### STATE OF ILLINOIS ILLINOIS MEDICAL DISTRICT COMMISSION

### FINANCIAL AUDIT AND COMPLIANCE EXAMINATION FOR THE YEAR ENDED JUNE 30, 2006

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

## STATE OF ILLINOIS ILLINOIS MEDICAL DISTRICT COMMISSION FINANCIAL AUDIT AND COMPLIANCE EXAMINATION FOR THE YEAR ENDED JUNE 30, 2006

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### STATE OF ILLINOIS ILLINOIS MEDICAL DISTRICT COMMISSION FINANCIAL AUDIT AND COMPLIANCE EXAMINATION FOR THE YEAR ENDED JUNE 30, 2006

### **COMMISSION OFFICIALS**

Executive Director Samuel Pruett

Chief of Staff (10/1/05 to present) Mich Hein

Deputy Director (7/1/05 to 9/18/06)

Joseph Dunne

(position eliminated)

Chief Fiscal Officer (7/1/05 to 10/12/06) Paula Philbrook

Acting Chief Fiscal Officer (11/1/06 to present) Robert Nauert

Interim General Counsel Kenneth Scheiwe

Commission offices are located at:

600 South Hoyne Avenue Chicago, IL 60612



January 29, 2007

Illinois Medical District 600 South Hoyne Avenue Chicago, Illinois 60612

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www.imdc.org

Governor Rod Blagojevich

Cook County Board President John H. Stroger, Jr.

City of Chicago Mayor Richard M. Daley

#### Commissioners

Kenneth D. Schmidt, MD
President

Abraham C. Morgan Vice President

Dorval R. Carter, MD Secretary

Leon Dingle, Jr., Ph.D.
Treasurer

Michael Fitzgerald John E. Partelow Bob J. Nash

Executive Director Samuel W. Pruett

Nykiel, Carlin & Co., Ltd. Certified Public Accountants 200 East Court Street, Suite 608 Kankakee, IL 60901

### 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. 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 Illinois Medical District Commission's compliance with the following assertions during the year ended June 30, 2006. Based on this evaluation, we assert that during the year ended June 30, 2006 the Illinois Medical District Commission has materially complied with the assertions below.

- A. The Illinois Medical District 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 Illinois Medical District 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 Illinois Medical District 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. The State revenues and receipts collected by the Illinois Medical District 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. The money or negotiable securities or similar assets handled by the Illinois Medical District Commission on behalf of the State or held in trust by the Illinois Medical District 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. Proett, Executive Director

Robert Nauert, Acting Chief Fiscal Officer

Kenneth Scheiwe, General Counsel

### STATE OF ILLINOIS ILLINOIS MEDICAL DISTRICT COMMISSION FINANCIAL AUDIT AND COMPLIANCE EXAMINATION FOR THE YEAR ENDED JUNE 30, 2006

#### **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 State Compliance and on Supplementary Information for State Compliance Purposes does not contain scope limitations, disclaimers, or other significant non-standard language.

### **SUMMARY OF FINDINGS**

Number of	This Report	Prior Report
Findings	4	6
Repeated findings	4	3
Prior recommendations implemented		
or findings not repeated	2	7

Details of findings are presented in a separately tabbed report section.

### **SUMMARY OF FINDINGS**

Item No.	Page	Description
06-1	12	Findings (Government Auditing Standards) Inadequate Controls over Financial Reporting
06-2	13	Findings (State Compliance) Failure to Remit Unexpended Proceeds from the Sale of Property into the Income Fund Held in the State Treasury
06-3	15	Inadequate Contracting Controls
06-4	17	Noncompliance with State Publication Laws
06-5	18	Prior Findings Not Repeated (Government Auditing Standards) Failure to Record and Report Capital Assets
06-6	19	Prior Findings Not Repeated (State Compliance) Inaccurate Equipment and Property Control Records

### STATE OF ILLINOIS ILLINOIS MEDICAL DISTRICT COMMISSION FINANCIAL AUDIT AND COMPLIANCE EXAMINATION FOR THE YEAR ENDED JUNE 30, 2006

#### **COMPLIANCE REPORT**

#### **SUMMARY**

(Continued)

#### **EXIT CONFERENCE**

The finding and recommendations appearing in this report were discussed with Agency personnel at an exit conference on April 5, 2007. The following representatives were in attendance:

#### Illinois Medical District Commission

Samuel Pruett Executive Director Mich Hein Chief of Staff

Robert Nauert Acting Chief Fiscal Officer
Kenneth Scheiwe Interim Legal Counsel
Mark Jamil Director of External and

Corporate Affairs

Nykiel, Carlin & Co., Ltd.

Paul Pelletier Principal Brian Creek Manager

Office of the Auditor General

Kevin Carhill Audit Manager

Responses to the recommendations were provided by Robert Nauert in an e-mail dated April 6, 2007.

### INDEPENDENT ACCOUNTANTS' REPORT ON STATE COMPLIANCE, ON INTERNAL CONTROL OVER COMPLIANCE, AND ON SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

Honorable William G. Holland Auditor General State of Illinois

### Compliance

As Special Assistant Auditors for the Auditor General, we have examined the Illinois Medical District Commission's 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, 2006. The management of the Illinois Medical District Commission is responsible for compliance with these requirements. Our responsibility is to express an opinion on the Illinois Medical District Commission's compliance based on our examination.

- A. The Illinois Medical District 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 Illinois Medical District 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 Illinois Medical District 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. The State revenues and receipts collected by the Illinois Medical District 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 Illinois Medical District Commission on behalf of the State or held in trust by the Illinois Medical District Commission 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 the Illinois Medical District Commission'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 the Illinois Medical District Commission's compliance with specified requirements.

In our opinion, the Illinois Medical District Commission has complied, in all material respects, with the aforementioned requirements during the year ended June 30, 2006. However, the results of our procedures disclosed instances of noncompliance with those requirements, 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 06-1 thru 06-4. 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 the Illinois Medical District Commission 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 the Illinois Medical District Commission'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. However, the results of our procedures disclosed other matters involving internal control 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 06-1 and 06-3. 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 the Illinois Medical District Commission and as of and for the year ended June 30, 2006 and have issued our report thereon dated January 29, 2007. 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 Illinois Medical District Commission. The 2006 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, 2006, taken as a whole. We have also previously audited, in accordance with auditing standards generally accepted in the United States, the Illinois Medical District Commission's basic financial statements for the years ended June 30, 2005 and 2004. In our reports dated January 9, 2006 and January 10, 2005, respectively, we expressed unqualified opinions on the respective financial statements of the governmental activities and each major fund. In our opinion, the 2005 and 2004 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 years ended June 30, 2005 and 2004, 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 Commission management, and is not intended to be and should not be used by anyone other than these specified parties.

NYKIEL, CARLIN & CO., LTD.

nyhiel, Carlin + to., Ital.

Kankakee, Illinois January 29, 2007

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

Honorable William G. Holland Auditor General State of Illinois

Commissioners of Illinois Medical District Commission

As Special Assistant Auditors for the Auditor General, we have audited the basic financial statements of the Illinois Medical District Commission (Commission), a component unit of the State of Illinois, as of and for the year ended June 30, 2006, and have issued our report thereon dated January 29, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Commission's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as item 06-1.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe that item 06-1 is a material weakness. Additionally, we noted certain deficiencies in the design or operation of internal control over financial reporting which do not meet the criteria for reporting herein and which are reported as State compliance findings in the schedule of findings. We also noted certain immaterial instances of internal control deficiencies, which we have reported to management of the Commission in a separate letter dated January 29, 2007.

### Compliance

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 grants 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 that are required to be reported under *Government Auditing Standards*. However, we noted certain instances of noncompliance which do not meet the criteria for reporting herein and which are reported as State compliance findings in the schedule of findings. We also noted certain other matters which we have reported to management of the Commission in a separate letter dated January 29, 2007.

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

NYKIEL, CARLIN & CO., LTD.

Nyhiel, Carlin & Co., Ital.

Kankakee, Illinois January 29, 2007

# STATE OF ILLINOIS ILLINOIS MEDICAL DISTRICT COMMISSION FINDINGS AND RECOMMENDATIONS CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS For the Year Ended June 30, 2006

### 06-1 FINDING: INADEQUATE CONTROLS OVER FINANCIAL REPORTING

The Illinois Medical District Commission (Commission) did not have adequate knowledge of governmental generally accepted accounting principles (GAAP) in order to prepare financial statements in accordance with GAAP.

During Fiscal Year 2006, the Commission issued \$40 million in revenue bonds to finance acquisitions, construction, and operations of certain properties within the Medical District. The financial statements initially prepared by the Commission for the Fiscal Year 2006 included these revenue bond funded activities as a governmental activity instead of in an enterprise fund (business-type activity). Upon bringing this to the attention of the Commission, the financial statements were revised to report these activities in accordance with GAAP.

Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments states activities are required to be reported as enterprise funds if the activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity.

Commission officials stated they were unaware that these activities were required to be reported in an enterprise fund.

Failure to timely prepare financial statements in accordance with applicable accounting standards delays the audit process and may distort the State's financial statements. (Finding Code Nos. 06-1, 05-2, 04-3, 02-6)

#### RECOMMENDATION

We recommend the Commission improve its procedures to ensure that accounting records are appropriately maintained in accordance with applicable accounting standards.

### **AGENCY RESPONSE**

The Commission agrees with the recommendation and will report activities related to the \$40 million in revenue bonds in an enterprise fund in future fiscal years.

### 06-2 <u>FINDING:</u> FAILURE TO REMIT UNEXPENDED PROCEEDS FROM THE SALE OF 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.

The Illinois Medical District Act (70 ILCS 915/10) requires the Commission to remit to the State Treasury all moneys on hand (originating from the sale of Commission property) as of June 30 in excess of \$350,000 (except that the Commission may retain additional funds as are necessary to liquidate enforceable contractual obligations existing as of June 30, as long as such obligations are liquidated by September 30).

Commission officials stated, upon the advice of legal counsel, the Commission determined that the sale proceeds were clearly set aside and committed prior to the end of fiscal year 2005, and thus, it was not required to transmit any proceeds relative to the sale of the property. In addition, Commission officials stated they requested a legal interpretation of this statute from the Illinois Attorney General's Office in a filing dated October 25, 2006. At the conclusion of our fieldwork on January 29, 2007, the Commission had not yet received a response from the Illinois Attorney General's Office.

Failure to remit the excess moneys to the State Treasury is a violation of State statutes. (Finding Code No. 06-2, 05-3)

#### RECOMMENDATION

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

#### **AGENCY RESPONSE**

The Commission disagrees with the finding. The Commission has received a legal opinion contrary to the opinion of the Auditor General. The Commission has sought clarification from the Attorney General's office.

### **AUDITORS' COMMENT**

The auditors continue to stand by the finding based on the same criteria that was cited in the prior audit, namely that:

The Illinois Medical District Act states:

06-2 FINDING: FAILURE TO REMIT UNEXPENDED PROCEEDS FROM THE SALE OF COMMISSION PROPERTY INTO THE INCOME FUND HELD IN THE STATE TREASURY (continued)

### AUDITORS' COMMENT (continued)

Beginning in 1993, not later than July 10 of each year, the Commission shall transmit to the State Treasurer for deposit into the Medical Center Commission Income Fund all monies on hand at June 30 in excess of \$350,000 without deduction or offset of any kind, except that the Commission may retain such additional funds as are necessary to pay enforceable contractual obligations existing as of June 30 and which will be paid not later than September 30 of that year. All monies retained for the payment of these obligations and not paid out by September 30, shall be remitted in full to the State Treasury, without deduction or offset of any kind, not later than October 10 of the same year (emphasis added).

70 ILCS 915/10

Under the statute, by October 10th of each year money is either expended or it is on hand. Under common everyday usage, the term "expended" means paid out. This definition is also consistent with usage in State government. Under the plain meaning of the law, money on hand in excess of \$350,000 must be remitted to the State Treasury in the time frame set forth in Section 10. The auditors do not believe the statute allows the District to hold for an indefinite period of time an unlimited accumulation of money that has been "set aside" or "committed" but not paid out.

### 06-3 FINDING: INADEQUATE CONTRACTING CONTROLS

The Illinois Medical District Commission (Commission) did not have adequate controls over its contracting procedures.

During our previous examination, we noted 21 of 25 contracts examined had not been filed with the State Comptroller's Office. During our current examination, we noted two (13%) of 15 contracts were not on file with the State Comptroller's Office. We also noted the following:

- Three (20%) of 15 contracts did not include all the required certifications or clauses. These included contracts for public relations, cleaning services, and for the purchase and installation of equipment. We noted that at least one of the following certifications or clauses were missing from these contracts:
  - A description of the owners of the company
  - Vendor's Federal Identification Number
  - Conflict of interest disclosures were not completed by the vendor
  - Felony Conviction Act clause under Sarbanes-Oxley
- One (7%) of 15 tested where a written contract was not prepared when required.
  The services this vendor provided were for computer technology services. Total
  charges to the Commission from this vendor were \$15,740 during Fiscal Year
  2006 including a \$3,600 per month maintenance fee which continued into Fiscal
  Year 2007. This contract was paid from local funds.
- Six (40%) of 15 contracts tested where the Commission did not comply with the
  competitive procurement requirements of the Illinois Procurement Code and were
  not published on the Illinois Procurement Bulletin. These included contracts for
  cleaning/grounds maintenance, public relations, computer technology services,
  landscaping, project management and the purchase and installation of equipment
  items. Five of these contracts were filed with the State Comptroller's Office

Statewide Accounting Management System (SAMS) procedures 15.20.30 through 15.20.50 list the required content which should be included in all contractual agreements entered into by the Commission. In addition, the Illinois Procurement Code (30 ILCS 500/20-80(b)) and SAMS Procedure 15.10.40 require State agencies to file contracts exceeding \$10,000 (\$5,000 for professional and artistic contracts) with the State Comptroller within 15 days of execution. This SAMS procedure also states that individual orders for repairs, maintenance or other services that will exceed \$10,000 to any single vendor must be reduced to writing.

The Illinois Procurement Code (30 ILCS 500/20-5) requires all State contracts to be awarded by competitive sealed bidding unless otherwise authorized by law. In addition, the Illinois Procurement Code (30 ILCS 500/20-10) requires all invitations for bids to be published in the Illinois Procurement Bulletin.

### 06-3 FINDING: INADEQUATE CONTRACTING CONTROLS (continued)

Commission officials stated they believed they were not required to follow the Illinois Procurement Code.

Failure to follow proper procurement and contracting procedures is a violation of State statutes and regulations. (Finding Code No. 06-3, 05-5)

### RECOMMENDATION

We recommend the Commission implement procedures to improve internal controls over contracting procedures and ensure all procurements are made in accordance with State statutes.

### **AGENCY RESPONSE**

The Commission has implemented procedures to improve internal controls to ensure all procurements are in accordance with State statutes, the inclusion of all certifications and clauses in contracts, and the filing of contracts with the State Comptroller's Office. The Commission has made changes to staff, including replacement of the CFO, in part to correct these oversights.

Certain of these purchases and maintenance fees were expended under emergency conditions for critical attention to the Commission's computer network infrastructure, security and data backup. The IMD was unaware of the procedural requirements of the Emergency Purchases Act and will begin to implement the necessary procedures to ensure compliance.

### 06-4 FINDING: NONCOMPLIANCE WITH STATE PUBLICATION LAWS

The Illinois Medical District Commission (Commission) did not comply with the Illinois Procurement Code (Code) regarding Commission publications.

We examined two publications made by the Commission during Fiscal Year 2006 noting they did not contain certain required disclosures ("Printed by authority of the State of Illinois", date of publication, the number of copies printed, and the printing order number) as required by the Code.

The Illinois Procurement Code (30 ILCS 500/20-105) states "All books, pamphlets, documents, and reports published through or by the State of Illinois or any State agency, board, or commission shall have printed thereon "Printed by authority of the State of Illinois," the date of each publication, the number of copies printed, and the printing order number."

Commission officials noted that "Printed by authority of the State of Illinois" was included, but the other information was missing due to clerical oversight.

Failure to include the information required by the Code is a violation of State statutes. (Finding Code No. 06-4, 05-6)

#### RECOMMENDATION

We recommend the Commission follow the requirements of the Illinois Procurement Code regarding publications.

### **AGENCY RESPONSE**

The Commission regrets this oversight and intends to follow the State publication laws regarding publications and will make every effort to do so.

# STATE OF ILLINOIS ILLINOIS MEDICAL DISTRICT COMMISSION FINDINGS AND RECOMMENDATIONS PRIOR FINDINGS NOT REPEATED For the Year Ended June 30, 2006

### PRIOR FINDINGS NOT REPEATED - GOVERNMENT AUDITING STANDARDS

### 06-5 FINDING: FAILURE TO RECORD AND REPORT CAPITAL ASSETS

The Illinois Medical District Commission (Commission) failed to properly record and report certain capital assets on its property records, its Agency Report of State Property (Form C-15), and its Generally Accepted Accounting Principles (GAAP) reports filed with the Office of State Comptroller. (Finding Code Nos. 05-1, 04-2, 02-5)

### Status - Not repeated

Our current examination sample testing did not disclose improperly recorded and reported capital assets for Fiscal Year 2006.

# STATE OF ILLINOIS ILLINOIS MEDICAL DISTRICT COMMISSION FINDINGS AND RECOMMENDATIONS PRIOR FINDINGS NOT REPEATED For the Year Ended June 30, 2006

### PRIOR FINDINGS NOT REPEATED - STATE COMPLIANCE

### 06-6 FINDING: INACCURATE EQUIPMENT AND PROPERTY CONTROL RECORDS

The Illinois Medical District Commission's (Commission) property control records and its reporting of State property were inaccurate. We had noted untagged equipment, obsolete equipment, equipment without a recorded cost, and errors in reporting equipment. (Finding Code Nos. 05-4, 04-4, 02-3, 00-2)

### Status - Not repeated

Our current examination sample testing did not disclose similar problems with the Commission's property control records.

### STATE OF ILLINOIS ILLINOIS MEDICAL DISTRICT COMMISSION

### FINANCIAL STATEMENT REPORT

### **SUMMARY**

The audit of the accompanying basic financial statements of the Illinois Medical District Commission was performed by Nykiel, Carlin & Co., Ltd.

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

#### INDEPENDENT AUDITORS' REPORT

Honorable William G. Holland Auditor General State of Illinois

Commissioners of Illinois Medical District Commission

As Special Assistant Auditors for the Auditor General, we have audited the accompanying basic financial statements of the Illinois Medical District Commission (Commission), a component unit of the State of Illinois, as of and for the year ended June 30, 2006 as listed in the Table of Contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in note 12, the Commission has changed the reporting style of its financial statements for the year ended June 30, 2006 to report all funds of the Commission as a business-type activity. This change had no effect on the net assets reported in the prior period.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission, as of June 30, 2006 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 a report dated January 29, 2007 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 controls 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.

NYKIEL, CARLIN & CO., LTD.

Myhiel, Carlin & lo., Ital.

Kankakee, Illinois January 29, 2007

## STATE OF ILLINOIS ILLINOIS MEDICAL DISTRICT COMMISSION BALANCE SHEET JUNE 30, 2006

ASSETS		2006
Current Assets		
Cash and cash equivalents	\$	322,615
Cash and cash equivalents, restricted	•	13,555,066
Unexpended appropriations		12,700
Investments, restricted		9,914,150
Accounts receivable		662,370
Notes receivable, current portion		363,279
Accrued interest		148,751
Total Current Assets		24,978,931
Noncurrent Assets		
Investments, restricted		7,175,329
Notes receivable, noncurrent portion		7,330,131
Other assets		571,558
Bond issuance costs, net		804,228
Capital assets, net of accumulated depreciation		52,421,905
Total Noncurrent Assets		68,303,151
Total Assets	\$	93,282,082
LIABILITIES		
Current Liabilities		
Accounts payable	\$	891,409
Wages and benefits payable		19,856
Other liabilities		178,560
Accrued interest		871,281
Security deposits		435,503
Accrued vacation and sick time payable, current portion		18,795
Capital lease obligations, current portion		6,814
Line of credit		1,268,232
Total Current Liabilities		3,690,450
Noncurrent Liabilities		
Capital lease obligations, noncurrent portion		10,127
Accrued vacation and sick time payable, noncurrent portion		56,384
Revenue bonds payable		40,000,000
Total Noncurrent Liabilities		40,066,511
Total Liabilities		43,756,961
NET ASSETS		
Invested in capital assets, net of related debt		31,924,875
Restricted:		, ,
Expendable for grant activities		621,125
Expendable for capital projects		6,573,428
Unrestricted		10,405,693
Total Net Assets		49,525,121
Total Liabilities and Net Assets	\$	93,282,082

The accompanying notes are an integral part of the financial statements.

## STATE OF ILLINOIS ILLINOIS MEDICAL DISTRICT COMMISSION STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2006

	2006
OPERATING REVENUES	<b>A</b> 4505 705
Grants	\$ 1,535,795
Rental income	2,257,362
Improvements/Repairs income	11,437
Services income	102,435 208,086
Other income	208,086
Total Operating Revenues	4,115,115
OPERATING EXPENSES	
Property management and development	3,687,311
Grant programs	1,097,001
Amortization	13,631
Depreciation	621,634
Total Operating Expenses	5,419,577
Operating Loss	(1,304,462)
NONOPERATING REVENUES (EXPENSES)	
State appropriations	195,179
Interest income	809,756
Interest expense	(926,386)
Total Nonoperating Revenues (Expenses), Net	78,549
Loss Before Other Revenues, Gains and Losses	(1,225,913)
Loss on disposal of capital assets	(2,919)
Capital transfers from other state agencies	292,129
Change in Net Assets	(936,703)
NET ASSETS	
Beginning of the year	50,461,824
End of the year	\$ 49,525,121

## STATE OF ILLINOIS ILLINOIS MEDICAL DISTRICT COMMISSION STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2006

	 2006
CASH FLOWS FROM OPERATING ACTIVITIES: Grant revenue received Payments from tenants Payments to suppliers Payments to employees Other revenues	\$ 1,079,614 2,505,714 (4,501,685) (1,263,749) 208,086
Net Cash Used by Operating Activities	(1,972,020)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: State appropriations Proceeds from noncapital debt	 191,107 394,388
Net Cash Provided by Noncapital Financing Activities	 585,495
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:	0.005
Capital appropriations from State	6,965
Purchase of capital assets	(19,051,722)
Principal paid on capital debt and leases	(342,263)
Proceeds from capital debt	40,097,056
Proceeds from sale of capital assets	363,279
Interest paid on capital debt and leases	(78,354)
Payment of bond issuance costs	 (817,859)
Net Cash Provided by Capital Financing Activities	 20,177,102
CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from sales and maturities of investments	30,355,000
Interest income on investments	684,314
Purchase of investments	 (45,035,818)
Net Cash Used by Investing Activities	 (13,996,504)
NET INCREASE IN CASH	4,794,073
CASH AND CASH EQUIVALENTS	
Beginning of the year	 9,083,608
End of the year	\$ 13,877,681

## STATE OF ILLINOIS ILLINOIS MEDICAL DISTRICT COMMISSION STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2006

	 2006
RECONCILIATION OF OPERATING LOSS TO NET CASH USED	
BY OPERATING ACTIVITES	
Operating Loss	\$ (1,304,462)
Adjustments to reconcile operating loss to net cash used by	
operating activities:	
Non-cash expenses included in operating income:	
Amortization	13,631
Depreciation	621,634
Changes in assets and liabilities:	
Accounts receivable	(381,656)
Due from other State agencies	75,000
Other assets	(556,295)
Accounts payable	(448,662)
Wages and benefits payable	7,044
Security deposits	17,176
Accrued vacation and sick payable	16,791
Deferred revenue	 (32,221)
Net Cash Used by Operating Activities	\$ (1,972,020)

### 1. ORGANIZATION

The Illinois Medical District Commission (Commission) is a special district created by statute (70 ILCS 915/0.01 et. seq.), is considered part of the executive branch of the State of Illinois, and operates under the authority and review of the Illinois General Assembly. The Commission operates under a budget approved by the General Assembly appropriated for the use of the Commission and from locally held funds which are held in local banking institutions. Activities of the Commission are subject to the authority of the Office of the Governor, the State's chief executive officer, and other departments of the executive and legislative branches of government (such as the Comptroller's Office) as defined by the General Assembly. All funds appropriated to the Commission are under the custody and control of the State Treasurer. All other cash received is deposited in locally held funds under the control of Commission management.

The purpose of the Commission is to maintain the proper surroundings for a medical center and a related technology center in order to attract, stabilize, and retain therein hospitals, clinics, research facilities, or other facilities permitted under the Illinois Medical District Act (Act). Also, the Commission is to provide for the orderly creation and expansion of various county and local governmental facilities, other ancillary or related facilities, medical research and high technology parks, together with the necessary lands, buildings, facilities, equipment, and personal property as permitted under the Act, and administering and exercising ultimate authority for the Chicago Technology Park.

### 2. SIGNIFICANT ACCOUNTING PRINCIPLES AND POLICIES

The accompanying basic financial statements of the Commission have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as prescribed in pronouncements of the Governmental Accounting Standards Board ("GASB").

### Financial Reporting Entity

As defined by GAAP, the financial reporting entity consists of a primary government, as well as its component units, which are legally separate organizations for which the officials of the primary government are financially accountable. Financial accountability is defined as:

- Appointment of a voting majority of the component unit's board and either (a) the primary government's ability to impose its will, or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or
- 2. 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 basic financial statements are, therefore, also included in the State's comprehensive annual financial report. The State of Illinois' Comprehensive Annual Financial Report may be obtained by writing to the State Comptroller's Office, Financial Reporting Department, 325 West Adams Street, Springfield, IL 62704-1871.

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

### 2. SIGNIFICANT ACCOUNTING PRINCIPLES AND POLICIES (continued)

### Financial Reporting Entity (continued)

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

### **Basis of Accounting**

For financial reporting purposes the Commission is considered a special-purpose government engaged only in business-type activities as defined by GASB Statement No. 34. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. Accordingly, the Commission's financial statements have been presented on the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Revenue from grants, entitlements, and similar items are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Appropriations made from the State of Illinois General Revenue and 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' Comprehensive Annual Financial Report.

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.

### 2. SIGNIFICANT ACCOUNTING PRINCIPLES AND POLICIES (continued)

### Classification of Revenues

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

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

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

### **Cash and Cash Equivalents**

Cash and cash equivalents include certificates of deposit and debt securities with a maturity of 90 days or less at the time of acquisition, money market accounts, and cash in banks for locally held funds.

#### Investments

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

### **Accounts and Notes Receivable**

Accounts receivable include amounts due from tenants for rent, parking, or other chargeable costs; and for grants and are presented net of an allowance for doubtful accounts. Notes receivable includes amounts due from the University of Illinois and the Illinois State Police related to installment sales of real property.

### **Capital Assets**

Capital assets includes 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.

The Commission has implemented GASB Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries, with this report.

Capitalization thresholds and the estimated useful lives are as follows:

	Ca	pitalization	Estimated
Capital Asset Category	_ <u> </u>	hreshold	Useful Life
Land	\$	100,000	N/A
Land Improvements		25,000	N/A
Site Improvements		25,000	3-50
Buildings		100,000	10-60
Building Improvements		25,000	10-45
Equipment		5,000	3-25

### **Compensated Absences**

The liability for compensated absences consists of unpaid, accumulated vacation and sick leave balances for Commission employees. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to

### 2. SIGNIFICANT ACCOUNTING PRINCIPLES AND POLICIES (continued)

### Compensated Absences (continued)

receive such payments upon termination are included. The liability has been calculated based on the employees' current salary level and includes salary related costs (e.g., FICA and Medicare tax).

Legislation that became effective January 1, 1998 capped the paid sick leave for all State Employee's Retirement System members at December 31, 1997. Employees continue to accrue twelve sick days per year, but will not receive monetary compensation for any additional time earned after December 31, 1997. Sick days earned between 1984 and December 31, 1997 (with a 50% cash value) would only be used after all days with no cash value are depleted. Any sick days earned and unused after December 31, 1997 will be converted to service time for purposes of calculating employee pension benefits.

### Net Assets

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

**Invested in Capital Assets, Net of Related Debt** – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of capital lease obligations, lines of credit, and other liabilities that are attributable to the acquisition, construction, or improvement of those assets.

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

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

### **Use of Estimates**

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

### 3. <u>DEPOSITS AND INVESTMENTS</u>

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

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, 2006 is as follows:

### 3. DEPOSITS AND INVESTMENTS (continued)

Carrying amount of deposits	\$	380,689	Cash and cash equivalents	\$ 13,877,681
Carrying amount of investments	30.	,586,471	Investments	17,089,479
	\$ 30.	,967,160		\$ 30,967,160

The State Treasurer is the custodian of the State's cash and cash equivalents for funds maintained in the State Treasury. The Commission independently manages cash and cash equivalents maintained outside the State Treasury.

### **Deposits**

The Commission utilizes several different bank accounts for the various activities of the Commission. The book balance of such accounts was \$380,689 at June 30, 2006, while the bank balance was \$660,316 at June 30, 2006. The difference between the above amounts primarily represents checks and deposits which had not cleared the bank. As of June 30, 2006 \$71,146 of these deposits were not insured by the Federal Deposit Insurance Corporation (FDIC) or securities pledged as collateral by the financial institution.

	Carrying	Bai	nk/Agency
	Amount		Amount
Cash in bank	\$ 326,297	\$	605,924
Money Market	54,392	_	54,392
	\$ 380,689	\$	660,316

### **Investments**

As of June 30, 2006 the Commission had the following investments:

	Carrying	1	Maturity Dates			
	Amount /	Less than	1 to 5	6 to 10		
Investment	Fair Value	1 Year	Years	Years	Rating	
U.S. Treasuries	\$ 5,892,223	\$ 2,995,365	\$ 2,896,858	\$ -		
U.S. Agencies	23,513,056	19,234,585	3,830,846	447,625	AAA	
Money Market	1,181,192	1,181,192	-	-	AAAm	
	\$ 30,586,471	\$ 23,411,142	\$ 6,727,704	\$ 447,625		

### Interest Rate Risk

The Commission does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

### 4. ACCOUNTS AND NOTES RECEIVABLE

Accounts receivable include amounts due from tenants for rent, parking, or other chargeable costs and amounts due under grant agreements. The following table presents the amounts due to the Commission by major type as well as the related allowance for doubtful accounts.

### 4. ACCOUNTS AND NOTES RECEIVABLE (continued)

	A	ccounts			Net
	Receivable Allowance		R	eceivable	
Rents and Related Fees	\$	341,982	\$ 210,793	\$	131,189
Grants		531,181			531,181
	_\$_	873,163	\$ 210,793	_\$	662,370

Notes receivable inclusive of imputed interest represents two installment sales contracts. The first contract is with the University of Illinois and relates to the land portion only of the transaction described in Note 11. The contract calls for annual principal payments of \$215,700 each December 1 through the year 2032.

The second contract was entered into with the Illinois State Police (ISP) in July 2004. In accordance with this contract, the Commission sold certain parcels of land and agreed to construct a parking lot thereon. In turn, the ISP will make annual payments (inclusive of imputed interest) over 20 years, totaling \$2,164,668.

### 5. CAPITAL ASSETS

(In thousands)	July 1, 2005 Beginning Balance	Additions	Deletions	Adjustments	June 30, 2006 Ending Balance
Land and Land Improvements	\$ 25,059	\$ 12,461	\$ (3)	\$ 1,616	\$ 39,133
Construction in Progress	1,189	1,045	-	(1,428)	806
Site Improvements	1,292	267	-	(7)	1,552
Buildings and Building Improvements	8,250	5,546	-	(181)	13,615
Equipment	207	24			231
Total Cost	35,997	19,343	(3)		55,337
Less Accumulated Depreciation:					
Site Improvements	86	48	-	-	134
Buildings and Building Improvements	2,064	542	-	-	2,606
Equipment	144	31			175
Total	2,294	621		-	2,915
Capital Assets, Net	\$ 33,703	\$ 18,722	\$ (3)	\$ -	\$ 52,422

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

### 6. LINES OF CREDIT AND LONG-TERM DEBT

#### **Lines of Credit**

The Commission had a \$300,000 operating line of credit from Cole Taylor Bank at a variable interest rate, currently at 6.25%, with a maturity date of May 12, 2007. This line of credit was used to fund certain operations of the Commission.

### 6. LINES OF CREDIT AND LONG-TERM DEBT (continued)

### Lines of Credit (continued)

On May 12, 2006, the Commission renewed a second line of credit ("Property Credit Line") with Cole Taylor Bank. This line allows for a maximum balance of \$4,000,000 at an interest rate of 6.8% and matures on May 12, 2007. This line is collateralized by certain Commission deposits that are held by Cole Taylor Bank. This line of credit was established to make property acquisitions in the District, and is intended to be repaid by funds received from the State's capital budget at a later date.

Changes in short-term debt were as follows:

(in thousands)	Ba	lance			В	alance
	June	30,2005	Net A	dvances	June	e 30, 2006
Operating Line of Credit	\$	166	\$	97	\$	263
Property Credit Line		611		394		1,005
Total	\$	777	\$	491	\$	1,268

#### **Bonds Payable**

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

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

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

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

Revenue bonds payable as of June 30, 2006 consist of the following (in thousands):

### 6. LINES OF CREDIT AND LONG-TERM DEBT (continued)

### **Bonds Payable (Continued)**

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

Sinking fund maturities and interest requirements on revenue bonds payable at June 30, 2006 are as follows (in thousands):

Year ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$	\$ 2,235	\$ 2,235
2008		2,058	2,058
2009		2,057	2,057
2010		2,058	2,058
2011	360	2,049	2,409
2012-2016	4,755	9,748	14,503
2017-2021	8,060	8,077	16,137
2022-2026	10,360	5,707	16,067
2027-2031	13,360	2,626	15,986
2032	<u>3,105</u>	81	<u>3,186</u>
Total	\$40,000	<u>\$36,696</u>	<u>\$76,696</u>

### Debt Service Reserve Funds (DSR)

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

### 7. CAPITALIZED LEASE OBLIGATIONS

The Commission leases office equipment with a cost and accumulated deprecation of \$33 thousand and \$14 thousand, respectively, under capital lease arrangements at June 30, 2006. Future minimum lease payments at June 30, 2006 are as follows (in thousands):

Fiscal Year	<u>A</u>	<u>mount</u>
2007		8
2008		7
2009		3
Total minimum lease payments		18
Less: amounts representing interest		1
Present value of minimum lease payments	\$	_ 17

### 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. COMPONENT UNIT

Condensed financial statements for Chicago Technology Park Corporation, an Illinois not-for-profit corporation, as of and for the year ended June 30, 2006 are as follows (in thousands):

Condensed		Condensed Statement of Revenues,			
Balance Sheet			Expenses, and Changes in Fund Balance		lance
Assets			Revenues		
Cash	\$	82	Grants	\$	1,327
Accounts receivable		531	Other		251
Other assets		555			1,578
Capital assets		8	Expenses		
		1,176	Grant program activities		1,098
Liabilities			Depreciation		3
Accounts payable		541			1,101
Other liabilities		6			
		547	Change in Net Assets		477
Net assets					
Invested in capital assets,			Net assets		
net of related debt		8	Beginning of year		152
Restricted, expendable		621	End of year	\$	629
	\$	629			

### 10. PENSION PLAN

The Commission's full-time employees who are considered employees of the State participate in the State Employee's Retirement System (SERS), which is a pension trust fund in the State of Illinois reporting entity. The SERS is a single-employer defined benefit public employee retirement system (PERS) in which State employees participate, except those covered by the State Universities, Teachers', General Assembly, and Judges' Retirement Systems. The financial position and results of operations of the SERS for fiscal year 2006 are included in the State of Illinois' Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2006. The SERS issues a separate CAFR that may be obtained by writing to the SERS, 2101 South Veterans Parkway, Springfield, Illinois, 62794-9255.

A summary of SERS benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established are included as an integral part of the SERS' CAFR. Also included is a discussion of

## STATE OF ILLINOIS ILLINOIS MEDICAL DISTRICT COMMISSION NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

### 10. PENSION PLAN (continued)

employer and employee obligations to contribute and the authority under which those obligations are established.

The Commission pays employer retirement contributions based upon an actuarially determined percentage of their payrolls. For fiscal year 2006, the employer contribution rate was 7.792%.

Effective for pay periods beginning after December 31, 1991, the State opted to pay the employee portion of retirement for most State agencies (including the Commission) with employees covered by the State Employees' and Teachers' Retirement Systems. Generally, this "pickup" of employees' retirement was part of the fiscal year 2006 budget process. The pickup is subject to sufficient annual appropriations and those employees covered may vary across employee groups and State agencies.

## 11. CONDUIT DEBT

On June 1, 2002, the Commission issued \$30,625,000 of certificates of participation in connection with the construction of an office building for the use of the University of Illinois, near its facility on the west side of Chicago. These certificates will mature each June 1 from 2004 to 2032 at various amounts. The coupon rate on the certificates of participation varies from 2.35% to 5.25% with interest paid semi-annually on June 1 and December 1. The balance outstanding was \$29.2 million as of June 30, 2006.

In connection with the issuance, the Commission entered into an installment purchase contract with the University of Illinois for the aforementioned building and the respective land on which it stands. The installment payments related to the building are scheduled at the same time and the same amounts as the payments on the certificates of participation. In addition, as part of the issuance process, the Commission purchased credit insurance on the certificates of participation which guarantees the payments of principal and interest when they become due.

### 12. CHANGE IN ACCOUNTING METHOD

During fiscal year 2006, the Commission issued revenue bonds, which, in accordance with accounting principles generally accepted in the United States, are required to be accounted for in an enterprise fund. In addition, the funding of the Commission has changed significantly in the last two years in that it is no longer receiving significant resources from the State. Therefore, management of the Commission has changed the reporting style for all of its funds to report them as a business type activity. This change had no effect on the net assets reported in the prior period.

### 13. LITIGATION

On September 1, 2005 the Commission and the Chicago Technology Park Corporation, a component unit of the Commission, were named defendants in a lawsuit seeking judgment of \$243,000. The Commission and the Chicago Technology Park Corporation intend to vigorously contest this matter and believes the outcome will be in favor of the Commission and the Chicago Technology Park Corporation. Therefore, no liability amount has been recorded on the financial statements as of June 30, 2006.

## STATE OF ILLINOIS ILLINOIS MEDICAL DISTRICT COMMISSION NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

### 14. COMMITMENTS

The Chicago Technology Park Corporation, a component unit of the Commission, received a grant from the U.S. Department of Labor (BiTmaP) in 2004 to train unemployed and/or underemployed information technology professionals in the field of bioinformatics. Under the terms of this grant the Agency has contracted with the University of Illinois at Chicago to provide training over a three year period starting May 2, 2005 and ending December 31, 2007. The total cost of this contract is \$1,843,345, of which \$1,004,149 was incurred as of June 30, 2006.

### 15. SEGMENT INFORMATION

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

Following are condensed financial statements for the segment:

Condensed Statements of Net Assets at June 30	_	2006
Assets:	<b>ው</b>	46 070 E06
Current assets	\$	16,272,596
Noncurrent assets, Other		8,783,781
Noncurrent assets, Capital assets		18,489,952
Total assets	\$_	43,546,329
Liabilities:	_	
Current liabilities	\$	892,399
Noncurrent liabilities		40,000,000
Total liabilities	_	40,892,399
Net assets:		
Invested in capital assets, net of related debt		(611,070)
Restricted, expendable		3,265,000
Total liabilities and net assets	\$	43,546,329
	, =	
Condensed Statements of Revenues, Expenses and		
Changes in Net Assets for the year ended June 30, 2006		
Operating revenues	\$	102,984
Amortization expense	Ψ	(13,631)
Depreciation expense		(107,198)
		(213,902)
Other operating expenses		
Nonoperating expenses		(379,323)
Transfers	_	3,265,000
Increase in net assets		2,653,930
Net assets – beginning of year		
Net assets – end of year	\$ _	2,653,930

## STATE OF ILLINOIS ILLINOIS MEDICAL DISTRICT COMMISSION NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

## 15. SEGMENT INFORMATION (continued)

## Condensed Statements of Cash Flows for the year ended June 30

Cash flows from operating activities	\$	(125,845)
Cash flows from capital financing activities		(10,229,507)
Cash flows from investing activities	_	23,863,624
Net increase in cash and cash equivalents		13,508,272
Cash and cash equivalents, beginning of year	_	
Cash and cash equivalents, end of year	\$	13,508,272

## STATE OF ILLINOIS ILLINOIS MEDICAL DISTRICT COMMISSION

### SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

## **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
Schedules of Appropriations, Expenditures and Lapsed Balances
Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances
Schedule of Changes in State Property
Analysis of Significant Variations in Revenues and Expenses
Comparative Schedule of Expenditures – Locally Held Funds
(Non-appropriated)
Comparative Schedule of Revenues – Locally Held Funds
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 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 the portion marked "Unaudited," on which they express no opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

## STATE OF ILLINOIS ILLINOIS MEDICAL DISTRICT COMMISSION SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2006

Federal Grantor / Pass Through Grantor / Program Tit	Federal CFDA le Number	Pass Through Contract Number	Expenditures
U.S. Department of Labor			
WIA Pilots, Demonstrations, and Research Projects	17.261		\$ 1,154,886
	Total Federal Awards	Expended	\$ 1,154,886

### NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

- Note 1. The above federal grant was awarded to and expended by the Chicago Technology Park Corporation, which is a blended component unit of the Illinois Medical District Commission. The Single Audit Report for the year ended June 30, 2006 for the Chicago Technology Park Corporation can be obtained by writing to Chicago Technology Park Corporation, 600 South Hoyne Avenue, Chicago, IL 60612
- Note 2. The above schedule of expenditures of federal awards was prepared on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audit of States, Local Governments and Non-Profit Organizations and may differ from amounts on the financial statements due to amounts that have been capitalized (including capitalized course development costs).

## SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES APPROPRIATIONS FOR FISCAL YEAR 2006 ILLINOIS MEDICAL DISTRICT COMMISSION STATE OF ILLINOIS

# FOURTEEN MONTHS ENDED AUGUST 31, 2006

. 1	ايوايو	0 0	اري ام
Balances Lapsed	3,786		3,786
Ba	€		₩
Total Expenditures	188,214 188,214	6,865	195,179
Щ	€	l	₩
Lapse period Expenditures 7/1 - 8/31/06	12,700	1 1	12,700
Exp 7/1	₩		₩
Expenditures Through 6/30/06	175,514 175,514	6,865	182,479
<u> </u>	₩		₩
Appropriations (Net after Transfers)	192,000 192,000	6,865	198,965
App 1	₩		₩
	Public Act 94-0015 General Revenue Fund - 001 Ordinary and Contingent Expenses Subtotal Fund - 001	Public Act 94-0015  Capital Development Fund - 141  Re-appropriation of FY04 unexpended funds Re-appropriation of FY04 unexpended funds	TOTAL - ALL FUNDS

Note: Appropriations, fourteen month expenditures and lapsed balances are taken from Commission records and have been reconciled to the records of the State Comptroller.

Note: The Commission did not make efficiency initiative payments during Fiscal Years 2006 or 2005.

## STATE OF ILLINOIS ILLINOIS MEDICAL DISTRICT COMMISSION COMPARATIVE SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES

	Fiscal Year			
	2006	2005	2004	
General Revenue Fund - 001 Appropriations (net after transfers)	P.A. 94-0015 \$ 192,000	P.A. 93-0842 \$ 192,000	P.A. 93-0069 \$ 500,000	
Expenditures: Ordinary and contingent expenses Total Expenditures	188,214 188,214	192,000 192,000	494,732 494,732	
Lapsed Balances	\$ 3,786	<u> </u>	\$ 5,268	
Captial Development Fund - 141 Appropriations (net after transfers)  Expenditures:	P.A. 94-0015 \$ 6,965	P.A. 93-0842 \$ 488,339	P.A. 93-0069 \$ 3,713,040	
Property acquisitions, demolition, and site improvements within the Medical Center District - Phase IV Re-appropriation of unexpended funds Total Expenditures	6,965 6,965	481,376 481,376	2,522,428 702,273 3,224,701	
Lapsed Balances	<u>\$</u>	\$ 6,963	\$ 488,339	
GRAND TOTAL, ALL FUNDS Appropriations (net after transfers) Total Expenditures	\$ 198,965 195,179	\$ 680,339 673,376	\$ 4,213,040 3,719,433	
Lapsed Balances	\$ 3,786	\$ 6,963	\$ 493,607	

Note: The data above was taken from Commission records and have been reconciled to records of the State Comptroller.

## STATE OF ILLINOIS ILLINOIS MEDICAL DISTRICT COMMISSION SCHEDULE OF CHANGES IN STATE PROPERTY FOR THE YEAR ENDED JUNE 30, 2006

	Land and Land Improvements	Site Improvements	Buildings and Improvements	Equipment	Construction in Progress	Total
Balance July 1, 2005	\$ 25,059,122	\$ 1,291,568	\$ 8,250,299	\$ 407,748	\$ 1,188,536	\$ 36,197,273
Additions	12,462,295	267,198	5,254,129	96,666	1,044,456	19,124,744
Deletions	(2,919)	-	-	(5,558)	-	(8,477)
Transfers in (out), net	-	-	292,129	-	-	292,129
Adjustments	1,614,591	(6,075)	(180,791)	-	(1,427,725)	-
Balance June 30, 2006	\$ 39,133,089	\$ 1,552,691	\$ 13,615,766	\$ 498,856	\$ 805,267	\$ 55,605,669

Note: 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.

Transfers in are transfers from the Capital Development Board. Adjustments include amounts reclassified from constuction in progress and other accounts.

## STATE OF ILLINOIS ILLINOIS MEDICAL DISTRICT COMMISSION ANALYSIS OF SIGNIFICANT VARIATIONS IN REVENUES AND EXPENDITURES FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

The following information has been derived from the audited financial statements of each fiscal year presented. Explanations have been provided for variations of more than \$20,000 and 20 percent.

	Fiscal Year			Increase	Percent of
	2006	2005		(Decrease)	Change
Revenues:					
Grants	\$ 1,535,795	\$ 146,377	1	\$ 1,389,418	949%
Rental income	2,257,362	2,141,784		115,578	5%
Improvements/Repairs income	11,437	4,802		6,635	100%
Services income	102,435	124,346		(21,911)	-18%
Other income	208,086	8,968	2	199,118	2220%
State appropriations	195,179	673,375	3	(478,196)	-71%
Interest income	809,756_	205,712	4	604,044	294%
Total Revenues	5,120,050	3,305,364			
Expenses:					
Property management and development	3,687,311	2,689,736	5	997,575	37%
Grant programs	1,097,001	458,904	1	638,097	139%
Amortization	13,631	-		13,631	100%
Depreciation	621,634	658,923		(37,289)	-6%
Interest expense	926,386	36,116	6	890,270	2465%
Total Expenses	6,345,963	3,843,679			
Loss Before Other Revenues,					
Gains and Losses	\$ (1,225,913)	\$ (538,315)			

## Notes:

- During Fiscal Year 2005 there was limited activity in the Commission's Federal grant program (Bitmap.) In Fiscal Year 2006 the program was in full swing creating an increase in grant revenue and expenditures of more than a million dollars. Grant expenditures related to a State grant decreased in Fiscal Year 2006 and course development costs of the Bitmap program are being amortized over the remainder of the grant.
- 2 The increase is due to the receipt of funds from the Ashland & Roosevelt development which began in Fiscal Year 2006.
- 3 The Illinois General Assembly did not approve any new Capital Development funding to the Commission. Remaining balances from Fiscal Year 2005 were re-appropriated to the Commission for Fiscal Year 2006.
- 4 This increase was a result of a significant increase in investments from the prior year. During Fiscal Year 2006 the Commission issued \$40 million in bonds and invested a large portion of those funds until they can be used for the intended purpose.
- 5 The increase is due to additional staffing for grounds maintenance, and terminating and renogotiating leases.
- 6 The increase is due to interest expense on bonds payable which were issued during Fiscal Year 2006.

## STATE OF ILLINOIS ILLINOIS MEDICAL DISTRICT COMMISSION COMPARATIVE SCHEDULE OF EXPENDITURES - LOCALLY HELD FUNDS (NON-APPROPRIATED) FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

The following schedules of locally held fund expenditures have been derived from the Commission's accounting records. As discussed in note 12 of the financial statements, the Commission has changed its reporting style to report all funds as business-type activities for Fiscal Year 2006. The Commission still maintains the funds previously approved and utilized, but is now only using them for internal purposes. The Commission's funds had previously been reported on the modified accrual basis of accounting and did not include items such as expenses for depreciation and accrued vacation and sick time at the internal fund level. The following schedules will not directly reconcile to the Commission's financial statements because certain non-comparable expenses are not presented.

		2006	2005
Property Management Fund (1240)			
Property management and development	\$	954,490	\$ 688,048
Interest expense		9,199	 12,129
Sub-Total - Fund 1240		963,689	700,177
Chicago Technology Research Center Fund (1265)			
Property management and development		1,219,054	1,154,746
Interest expense		687	900
Sub-Total - Fund 1265		1,219,741	1,155,646
Chicago Technology Park Fund (1266)			
Property management and development		733,767	548,399
Sub-Total - Fund 1266		733,767	548,399
Chicago Technology Park Corporation (1376)			
Grant programs		1,097,001	458,904
Sub-Total - Fund 1376	_	1,097,001	458,904
Illinois Medical District Revolving Fund (1337)			
Property management and development		6,865	1,947
Sub-Total - Fund 1337		6,865	1,947
Illinois Medical District Restricted Fund (1377)			
Property management and development		1,211,045	79,994
Interest expense		916,500	23,087
Sub-Total - Fund 1377		2,127,545	103,081
Illinois Medical District Member Council Fund (1338)			
Property management and development		_	5,833
Sub- <b>T</b> otal - Fund 1338			5,833
Total All Funds	\$	6,148,608	 2,973,987

## STATE OF ILLINOIS ILLINOIS MEDICAL DISTRICT COMMISSION COMPARATIVE SCHEDULE OF REVENUES - LOCALLY HELD FUNDS FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

The following schedules of locally held fund revenues have been derived from the Commission's accounting records. As discussed in note 12 of the financial statements, the Commission has changed its reporting style to report all funds as business-type activities for Fiscal Year 2006. The Commission still maintains the funds previously approved and utilized, but is now only using them for internal purposes. The Commission's funds had previously been reported on the modified accrual basis of accounting which included revenue from interfund transcations and proceeds from sales of assets, as well as excluding revenue deferred due to the availablity criteria. Therefore, the following schedules will not reconcile directly to the Commission's financial statements.

	2006	2005
Property Management Fund (1240)		
Rental income	\$ 713,304	\$ 581,356
Services income	70,903	87,954
Interest income	4,864	5,369
Other income	<u>195,582</u> 984,653	1,935 676,614
Sub-Total - Fund 1240	904,000	070,014
Chicago Technology Research Center Fund (1265)		
Rental income	664,199	758,141
Improvements/Repairs income	10,942	4,802
Services income	27,146	26,795
Interest income	550	42
Other income		2,470
Sub-Total - Fund 1265	702,837	792,250
Chicago Technology Park Fund (1266)		
Rental income	776,875	801,937
Improvements/Repairs income	495	-
Services income	4,386	9,597
Interest income	980	4,119
Other income		2
Sub-Total - Fund 1266	782,736	815,655
Chicago Technology Park Corporation (1376)		
Grants	1,578,071	213,548
Interest income	306	3,651
Other income	•	2,782
Sub-Total - Fund 1376	1,578,377	219,981
Illinois Medical District Revolving Fund (1337)		
Rental income	-	350
Interest income	_	552
Other income	_	1,779
Sub-Total - Fund 1337		2,681
Sub-rotal - rund 1337		
Illinois Medical District Restricted Fund (1377)		
Rental income	102,984	-
Interest income	803,056	191,879
Other income	12,504_	
Sub-Total - Fund 1377	918,544	191,879
Illinois Medical District Member Council Fund (1338)		
Interest Income	-	100
Sub-Total - Fund 1338	-	100
Total All Funds	\$ 4,967,147	\$ 2,699,160
- 46 -	Ψ 4,301,141	2,000,100

## STATE OF ILLINOIS ILLINOIS MEDICAL DISTRICT COMMISSION FISCAL SCHEDULES AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2006

## **ANALYSIS OF SIGNIFICANT ACCOUNT BALANCES**

### 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 accounts consisted of the following as of June 30, 2006:

Cash and Cash Equivalents		Investments	
Cash in bank	\$ 326,297	U.S. Treasury obligations	\$ 5,892,223
Money markets	54,392	U.S. Agency obligations	23,513,056
·		Money markets accounts	1,181,192
Total Cash & Cash Equivalents	\$ 380,689		
		Total Investments	\$ 30,586,471

### **Notes Receivable**

On June 1, 2002 the Commission entered into an installment sale agreement for the sale of land and construction of a building for the University of Illinois. The Commission issued certificates of participation and constructed the building. The resulting receivable related to the building portion of the installment sale and the related debt have been treated as conduit debt issued by the Commission. The agreement calls for the University to make annual payments of \$215,700 for thirty years related to the land portion of the sale. The payment is received annually in December.

On July 26, 2004, the Commission entered into an installment sale agreement with the Illinois State Police for the sale of land and construction of a parking facility. The agreement calls for the Illinois State Police to make annual payments of \$147,566. The first payment became due November 30, 2004 and the remaining payments are due annually in November.

### Revenue Bonds Payable

On January 31, 2006, the Illinois Finance Authority (IFA) issued \$40 million of revenue bonds on behalf of the Commission. Concurrently, the Commission entered into a loan and security agreement with the IFA. As a result, the IFA provided \$40 million to the Commission. The Commission is required to make principal and interest payments over a 25 year period to the IFA (see the Notes to Financial Statements for additional information on future maturities of principal and interest.) The purpose of the bond issue is to purchase, remodel and construct certain real estate parcels within the Illinois Medical District.

## STATE OF ILLINOIS ILLINOIS MEDICAL DISTRICT COMMISSION ANALYSIS OF ACCOUNTS RECEIVABLE FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

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

	2006			2005	5
Days Outstanding	Amount	Percent		Amount	Percent
One to thirty	\$ 597,092	68.4%	\$	96,500	24.9%
Thirty-one to three hundred sixty	108,429	12.4%		171,115	44.2%
Over three hundred sixty	 167,642	19.2%		119,948	30.9%
Total	873,163	100.0%		387,563	100.0%
Estimated uncollectible amount Accounts Receivable (Net)	\$ 210,793 662,370		\$	106,849 280,714	

## COMMISSION FUNCTIONS AND PLANNING PROGRAM

### **Functions**

The primary purpose of the Illinois Medical District Commission (Commission), created July 1, 1941 by the Medical District Act (Act), 70 ILCS 915/0.01 et seq., is to provide assembled development sites and to facilitate and coordinate the resources of diverse educational, research and governmental medical institutions and to enable such institutions to provide low cost medical care, accelerate scientific research, improve diagnostic methods, and train health care professionals.

The Commission has also been given the statutory responsibility to administer and exercise authority with respect to the development and operation of the Chicago Technology Park (Park). The Park is an area or areas within the Illinois Medical Center District designated for research and development of medically related technologies and products. The Park includes an incubator facility, which was established to assist new businesses in the research and development of new or unique products and to help them grow until they are fully self-sufficient. The Park also includes Enterprise Center I and Enterprise Center II which provide "acceleration" wet lab space for incubator facility graduates.

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. The Commissioners serve five year appointments and each Commissioner is responsible to his or her appointing authority. Commission members are as follows:

- 1. Kenneth D. Schmidt, M.D.
- 2. Dorval R. Carter, M.D.
- 3. Dr. Leon Dingle, Jr.
- 4. Michael Fizgerald
- 5. Abraham C. Morgan
- 6. John E. Partelow
- 7. Bob J. Nash

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 real 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 a certified historical district, and for a high technology medical research park;
- Construct or permit to be constructed buildings related to these special uses;
- Administer and exercise authority for Chicago Technology Park;
- Borrow funds for activities;

### **Functions (continued)**

- 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, such as 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 University of Illinois Medical Center, Rush University Medical Center, John H. Stroger, Jr. Hospital of Cook County, Jesse Brown V. A. Medical Center and Chicago Technology Park.

### **Planning Program**

The Commission's enabling statute mandates many functions and activities, and the Commissioners translate these statutory mandates into programs, actions, and management of the Commission and District. The annual budget requirements include discussions of short-term objectives and the biennial report discusses Commission long term goals and objectives.

The Commission has a development plan and program on file concurred by the major District institutions and by the Chicago Department of Planning in 1984. This flexible and evolving plan outlines goals and policies to clarify the purpose of the Chicago Technology Park (Park) 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 Park visually distinguished and attractive;
- To provide a high level of 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.

## **Planning Program (continued)**

Included in the Medical District Commission's planning for fiscal year 2006 is a strategic collaboration document which focuses on improving effectiveness in areas such as Auxiliary Support Services, Technology Transfer/Commercialization as well as Medical/Health Care Research, Education and Training and Clinical Practices.

Also, included in the Commission's planning for fiscal year 2006 are the District Development Area Capital Development Plan and the Land Use Planning documents which address the planned development of the District in areas such as acquisitions and community health care.

The measures of performance that Commission management uses are status reports on land acquisitions, buildings or renovations of facilities statistics and statistics on the percent of occupancy for the Chicago Technology Park Research Center and other Chicago Technology Park buildings. These measures are adequate for their needs, since their main function is to obtain land and to convey it to appropriate users.

### **Auditors' Assessment**

The Commission has established goals and objectives through the formation of programs, policies, and strategic plans. These goals are consistent with the Commission's statutory mandate and authority.

### **Agency Head and Location**

Mr. Samuel W. Pruett was the Commission's Executive Director as of June 30, 2006. The Commission's Office is located at 600 South Hoyne Ave., Chicago, Illinois 60612.

## **AVERAGE NUMBER OF EMPLOYEES**

The following is a summary of the average number of employees for the Fiscal Years under audit.

<u>Division</u>	2006_	2005	2004
Administration	9	9	7
Programmatic	3	2	-
Laborers	5	3	4
Clerical	4	5	6
Contractual positions	5	3	7
Total	26_	22	24

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

### SERVICE EFFORTS AND ACCOMPLISHMENTS: (UNAUDITED)

A brief description of the functions and activities of the Commission are presented in the Commission Functions and Planning Program on pages 49-51. This section of the report presents to the reader some basic data (financial and non-financial) related to the accomplishment of those functions.

Program	•	ditures usands)	Employee Headcount
Chicago Technology Park	\$	100.0	4.0
District Development		7.0	6.0
Illinois Medical District		88.0	8.0
Agency Totals	\$	195.0	18.0

### **Explanatory Note**

The expenditures do not include additional expenditures from locally held funds. The headcount includes 16 employees paid from locally held funds.

The Illinois Medical District (IMD) Commission governs development within the IMD, a 560-acre area bordered by Ashland Avenue, the Eisenhower Expressway, Oakley Boulevard, and 14/15th Street on the Near West Side of Chicago. The IMD 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 IMD nurtures or coordinates growth among all institutions within the Medical District. The IMD is home to the Illinois Forensic Center (Crime Lab), and the American Red Cross of Greater Chicago-land headquarters. The District Security Group and District Member Council organize activities and projects to improve the safe environment and coordinate signage and beautification. The District or its institutions are actively involved in many bio-terrorism, public safety and disaster response and preparedness projects and activities. The new regional FBI headquarters (opened in Spring 2006) is integral to such efforts.

The Chicago Technology Park (CTP) is a 56-acre development located within the boundaries of the IMD 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 CTP that have their origins from IMD's major medical centers and others throughout the region. The CTP is home to a number of modular laboratory facilities, including a 56,000 square-foot state-run incubator, the 20,000 square-foot Enterprise Center I, the 15,000 square-foot Enterprise Center II and the 70,000 square-foot Tech 2000 building as well as other research treatment and emergency communication facilities. The CTP is home to the Chicago ITEC, a collaborative effort to support and assist emerging, incubated companies and enhance the pace of commercialization. It is our goal to position Illinois as a leader in biotechnology and medical research commercialization. To advance these efforts, we are pursuing the construction of new laboratory facilities, assisting the researchers in developing key business skills, and coordinating with the State of Illinois, City of Chicago, and industry advocacy groups to focus our efforts on collaborative success. District Development focuses on continued economic growth and development of the IMD through land acquisition and assembly of lots into larger parcels using voluntary agreements, delinquent tax sales, condemnation and intergovernmental transfers. Suitable land sites are leased for expansion to member institutions and new qualified users. The land acquisition program is ongoing, and the IMD meets regularly with developers and the City of Chicago to plan and coordinate redevelopment activities.

# SERVICE EFFORTS AND ACCOMPLISHMENTS: (UNAUDITED)

## Chicago Technology Park

Mission Statement: Effective operation of the Chicago Technology Park.

Program Goals:

1. Increase graduation and throughput of new companies in the Research Center biotech incubator. Objectives:

2. Convert a portion of Tech 2000 laboratory building for start-up, emerging company incubation or graduation space.

3. Completion of bond offering for acquisition and redevelopment of vacant and underutilized Chicago Technology Park parcels.

4. Graduate first cadre of students under the bioinformatics training grant funded by the Department of Labor.

5. Proceed with initial grant programs and funding activities as partners with Chicago ITEC and through Chicago ITEC, provide seed capital and assistance per grant to emerging or existing incubated companies.

	Fisc 2003	Fiscal Year 2003 Actual	Fisc 2004	Fiscal Year 2004 Actual	Fisc 200	Fiscal Year 2005 Actual	Fiscal Year 2006 Target	Year <u>Farget</u>	Fisca 2006	Fiscal Year 2006 Actual
<u>Input Indicators</u> Total expenditures - all sources (in thousands)	s	1,752.2	<b>⇔</b>	1,688.0	↔	2,230.0	\$	2,000.0	& &	3,324.0
Total expenditures - State appropriated fund (in thousands)	↔	825.2	↔	120.0	s	ı	ઝ		s	100.0
Average monthly full-time equivalents		9.0		5.0		4.0		4.0		2.0
Output Indicators  New companies entering the CTP Research Center Incubator		10		က		4		4		က
Rental income (in thousands)	\$	1,288.5	↔	1,446.8	↔	1,560.0	\$	1,600.0	<del>\$</del>	1,600.0
Increase in Space/Lab Inventory square footage		16,500		2,000		•		000'9		000'9
Outcome Indicators										
Employment in Chicago Technology Park		1,051		1,157		1,400		1,500		1,447
Companies (in thousands)	↔	79,350	<del>\$</del>	85,000	↔	52,000	<b>⊕</b>	52,000	<b>⇔</b>	52,000
		2		2		2		2		2

## ILLINOIS MEDICAL DISTRICT COMMISSION FOR THE YEAR ENDED JUNE 30, 2006 ANALYSIS OF OPERATIONS STATE OF ILLINOIS

# SERVICE EFFORTS AND ACCOMPLISHMENTS: (UNAUDITED)

## District Development Area

Redevelop property to attract medically related commerce and research and other economic development primarily in the District Development Area Mission Statement:

Program Goals:

 Continue land acquisition and assemblage for redevelopment South of Roosevelt Road Objectives:

2. Continue strategic planning with City of Chicago for redevelopment of adjacent ACME Barrel facility.

3. Analyze and implement strategic plan for the expansion of the Western-Ogden TIF District, in coordination with the City of Chicago.

4. Complete street vacations/land assemblage and planning for City of Chicago 12th District's Police Station.

5. Complete inter-governmental land transfers with the City of Chicago to consolidate development parcels.

Develop initial plan for redevelopment of 2020 Ogden site consistent with District Master Plan and guidelines.

383,000 1,000 1,323.0 150,000 526,950 2006 Actual Fiscal Year क क 30,000 160,000 3,000.0 3,000.0 2006 Target Fiscal Year क क 1,481.0 481.4 26,620 2005 Actual Fiscal Year क क 3,224.7 3,224.7 2004 Actual Fiscal Year 184,501 57 क क 48 2003 Actual Fiscal Year 166,756 4,448.1 4,448.1 क क Total expenditures - State appropriated funds (in thousands) Total expenditures - all sources (in thousands) Average monthly full-time employees Land leases negotiated (square feet) Land assemblage (square feet) Land parcels assembled (#) -and leases negotiated (#) Outcome Indicators **Building openings Output Indicators** nput Indicators

400,000

300

210

Jobs created in District Development Area

Square footage of buildings completed

270,000

275,000

# SERVICE EFFORTS AND ACCOMPLISHMENTS: (UNAUDITED)

## Illinois Medical District

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

## Program Goals:

1. Enhance District Directional Signage with banners and markers in order to more clearly designate the IMD. Objectives:

2. Coordination, oversight and planning for the Veteran's Administration West Side Medical Center expansion.

3. Facilitate master planning of major district institutions to ensure coordination with over-all District Master Plan.

advocacy groups to coordinate biotech information and promotion on behalf of the biotech industry in the State of Illinois. Establish greater links between the Illinois Coalition, the Illinois Biotechnology Industry Organization, and other

Initiate planning activities and co-ordination with other City/State/Industry parties for major Chicago 2006 National I-BIO Convention.

6. Continue District Enhancements, open space and beautification programs.

	Fiscal Year 2003 Actual	Fiscal Year 2004 Actual	Fiscal Year 2005 Actual	Fiscal Year 2006 Target	Fis 200	Fiscal Year 2006 Actual
Input Indicators  Total expenditures - all sources (in thousands)  Total expenditures - State appropriated funds (in thousands)  Average monthly full-time equivalents	\$ 1,131.6 \$ 458.0 7.0	\$ 2,649.0 \$ 374.7 8.0	\$ 938.0 \$ 192.0 8.0	\$ 1,500.0 \$ - 8.0	५५ ५५	1,109.0 88.0 8.0
Output Indicators District Security Group meeting and events District Member Council meetings	ത ശ	ထ ယ	<b>∞</b> 4	ωιν		<b>დ</b> ო
Outcome Indicators Total District employment District research dollars (in thousands) District Member facility growth (square feet)	22,500 \$ 325,000 395,000	23,000 \$ 350,000 275,000	24,500 \$ 300,000 50,000	25,000 \$ 300,000 100,000	<del>6</del>	25,000 303,000 100,000