, in relation to the basic financial statements for the year ended June 30, 2005, taken as a whole. We have also previously audited, in accordance with auditing standards generally accepted in the United States of America, University Park's basic financial statements for the years ended June 30, 2004 and 2003. In our reports dated September 29, 2004 and September 10, 2003, we expressed unqualified opinions on the basic financial statements. In our opinion, the 2004 and 2003 Supplementary Information for State Compliance Purposes, except for the portion marked "unaudited" is stated fairly, in all material respects, in relation to the basic financial statements for the years ended June 30, 2004 and 2003, taken as a whole.

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

Kevin E. Brackel : Brackel LLP

Springfield, Illinois
September 28, 2005



Kerber, Eck & Braeckel LLP

CPAs and
Management Consultants

1000 Myers Building
1 West Old State Capitol Plaza
Springfield, IL 62701-1268
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Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the basic financial statements of University Park, Southern Illinois University at Edwardsville, Inc. (University Park), as of and for the year ended June 30, 2005, and have issued our report thereon dated September 28, 2005. 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 University Park's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain immaterial instances of internal control deficiencies, which we have reported to management of University Park in a separate letter dated September 28, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether University Park'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*. However, we noted certain other matters which we have reported to management of University Park in a separate letter dated September 28, 2005.

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

Kulow, Eck & Brauchel LLP

Springfield, Illinois
September 28, 2005

State of Illinois
University Park,
Southern Illinois University at Edwardsville, Inc.

SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

SUMMARY

For the two years ended June 30, 2005

Supplementary Information for State Compliance Purposes presented in this section of the report includes the following:

- Fiscal Schedules and Analysis

- Comparative Schedule of Cash
- Comparative Schedule of Cash Receipts
- Schedule of Changes in Equipment
- Analysis of Significant Variations in Revenues and Expenses
- Analysis of Significant Variations in Statement of Net Assets Accounts
- Analysis of Accounts Receivable

- Analysis of Operations

- Agency Functions and Planning Program
- Additional Required Information (Unaudited)
- Summary of University Park Payments to the University

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

State of Illinois
University Park
Southern Illinois University at Edwardsville, Inc.

COMPARATIVE SCHEDULE OF CASH

June 30

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Cash			
Bank of Edwardsville	\$ 130,882	\$ 92,912	\$ 88,086
Clover Leaf Bank	80,964	58,084	112,885
Partners Bank	945,757	86,445	53,368
	<u>\$ 1,157,603</u>	<u>\$ 237,441</u>	<u>\$ 254,339</u>
 Cash			
Unrestricted	\$ 306,774	\$ 237,441	\$ 254,339
Restricted	850,829	-	-
	<u>\$ 1,157,603</u>	<u>\$ 237,441</u>	<u>\$ 254,339</u>

State of Illinois
University Park
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COMPARATIVE SCHEDULE OF CASH RECEIPTS

For the years ended June 30

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Payments for ground rents and common area maintenance - nonrelated organizations	\$ 36,200	\$ 50,679	\$ 43,548
Payments from related organizations			
Development of University Park agreement	37,268	37,268	37,268
Management fees	31,133	29,910	25,536
Rent and common area maintenance	39,383	16,373	2,554
Reimbursement from SIUE for advance to tenant	-	48,388	10,910
Reimbursement from SIUE for construction costs in building managed by University Park	-	-	36,949
Reimbursement of operating deficit	-	-	54,529
Nonoperating payments from SIUE	19,836	25,679	-
Grant income	850,829	-	-
Interest income	11,621	6,658	5,794
Proceeds from long-term debt	-	400,000	-
Other revenue	<u>503</u>	<u>453</u>	<u>45</u>
	<u>\$ 1,026,773</u>	<u>\$ 615,408</u>	<u>\$ 217,133</u>

State of Illinois
University Park
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SCHEDULE OF CHANGES IN EQUIPMENT

For the years ended June 30, 2005 and 2004

	<u>Building</u>	<u>Construction in Progress</u>	<u>Land Improvements</u>	<u>Furniture & Equipment</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Balance June 30, 2003	\$ -	\$ -	\$ 2,000	\$ 13,957	\$ 7,731	\$ 8,226
Additions	527,086	-	-	-	10,794	516,292
Disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,000)</u>	<u>(1,000)</u>	<u>-</u>
Balance June 30, 2004	527,086	-	2,000	12,957	17,525	524,518
Additions	-	115,982	2,865	-	18,832	100,015
Disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance June 30, 2005	<u>\$ 527,086</u>	<u>\$ 115,982</u>	<u>\$ 4,865</u>	<u>\$ 12,957</u>	<u>\$ 36,357</u>	<u>\$ 624,533</u>

State of Illinois
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ANALYSIS OF SIGNIFICANT VARIATIONS IN REVENUES AND EXPENSES

For the years ended June 30

	<u>2005</u>	Increase (Decrease)	<u>2004</u>	Increase (Decrease)	<u>2003</u>
Revenues and other additions					
Payments from SIU under agreement for development of University Park facility	\$ 37,268	\$ -	\$ 37,268	\$ -	\$ 37,268
Management fees	31,133	1,223	29,910	4,374	25,536
Budget allocation from SIUE	254,020	17,435 a	236,585	13,867	222,718
Rents and Common Area Maintenance	84,202	16,594 b	67,608	15,798 b	51,810
Grant revenue	1,588,950	1,588,950 c	-	-	-
Interest	11,621	4,963	6,658	864	5,794
Other revenue	503	50	453	408	45
Other payments from SIUE	-	-	-	(36,949) d	36,949
Expenditures and other deductions					
Budget expended at SIUE	254,020	17,435 a	236,585	13,867	222,718
Travel	256	(2,776)	3,032	1,302	1,730
Contractual services	58,625	(9,735)	68,360	8,977	59,383
Telecommunications	2,592	(661)	3,253	(746)	3,999
Commodities	4,824	524	4,300	(1,064)	5,364
Depreciation expense	18,832	8,038	10,794	9,610	1,184
Amortization expense	11,020	909	10,111	576	9,535
Interest expense	18,823	9,370	9,453	9,453	-
Expenditures for the benefit of SIUE	-	-	-	(36,949) d	36,949

Explanations for variances > \$ 15,000

- a Increase in budget allocation is 7% from FY04 to FY05.
- b In December 2003, University Park purchased a building from a tenant. University Park leases the building to SIUE and manages it for SIUE.
- c In FY05, University Park was awarded grants for the design and construction of a new building located in the Park.
- d In FY03, the University provided funds to University Park to remodel the University's Internal Audit and Environmental Services Departments, which are housed in buildings managed by University Park.

State of Illinois
University Park
Southern Illinois University at Edwardsville, Inc.

ANALYSIS OF SIGNIFICANT VARIATIONS IN STATEMENT OF NET ASSETS ACCOUNTS

June 30

	<u>2005</u>	<u>Increase (Decrease)</u>		<u>2004</u>	<u>Increase (Decrease)</u>	<u>2003</u>
Assets						
Cash	\$ 1,157,603	\$ 920,162	a	\$ 237,441	\$ (16,898)	\$ 254,339
Accounts receivable - SIUE	5,406	(959)		6,365	4,043	2,322
Accounts receivable - Other	2,257	454		1,803	(1,019)	2,822
Note receivable - SIUE	-	-		-	(48,388)	48,388
Grant receivable	638,121	638,121	a	-	-	-
Prepaid expenses	525	-		525	79	446
Capital assets, net of depreciation	624,533	100,015	a	524,518	516,292	8,226
Liabilities						
Accounts payable - SIUE	120,148	30,632	b	89,516	16,687	72,829
Accounts payable - other	7,964	(972)		8,936	(3,860)	12,796
Deferred revenue	107,780	1,896		105,884	12,579	93,305
Notes payable	381,339	(12,468)		393,807	393,807	-
Deposits	2,302	-		2,302	2,302	-

Explanations for variances > \$ 20,000

- a In FY05, University Park was awarded grants for the design and construction of a new building located in the Park of which \$ 850,829 has been received, \$ 100,000 was received in the form of construction in progress and \$ 638,121 is receivable at the end of FY05.
- b Increases to accounts payable SIUE are from operating profits of a SIUE building managed by University Park.
- c During FY2002 and 2003, University Park entered into an agreement with the University to advance a tenant at 200 University Park a total of \$ 59,298 for building improvements. During 2003, the University reimbursed University Park \$ 10,910 of the total advance. During 2004, the University reimbursed the remainder of the advance.
- d In December 2003, University Park purchased a building from a tenant with a cost of \$ 527,086 of which \$ 400,000 was financed.

State of Illinois
University Park
Southern Illinois University at Edwardsville, Inc.

ANALYSIS OF ACCOUNTS RECEIVABLE

June 30

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Common area maintenance	\$ 2,257	\$ 1,803	\$ 2,822
SIUE expense reimbursements	<u>5,406</u>	<u>6,365</u>	<u>2,322</u>
	<u>\$ 7,663</u>	<u>\$ 8,168</u>	<u>\$ 5,144</u>

All receivables are deemed collectible.

State of Illinois
University Park,
Southern Illinois University at Edwardsville, Inc.

AGENCY FUNCTIONS AND PLANNING PROGRAM

For the two years ended June 30, 2005

The administrative office of University Park, Southern Illinois University at Edwardsville, Inc. (University Park) is located at One North Research Drive on the campus of Southern Illinois University Edwardsville, in Edwardsville, Illinois (University). The Executive Director of University Park at June 30, 2005, is Brian Donnelly.

University Park, Southern Illinois University at Edwardsville, Inc. was incorporated as an Illinois not-for-profit corporation in 1992 and began operations on January 12, 1994. The primary purpose is to aid and assist Southern Illinois University Edwardsville in managing the University Park facility. It is responsible for the management, operation, leasing, and maintenance of the land, buildings, facilities, and other property located in University Park.

The University transfers to University Park such funds as the parties determine may be necessary to support the activities of University Park. At the end of each year, or at such other time as specified by the University, any excess funds or net income may be required to be transferred to the University.

The University assigns all support staff to University Park. Therefore, University Park has no employees. In addition to the Executive Director, two support employees and one student worker are assigned to University Park.

The parties agree that University Park is a University Related Organization as defined by the Legislative Audit Commission Guidelines of the Illinois General Assembly. The relationship between the parties is to be conducted according to these guidelines.

The formal written goals to achieve the above mission are included in University Park's Vision and Planning Statement. The Board of Trustees of the University monitors the activities of the organization. It is the intention of the management and the Board of Directors of University Park that its continuing long-term goals are those described in its by-laws.

Auditors' Assessment

The planning program described above appears reasonable for University Park of Southern Illinois University at Edwardsville, Inc. for the two years ended June 30, 2005.

State of Illinois
University Park,
Southern Illinois University at Edwardsville, Inc.

ADDITIONAL REQUIRED INFORMATION (UNAUDITED)

For the two years ended June 30, 2005

Local Funds

All funds of University Park are locally held funds and are not appropriated.

Employee Statistics

During each of the years ended 2005 and 2004, the equivalent of three full-time employees and one student worker worked for University Park. These employees are officially employed by the University and were assigned to University Park.

Service Efforts and Accomplishments

Funds provided to the University for each of the years ended June 30, 2005 and 2004, are presented on page 21 of this report.

State of Illinois
University Park
Southern Illinois University at Edwardsville, Inc.

SUMMARY OF UNIVERSITY PARK PAYMENTS TO THE UNIVERSITY

For the year ended June 30

	<u>2005</u>	<u>2004</u>
Reimburse the University for building operating profit	\$ 32,986	\$ 7,827
Reimburse SIUE for utilities and insurance for buildings managed by the Park but owned or leased by SIUE (not University Park expenses)	49,646	41,248
Reimburse SIUE for utilities and insurance paid on University Park's behalf	<u>731</u>	<u>1,317</u>
	<u>\$ 83,363</u>	<u>\$ 50,392</u>