

**METROPOLITAN PIER AND EXPOSITION AUTHORITY
SPECIAL LIMITED SCOPE COMPLIANCE EXAMINATION**

For the Two Years Ended June 30, 2017

METROPOLITAN PIER AND EXPOSITION AUTHORITY
SPECIAL LIMITED SCOPE COMPLIANCE EXAMINATION
For the Year Ended June 30, 2017

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METROPOLITAN PIER AND EXPOSITION AUTHORITY
SPECIAL LIMITED SCOPE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2017

AUTHORITY OFFICIALS

Chair of the Board (10/25/2016 – Present) ¹	Mr. Brett Hart
Chair of the Board (09/22/2016 – 10/24/2016) ¹	Vacant
Chair of the Board (07/01/15 – 09/21/2016) ¹	Mr. Jack Greenberg
Chief Executive Officer ¹	Ms. Lori T. Healey
Chief Financial Officer (12/17/16 – Present)	Ms. Larita Clark
Chief Financial Officer (07/01/15 – 12/16/16)	Mr. Richard J. Oldshue
General Counsel	Ms. Darka Papushkewych
Director of Internal Audit	Ms. Jeanette Swan

BOARD MEMBERS

Appointed by the Governor of the State of Illinois

Director	Mr. Terrance McGann
Director	Mr. Ronald E. Powell
Director (06/14/17 – Present)	Vacant
Director (07/01/15 – 06/13/17)	Mr. Robert G. Reiter, Jr.
Director	Mr. David Kahnweiler

Appointed by the Mayor of the City of Chicago

Director	Ms. Julie Chavez
Director (02/21/17 – Present)	Mr. Juan Ochoa
Director (07/22/15 – 02/20/17)	Ms. Olga Camargo
Director (07/01/15 – 07/21/15)	Mr. Frank M. Clark, Jr.
Director	Mr. Roger J. Kiley, Jr.
Director	Mr. Daniel Hynes

¹ The eight members of the Board appoint a ninth member to serve as the Chair of the Board and select a Chief Executive Officer to perform all duties assigned by the Board.

METROPOLITAN PIER AND EXPOSITION AUTHORITY
SPECIAL LIMITED SCOPE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2017

AUTHORITY OFFICES

The Authority's offices are located at:

McCormick Place
2301 S. Lake Shore Drive
Chicago, Illinois 60616

Corporate Center
301 E. Cermak Road
Chicago, Illinois 60616

Metropolitan Pier and Exposition Authority

Corporate Center • 301 East Cermak Road • Chicago, IL 60616 • Telephone (312) 791-7000 • Fax (312) 791-6356

MANAGEMENT ASSERTION LETTER

Honorable Frank J. Mautino
Auditor General
Iles Park Plaza
740 East Ash Street
Springfield, Illinois 62703-3154

October 27, 2017

Auditor General Mautino:

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 Metropolitan Pier and Exposition Authority for appropriations made by the General Assembly to the Metropolitan Pier and Exposition Authority from the McCormick Place Expansion Project Fund, the Chicago Travel Industry Promotion Fund, and the Metropolitan Pier and Exposition Authority Incentive Fund and expenditures certified by the Metropolitan Pier and Exposition Authority as authorized by the General Assembly from the Metropolitan Pier and Exposition Authority Grants Fund. 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 Metropolitan Pier and Exposition Authority's compliance with the following assertions during the two-year period ended June 30, 2017. Based on this evaluation, we assert that during the years ended June 30, 2016, and June 30, 2017, the Metropolitan Pier and Exposition Authority has materially complied with the assertions below.

- A. The Metropolitan Pier and Exposition Authority 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 Metropolitan Pier and Exposition Authority 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 Metropolitan Pier and Exposition Authority has submitted its annual certifications of debt service requirements to the State Comptroller and the State Treasurer as required by State law.



Metropolitan Pier and Exposition Authority

Corporate Center • 301 East Cermak Road • Chicago, IL 60616 • Telephone (312) 791-7000 • Fax (312) 791-6356

Yours truly,

Metropolitan Pier and Exposition Authority

SIGNED ORIGINAL ON FILE

Lori T. Healey, Chief Executive Officer

SIGNED ORIGINAL ON FILE

Larita D. Clark, Chief Financial Officer

SIGNED ORIGINAL ON FILE

Darka Papushkewych, General Counsel



METROPOLITAN PIER AND EXPOSITION AUTHORITY
SPECIAL LIMITED SCOPE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2017

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.

ACCOUNTANT'S REPORT

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

SUMMARY OF FINDINGS

<u>Number of</u>	<u>Current Report</u>	<u>Prior Report</u>
Findings	0	0
Repeated findings	0	0
Prior recommendations implemented or not repeated	0	1

EXIT CONFERENCE

The Authority's management waived a formal exit conference in a correspondence dated September 19, 2017.

SPRINGFIELD OFFICE:

ILES PARK PLAZA
740 EAST ASH • 62703-3154
PHONE: 217/782-6046
FAX: 217/785-8222 • TTY: 888/261-2887
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CHICAGO OFFICE:

MICHAEL A. BILANDIC BLDG. • SUITE 5-900
160 NORTH LASALLE • 60601-3103
PHONE: 312/814-4000
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FRAUD HOTLINE: 1-855-217-1895

OFFICE OF THE AUDITOR GENERAL
FRANK J. MAUTINO

INDEPENDENT ACCOUNTANT'S REPORT ON STATE COMPLIANCE,
ON INTERNAL CONTROL OVER COMPLIANCE, AND ON
SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

Honorable Frank J. Mautino
Auditor General
State of Illinois

Compliance

We have examined the Metropolitan Pier and Exposition Authority'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, for appropriations made by the General Assembly to the Metropolitan Pier and Exposition Authority from the McCormick Place Expansion Project Fund, the Chicago Travel Industry Promotion Fund, and the Metropolitan Pier and Exposition Authority Incentive Fund and expenditures certified by the Metropolitan Pier and Exposition Authority as authorized by the General Assembly from the Metropolitan Pier and Exposition Authority Grants Fund during the two years ended June 30, 2017. The management of the Metropolitan Pier and Exposition Authority is responsible for compliance with these requirements. Our responsibility is to express an opinion on the Metropolitan Pier and Exposition Authority's compliance based on our examination.

- A. The Metropolitan Pier and Exposition Authority 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 Metropolitan Pier and Exposition Authority 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 Metropolitan Pier and Exposition Authority has submitted its annual certification of debt service requirements to the State Comptroller and State Treasurer as required by State 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 (the Audit Guide). Those standards, the Act, and the Audit Guide require that we plan and perform the examination to obtain reasonable assurance about whether the Metropolitan Pier and Exposition Authority complied, in all material respects, with the specified requirements listed above. An examination involves performing procedures to obtain evidence about whether the Metropolitan Pier and Exposition Authority complied with the specified requirements listed above. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance, whether due to fraud or error.

We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on the Metropolitan Pier and Exposition Authority's compliance with specified requirements.

In our opinion, the Metropolitan Pier and Exposition Authority complied, in all material respects, with the compliance requirements listed in the first paragraph of this report during the two years ended June 30, 2017.

The purpose of this report on compliance is solely to describe the scope of our testing and the results of that testing in accordance with the requirements of the Audit Guide issued by the Illinois Office of the Auditor General. Accordingly, this report is not suitable for any other purpose.

Internal Control

Management of the Metropolitan Pier and Exposition Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements listed in the first paragraph of this report. In planning and performing our examination, we considered the Metropolitan Pier and Exposition Authority's internal control over compliance with the requirements listed in the first paragraph of this report to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide, issued by the Illinois Office of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of the Metropolitan Pier and Exposition Authority's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Metropolitan Pier and Exposition Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the requirements listed in the first paragraph of this report on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over

compliance, such that there is a reasonable possibility that material noncompliance with a requirement listed in the first paragraph of this report will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

There were no immaterial findings that have been excluded from this report.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Audit Guide, issued by the Illinois Office of the Auditor General. Accordingly, this report is not suitable for any other purpose.

Supplementary Information for State Compliance Purposes

Our examination was conducted for the purpose of forming an opinion on compliance with the requirements listed in the first paragraph of this report. The accompanying supplementary information for the years ended June 30, 2017, and June 30, 2016, in Schedules 1 through 3 and the Analysis of Operations Section is presented for purposes of additional analysis. We have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General to the June 30, 2017, and June 30, 2016, accompanying supplementary information in Schedules 1 through 3. However, we do not express an opinion on the accompanying supplementary information.

We have not applied procedures to the June 30, 2015, accompanying supplementary information in Schedule 3 and in the Analysis of Operations Section, and accordingly, we do not express an opinion or provide any assurance on it.

SIGNED ORIGINAL ON FILE

JANE CLARK, CPA
Director of Financial and Compliance Audits

Springfield, Illinois
October 27, 2017

METROPOLITAN PIER AND EXPOSITION AUTHORITY
SPECIAL LIMITED SCOPE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2017

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 Appropriations, Expenditures, and Lapsed Balances – Fiscal Year 2017

Schedule of Appropriations, Expenditures, and Lapsed Balances – Fiscal Year 2016

Comparative Schedule of Net Appropriations, Expenditures, and Lapsed Balances

- Analysis of Operations (Not Examined):

Agency Functions and Planning Program (Not Examined)

Analysis of Significant Variations in Expenditures (Not Examined)

Analysis of Significant Lapse Period Spending (Not Examined)

The accountant's report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states the accountants have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General to the June 30, 2017, and June 30, 2016, accompanying supplementary information in Schedules 1 through 3. However, the accountants do not express an opinion on the supplementary information. The accountant's report also states that they have not applied procedures to the Analysis of Operations Section, and accordingly, they do not express an opinion or provide any assurance on it.

METROPOLITAN PIER AND EXPOSITION AUTHORITY
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES

Appropriations for Fiscal Year 2017

For the Fifteen Months Ended September 30, 2017

	Appropriations (Net After Transfers)	Expenditures Through 06/30/17	Lapse Period Expenditures 07/01 - 09/30/17	Total Expenditures	Balances Lapsed
<u>Public Act 99-0524</u>					
<u>APPROPRIATED FUNDS</u>					
<u>MCCORMICK PLACE EXPANSION PROJECT FUND - 377</u>					
Debt Service and Related Trustee and Legal Expenses on the Authority's McCormick Place Expansion Project Bonds	\$ 177,926,000	\$ 177,923,129	\$ -	\$ 177,923,129	\$ 2,871
Subtotal - Fund 377	<u>\$ 177,926,000</u>	<u>\$ 177,923,129</u>	<u>\$ -</u>	<u>\$ 177,923,129</u>	<u>\$ 2,871</u>
<u>CHICAGO TRAVEL INDUSTRY PROMOTION FUND - 624</u>					
Grant to Choose Chicago	\$ 10,042,000	\$ 10,042,000	\$ -	\$ 10,042,000	\$ -
Subtotal - Fund 624	<u>\$ 10,042,000</u>	<u>\$ 10,042,000</u>	<u>\$ -</u>	<u>\$ 10,042,000</u>	<u>\$ -</u>
<u>METROPOLITAN PIER AND EXPOSITION AUTHORITY</u>					
<u>INCENTIVE FUND - 814</u>					
Certified Incentives Paid to Conventions, Meetings, and Trade Shows Held at the McCormick Place Convention Center and Navy Pier Complexes	\$ 15,000,000	\$ -	\$ 14,464,696	\$ 14,464,696	\$ 535,304
Subtotal - Fund 814	<u>\$ 15,000,000</u>	<u>\$ -</u>	<u>\$ 14,464,696</u>	<u>\$ 14,464,696</u>	<u>\$ 535,304</u>
TOTAL - ALL APPROPRIATED FUNDS	<u><u>\$ 202,968,000</u></u>	<u><u>\$ 187,965,129</u></u>	<u><u>\$ 14,464,696</u></u>	<u><u>\$ 202,429,825</u></u>	<u><u>\$ 538,175</u></u>

METROPOLITAN PIER AND EXPOSITION AUTHORITY
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
 Appropriations for Fiscal Year 2017

For the Fifteen Months Ended September 30, 2017

	Appropriations (Net After <u>Transfers</u>)	Expenditures Through <u>06/30/17</u>	Lapse Period Expenditures <u>07/01 - 09/30/17</u>	Total <u>Expenditures</u>	Balances <u>Lapsed</u>
<u>Public Act 99-0524</u>					
<u>NON-APPROPRIATED FUND</u>					
<u>METROPOLITAN PIER AND EXPOSITION AUTHORITY</u>					
<u>GRANTS FUND - 941</u>					
Grant to Choose Chicago		\$ 6,378,655	\$ 553,777	\$ 6,932,432	
Subtotal - Fund 941		\$ 6,378,655	\$ 553,777	\$ 6,932,432	
TOTAL - ALL NON-APPROPRIATED FUNDS		\$ 6,378,655	\$ 553,777	\$ 6,932,432	
GRAND TOTAL - ALL FUNDS		\$ 194,343,784	\$ 15,018,473	\$ 209,362,257	

Note 1: Expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the State Comptroller's records as of September 30, 2017, and have been reconciled to the Authority's records.

Note 2: Expenditure amounts are vouchers approved for payment by the Authority and submitted to the State Comptroller for payment to the vendor.

METROPOLITAN PIER AND EXPOSITION AUTHORITY
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
 Appropriations for Fiscal Year 2016

Fourteen Months Ended August 31, 2016

	Appropriations (Net After <u>Transfers</u>)	Expenditures Through <u>06/30/16</u>	Lapse Period Expenditures <u>07/01 - 08/31/16</u>	Total <u>Expenditures</u>	Balances <u>Lapsed</u>
<u>Public Acts 99-0409, 99-0491, and 99-0524</u>					
<u>APPROPRIATED FUNDS</u>					
<u>MCCORMICK PLACE EXPANSION PROJECT FUND - 377</u>					
Debt Service and Related Trustee and Legal Expenses on the Authority's McCormick Place Expansion Project Bonds	\$ 166,475,900	\$ 166,458,840	\$ -	\$ 166,458,840	\$ 17,060
Subtotal - Fund 377	<u>\$ 166,475,900</u>	<u>\$ 166,458,840</u>	<u>\$ -</u>	<u>\$ 166,458,840</u>	<u>\$ 17,060</u>
<u>CHICAGO TRAVEL INDUSTRY PROMOTION FUND - 624</u>					
Grant to Choose Chicago	\$ 8,935,000	\$ 8,935,000	\$ -	\$ 8,935,000	\$ -
Subtotal - Fund 624	<u>\$ 8,935,000</u>	<u>\$ 8,935,000</u>	<u>\$ -</u>	<u>\$ 8,935,000</u>	<u>\$ -</u>
<u>METROPOLITAN PIER AND EXPOSITION AUTHORITY</u>					
<u>INCENTIVE FUND - 814</u>					
Certified Incentives Paid to Conventions, Meetings, and Trade Shows Held at the McCormick Place Convention Center and Navy Pier Complexes	\$ 15,000,000	\$ -	\$ 12,272,787	\$ 12,272,787	\$ 2,727,213
Subtotal - Fund 814	<u>\$ 15,000,000</u>	<u>\$ -</u>	<u>\$ 12,272,787</u>	<u>\$ 12,272,787</u>	<u>\$ 2,727,213</u>
TOTAL - ALL APPROPRIATED FUNDS	<u><u>\$ 190,410,900</u></u>	<u><u>\$ 175,393,840</u></u>	<u><u>\$ 12,272,787</u></u>	<u><u>\$ 187,666,627</u></u>	<u><u>\$ 2,744,273</u></u>

METROPOLITAN PIER AND EXPOSITION AUTHORITY
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
 Appropriations for Fiscal Year 2016

Fourteen Months Ended August 31, 2016

	Appropriations (Net After <u>Transfers</u>)	Expenditures Through <u>06/30/16</u>	Lapse Period Expenditures <u>07/01 - 08/31/16</u>	Total <u>Expenditures</u>	Balances <u>Lapsed</u>
<u>Public Acts 99-0409, 99-0491, and 99-0524</u>					
 <u>NON-APPROPRIATED FUND</u>					
 <u>METROPOLITAN PIER AND EXPOSITION AUTHORITY</u>					
<u>GRANTS FUND - 941</u>					
Grant to Choose Chicago		\$ 6,567,558	\$ -	\$ 6,567,558	
Subtotal - Fund 941		\$ 6,567,558	\$ -	\$ 6,567,558	
TOTAL - ALL NON-APPROPRIATED FUNDS		\$ 6,567,558	\$ -	\$ 6,567,558	
<u>GRAND TOTAL - ALL FUNDS</u>		\$ 181,961,398	\$ 12,272,787	\$ 194,234,185	

Note 1: Expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the State Comptroller's records as of September 30, 2016, and have been reconciled to the Authority's records.

Note 2: Expenditure amounts are vouchers approved for payment by the Authority and submitted to the State Comptroller for payment to the vendor.

METROPOLITAN PIER AND EXPOSITION AUTHORITY
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,
EXPENDITURES, AND LAPSED BALANCES
For the Fiscal Year Ended June 30,

	Fiscal Year		
	2017	2016	2015
	P.A. 99-0409 P.A. 99-0491 P.A. 99-0524	P.A. 099-0491	P.A. 098-0681
APPROPRIATED FUNDS			
McCormick Place Expansion Project Fund - 377			
Appropriations (Net After Transfers)	\$ 177,926,000	\$ 166,475,900	\$ 156,928,300
Expenditures			
Debt Service and Related Trustee and Legal Expenses on the Authority's McCormick Place Expansion Project Bonds	\$ 177,923,129	\$ 166,458,840	\$ 156,926,659
Total Expenditures	\$ 177,923,129	\$ 166,458,840	\$ 156,926,659
Lapsed Balances	\$ 2,871	\$ 17,060	\$ 1,641
Chicago Travel Industry Promotion Fund - 624			
Appropriations (Net After Transfers)	\$ 10,042,000	\$ 8,935,000	\$ 8,935,000
Expenditures			
Grant to Choose Chicago	\$ 10,042,000	\$ 8,935,000	\$ 8,935,000
Total Expenditures	\$ 10,042,000	\$ 8,935,000	\$ 8,935,000
Lapsed Balances	\$ -	\$ -	\$ -
Metropolitan Pier and Exposition Authority Incentive Fund - 814			
Appropriations (Net After Transfers)	\$ 15,000,000	\$ 15,000,000	\$ 15,000,000
Expenditures			
Certified Incentives Paid to Conventions, Meetings, and Trade Shows Held at the McCormick Place Convention Center and Navy Pier Complexes	\$ 14,464,696	\$ 12,272,787	\$ 15,000,000
Total Expenditures	\$ 14,464,696	\$ 12,272,787	\$ 15,000,000
Lapsed Balances	\$ 535,304	\$ 2,727,213	\$ -

METROPOLITAN PIER AND EXPOSITION AUTHORITY
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,
EXPENDITURES, AND LAPSED BALANCES
For the Fiscal Year Ended June 30,

	Fiscal Year		
	2017	2016	2015
	P.A. 99-0409	P.A. 099-0491	P.A. 098-0681
	P.A. 99-0491		
	P.A. 99-0524		
<u>TOTAL - APPROPRIATED FUNDS</u>			
Total Appropriations	\$ 202,968,000	\$ 190,410,900	\$ 180,863,300
Total Appropriated Expenditures	\$ 202,429,825	\$ 187,666,627	\$ 180,861,659
Lapsed Balances	\$ 538,175	\$ 2,744,273	\$ 1,641
NON-APPROPRIATED FUND			
Metropolitan Pier and Exposition Authority Grants Fund - 941			
Expenditures			
Grant to Choose Chicago	\$ 6,932,432	\$ 6,567,558	\$ 8,727,379
Total Non-Appropriated Expenditures	\$ 6,932,432	\$ 6,567,558	\$ 8,727,379
GRAND TOTAL - ALL FUNDS	\$ 209,362,257	\$ 194,234,185	\$ 189,589,038

Note 1: Expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the State Comptroller's records as of September 30, 2017, and September 30, 2016, and have been reconciled to the Authority's records.

Note 2: Expenditure amounts are vouchers approved for payment by the Authority and submitted to the State Comptroller for payment to the vendor.

**METROPOLITAN PIER AND EXPOSITION AUTHORITY
AUTHORITY FUNCTIONS AND PLANNING PROGRAM**

(Not Examined)

For the Two Years Ended June 30, 2017

Authority Functions

The Authority is a political subdivision, unit of local government, body politic, and Municipal Corporation existing under the laws of the State of Illinois. The jurisdiction, supervision, powers, and duties of the Authority are enumerated in the Metropolitan Pier and Exposition Authority Act (70 ILCS 210).

The origins of the Authority began on July 7, 1955, when the General Assembly established the Authority's immediate predecessor, the Metropolitan Fair and Exposition Authority, to oversee the construction and operation of a 360,000 square-foot exhibition hall. In 1958, the State issued bonds to finance the construction of an exhibition hall, which was ultimately opened in 1960. In 1989, the General Assembly restructured the organization by creating the Authority to oversee both McCormick Place and Navy Pier in Chicago, Illinois.

Today, the Authority owns the McCormick Place convention facility, Navy Pier, the Hyatt Regency McCormick Place hotel, and the Energy Center. The Authority's purpose is promoting, operating, and maintaining fairs, expositions, meetings, and conventions in Chicago, Illinois.

The Authority is governed by the nine-member Board of Directors. Four members are appointed by the Governor of the State of Illinois with the advice and consent of the Senate and four members are appointed by the Mayor of the City of Chicago. A majority of the Board members appointed by the Governor and the Mayor appoint a ninth member to serve as the Board's Chairperson. Board members serve staggered terms of up to three years and serve until their successors are appointed. The chairperson serves a four-year term. The Board, fully constituted as of March 2012, appointed Lori T. Healey as the Authority's Chief Executive Officer on April 20, 2015.

In July 2011, the Authority took on an asset manager function for its various business units while reducing the Authority's full-time workforce by 95% from 500 full-time employees in the fall of 2009 to 25 corporate staff employees in 2013. The Authority has contracted with SMG to operate the convention facilities at the McCormick Place, SAVOR to operate the food services at McCormick Place, Hyatt Hotels Corporation to operate the Hyatt Regency McCormick Place, and with Navy Pier, Inc. (NPI) to manage, operate, and develop Navy Pier.

In July 2012, the Authority completed the 2012 Expansion Project Bond transaction, an \$855 million restructuring of its outstanding debt that raised \$125 million of new capital which will be used to improve and maintain the Authority's facilities, as well as new projects adjacent to the Authority's campus.

During 2013, the Authority completely renovated the existing 800-room tower of its hotel and expanded the hotel property with the addition of a second 462-room tower. This project was completed June 2013, ahead of schedule and under budget, and its operating results have exceeded budgeted levels. The financial benefits of the expanded hotel facility will provide an internal cross-subsidy for operating deficits in the convention business and strengthen the

METROPOLITAN PIER AND EXPOSITION AUTHORITY
AUTHORITY FUNCTIONS AND PLANNING PROGRAM

(Not Examined)

For the Two Years Ended June 30, 2017

Authority's financial base, replacing the temporary assistance from surplus Authority tax collections.

In September 2015, the Authority completed the 2015 Expansion Project Bond transaction, a \$219.4 million financing that was used to restructure a portion of the Authority's outstanding Expansion Project Bonds while providing \$153 million to finance a portion of the construction of the Marriott Marquis Chicago hotel.

In regards to activities funded by appropriations from the General Assembly, the primary duties of the Authority are to pay debt service and related obligations, provide incentives to attract large conventions, meetings, and trade shows to hold events at Authority properties, and serve as a pass-thru entity to provide funding to Choose Chicago.

Planning Program

In early Fiscal Year 2018, the Authority will complete the construction of two major projects, the 1,205-room Marriott Marquis Chicago and the 10,387-seat Wintrust Arena. During Fiscal Year 2015 and Fiscal Year 2016, the Authority received \$55 million in reimbursements from the City of Chicago for TIF eligible expenditures for the Marriott Marquis Chicago project. As discussed above, in September 2015, the Authority issued \$153 million in Expansion Project Bonds to help finance a portion of the project costs associated with the Marriott Marquis Chicago. As part of Public Act 100-0023, passed on July 6, 2017, the Authority has received authorization to issue an additional \$293 million of Expansion Project Bonds. The Authority plans to use the proceeds from the issuance of Expansion Project Bonds to repay the Authority's outstanding \$250 million construction loan for the Marriott Marquis Chicago and to repay up to \$43 million of the 2010 deficiency amount. As part of an Expansion Project Bond financing, the Authority will also seek to restructure all or a portion of the remaining debt originally contemplated in connection with the 2010 reform legislation.

Further, the Authority continuously works with Choose Chicago to identify and attract conventions, meetings, and trade shows to hold events at Authority properties.

METROPOLITAN PIER AND EXPOSITION AUTHORITY
SPECIAL LIMITED SCOPE COMPLIANCE EXAMINATION
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
For the Two Years Ended June 30, 2017

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2017 AND 2016

No significant variations were noted between Fiscal Year 2017 and Fiscal Year 2016.

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2016 AND 2015

Metropolitan Pier and Exposition Authority Grants Fund – 941

Grant to Choose Chicago

The amount of the Grant to Choose Chicago is based on 37.5% of the amount of airport departure taxes within the City of Chicago. The decrease in the Grant to Choose Chicago during Fiscal Year 2016 was due to fewer Airport Departure Tax collections.

METROPOLITAN PIER AND EXPOSITION AUTHORITY
SPECIAL LIMITED SCOPE COMPLIANCE EXAMINATION
ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING
For the Two Years Ended June 30, 2017

FISCAL YEAR 2017

Metropolitan Pier and Exposition Authority Incentive Fund - 814

Certified Incentives Paid to Conventions, Meetings, and Trade Shows Held at the McCormick Place Convention Center and Navy Pier Complexes

The significant Lapse Period spending is due to the Authority only submitting voucher requests to the State Comptroller on an annual basis. The Authority finalizes event information in early July and submits the final incentive packet and voucher request for the fiscal year soon thereafter.

FISCAL YEAR 2016

Metropolitan Pier and Exposition Authority Incentive Fund - 814

Certified Incentives Paid to Conventions, Meetings, and Trade Shows Held at the McCormick Place Convention Center and Navy Pier Complexes

The significant spending during the Lapse Period was due to the budget impasse, which caused the Authority to process vouchers for Fiscal Year 2016 after the passage of Public Act 99-0524 on June 30, 2016. As a result, the expenditures for this fund were paid during the Lapse Period.