

November 29, 2016

Courtney R. Avery  
Administrator  
Illinois Health Facilities Services and Review Board  
Illinois Department of Public Health  
525 West Jefferson Street, Second Floor  
Springfield, Illinois 62702

**RECEIVED**

NOV 29 2016

HEALTH FACILITIES &  
SERVICES REVIEW BOARD

Re: Annual Progress Report and Final Report- IHFSRB Project #12-080, Memorial Medical Center,  
Permit Holder – Memorial Health System

Dear Ms. Avery:

This letter is submitted in compliance with State Board Rules 1130.760 and 1130.770 which require that a CON permit holder provide annual progress reports and a final report of project status to the Illinois Health Facilities Services and Review Board. Project #12-080 is now complete.

Memorial received approval on December 10, 2012 to construct a vertical expansion containing all-private, replacement medical surgical beds and modernize and expand the hospital's main operating suite. Other affected Clinical Service Areas include our Post Anesthesia Recovery Unit and Stage 2 Recovery. The project also includes construction and modernization of certain Non-Clinical Service Areas. This project was obligated on November 6, 2013. The building was completed and patients began receiving care in the building on November 16, 2015. One hundred percent (100%) of project expenses have now been disbursed and audited. There are not additional or associated costs or capital expenditures related to the project.

The amounts approved in the CON and the amounts paid in each of the expense categories follow:

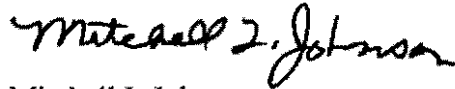
	<u>Approved</u>	<u>Disbursed</u>
Preplanning	\$1,183,236	\$1,104,664
Site Survey & soil investigation	0	0
Site Preparation	589,534	441,093
Off site work	0	0
Construction contracts	62,682,180	62,682,180
Modernization contracts	5,966,339	5,966,339
Contingencies	6,864,852	10,955,027
Arch/Eng fees	4,717,820	4,538,272
Consulting/Other	2,532,648	2,132,141
Equipment	28,231,796	18,814,959
Bond Issuance Expense	3,172,000	1,068,108
Net interest	2,828,000	3,815,309
Other Costs to be Capitalized	3,589,097	3,675,228
<b>Total</b>	<b>\$122,357,501</b>	<b>\$115,193,320</b>

The scope of the project has not altered from what was approved by the IHFSRB. The project complies with all terms of the permit including project cost, square footage, scope and services. The source and use of funds and method of financing for this project remain as stated in the approved CON application.

Attached are the Final Application and Certification for Payment for the construction contract, as per the American Institute of Architects form G702 and the Audited Financial Report completed by an independent certified public accountant.

If additional information is required, please contact us at 217-788-3342.

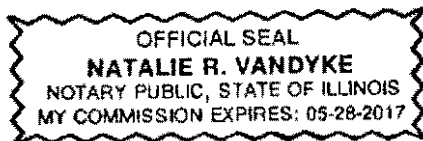
Sincerely,



Mitchell L Johnson  
Senior Vice President &  
Chief Strategy Officer

Attachments:  
AIA Form 702  
Audited Financial Report

NOTARY SEAL



*Natalie R Vandyke*  
*11/29/16*



217.793.3363 // [www.sikich.com](http://www.sikich.com)

3201 W. White Oaks Dr., Suite 102  
Springfield, Illinois 62704

Certified Public Accountants & Advisors  
*Members of American Institute of Certified Public Accountants*

November 22, 2016

Board of Directors  
Memorial Health System  
701 N First Street  
Springfield, IL 62781

This letter is to inform the Board of Directors of the Memorial Health System (Memorial) about significant matters related to the conduct of our audit of the Schedule of Project Cost and Sources of Funds for Project No. 12-080 (the Schedule) of Memorial for the period from December 10, 2012 (date of certificate of need permit approval) to August 9, 2016, so that the Board of Directors may appropriately discharge its oversight responsibility and so that we may comply with our professional responsibilities.

The following summarizes various matters that must be communicated to you under auditing standards generally accepted in the United States of America.

**The Respective Responsibilities of the Auditor and Management**

Our responsibility under auditing standards generally accepted in the United States of America has been described in our engagement letter dated October 4, 2016. The audit of the Schedule does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.

**Overview of the Planned Scope and Timing of the Audit**

We have discussed the planned scope and timing of our audit and have discussed our identification of, and planned audit response to, significant risks of material misstatement.

**Significant Accounting Practices, Including Policies, Estimates and Disclosures**

We are available to discuss our views about the qualitative aspects of Memorial's significant accounting practices, including accounting policies, accounting estimates and schedule disclosures. There were no significant accounting estimates that were an integral part of the preparation of the Schedule.

**Uncorrected Misstatements**

We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.

**Consultation with Other Accountants**

We are not aware of any consultations that management had with other accountants about accounting or auditing matters related to the Schedule.

**Management Representations**

We have requested certain representations from management that are included in the management representation letter dated November 22, 2016.

**Closing**

We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to be of service to Memorial.

This report is intended solely for the information and use of the Board of Directors of Memorial and is not intended to be, and should not be, used by anyone other than this specified party.

Very truly yours,

*Sikich LLP*

Sikich LLP

**MEMORIAL HEALTH SYSTEM**  
**SCHEDULE OF PROJECT COST AND SOURCES OF FUNDS FOR PROJECT NO. 12-**  
**080**  
**AND INDEPENDENT AUDITOR'S REPORT**

For the Period of December 10, 2012 through August 9, 2016



**MEMORIAL HEALTH SYSTEM**  
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3201 W. White Oaks Dr., Suite 102  
Springfield, Illinois 62704

Certified Public Accountants & Advisors  
*Members of American Institute of Certified Public Accountants*

## **INDEPENDENT AUDITOR'S REPORT**

Memorial Health System  
Springfield, Illinois

### **Report on the Schedule**

We have audited the accompanying Schedule of Project Cost and Sources of Funds for Project No. 12-080 (Schedule) of Memorial Health System (Memorial) for the period from December 10, 2012 (date of certificate of need permit approval) to August 9, 2016, and the related notes to the Schedule.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of the Schedule in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedule that is free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the Schedule based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedule. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Schedule.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the Schedule referred to above presents fairly, in all material respects, the project cost and sources of funds for Project No. 12-080 of Memorial Health System for the period from December 10, 2012 (date of certificate of need permit approval) to August 9, 2016, in accordance with accounting principles generally accepted in the United States of America.

## **Basis of Presentation**

We draw attention to Note 1 to the Schedule, which describes that the Schedule was prepared for the purpose of complying with the terms of the Illinois Health Facilities Planning Act 20 ILCS 3960 and Title 77 Illinois Administrative Code 1130.770 "Project Completion, Final Realized Costs and Cost Overruns", and is not intended to be a complete presentation of Memorial's sources and uses of funds. Our opinion is not modified with respect to this matter.

*Sikich LLP*

Springfield, Illinois  
November 22, 2016



# MEMORIAL HEALTH SYSTEM

## SCHEDULE OF PROJECT COST AND SOURCES OF FUNDS FOR PROJECT NO. 12-080

Period from December 10, 2012 (date of certificate of need permit approval) to August 9, 2016

Description of Costs	Approved Permit Amount	Actual	Variance
Preplanning costs	\$ 1,183,236	\$ 1,104,664	\$ 78,572
Site preparation	589,534	441,093	148,441
New construction contracts	62,682,180	62,682,180	-
Modernization contracts	5,966,339	5,966,339	-
Contingencies	6,864,852	10,955,027	(4,090,175)
Architectural and engineering fees	4,717,820	4,538,272	179,548
Consulting and other fees	2,532,648	2,132,141	400,507
Moveable and other equipment	28,231,795	18,814,959	9,416,836
Bond issuance expense	3,172,000	1,068,108	2,103,892
Net interest expense during construction period	2,828,000	3,815,309	(987,309)
Other costs to be capitalized	3,589,097	3,675,228	(86,131)
<b>Total project costs</b>	<b>\$ 122,357,501</b>	<b>\$ 115,193,320</b>	<b>\$ 7,164,181</b>
Cash and securities	\$ 12,357,501	\$ 23,693,320	\$ (11,335,819)
Bond issues	110,000,000	91,500,000	18,500,000
<b>Total sources of funds</b>	<b>\$ 122,357,501</b>	<b>\$ 115,193,320</b>	<b>\$ 7,164,181</b>

(See Notes to Schedule of Project Cost and Sources of Funds for Project No. 12-080)

See accompanying Independent Auditor's Report.

## **MEMORIAL HEALTH SYSTEM**

### **NOTES TO THE SCHEDULE OF PROJECT COST AND SOURCES OF FUNDS FOR PROJECT NO. 12-080**

December 10, 2012 (date of certificate of need permit approval) to August 9, 2016

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#### **1. BASIS OF PRESENTATION**

The Schedule was prepared for the purpose of complying with the terms of the Illinois Health Facilities Planning Act 20 ILCS 3960 and Title 77 Illinois Administrative Code 1130.770 "Project Completion, Final Realized Costs and Cost Overruns," and is not intended to be a complete presentation of Memorial Health System's sources and uses of funds in conformity with accounting principles generally accepted in the United States of America.

The Schedule is presented on the accrual basis of accounting. The amounts presented in the Schedule only relate to Project No. 12-080.

#### **2. USE OF ESTIMATES**

The preparation of the Schedule in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions for the budgeted amounts in the Schedule. Actual amounts could differ from those estimates.

#### **3. SUBSEQUENT EVENTS**

Management of Memorial Health System has evaluated subsequent events through November 22, 2016, which is the date the Schedule was available to be issued, for possible measurement and/or disclosure effects on the Schedule.

# Application and Certificate For Payment

Page 1

<b>To Owner:</b> Memorial Medical Center 701 N First St Springfield, IL 62781		<b>Project:</b> MMC SURG ADD & RENO 701 N. 1st Street Harry Schmidt Springfield, IL 62711	<b>Application No:</b> 37 <b>Date:</b> 07/01/2016
<b>From (Contractor):</b> Harold O'Shea Builders, Inc. 3401 Constitution Dr Springfield, IL 62711		<b>Contractor Job Number:</b> 4156	<b>Period To:</b> 07/31/16 <b>Architect's Project No:</b> <b>Contract Date:</b> 05/16/13
<b>Phone:</b> 217 522-2826		<b>Via (Architect):</b> BSA LifeStructures <b>Contract For:</b> PO 201410010024CAP	

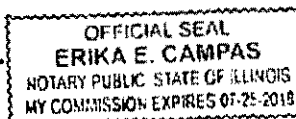
## Contractor's Application For Payment

Change Order Summary		Additions	Deductions
Change orders approved in previous months by owner		1,627,843.50	-52,954.00
	Number Date Approved		
Change orders approved this month	073 07/27/16		-56,163.00
<b>Totals</b>			-56,163.00
<b>Net change by change orders</b>		1,518,726.50	

Original contract sum	23,614,536.00
Net change by change orders	1,518,726.50
Contract sum to date	25,133,262.50
Total completed and stored to date	25,133,262.50
Retainage	
0.0% of completed work	0.00
0.0% of stored material	0.00
Total retainage	0.00
Total earned less retainage	25,133,262.50
Less previous certificates of payment	25,060,773.50

The undersigned Contractor certifies that to the best of the Contractor's knowledge, information, and belief the work covered by this Application for Payment has been completed in accordance with the Contract Documents, that all amounts have been paid by the Contractor for work for which previous Certificates for Payment were issued and payments received from the Owner, and that current payment shown herein is now due.

Contractor: Michael Mendel  
 By: Michael Mendel Date: 7/29/16  
 State of: Illinois County of: Sangamon  
 Subscribed and sworn to before me this 29 day of July  
2016 (year). Notary Public: Erika E. Campas  
 My commission expires 7/29/2018



Current sales tax	
0.000% of taxable amount	0.00
Current sales tax	0.00
Current payment due	72,489.00
Balance to finish, including retainage	0.00

Digitally signed by Patrick Mendel

DN: cn=Patrick Mendel, o=BSA LifeStructures, ou,  
 email=pmendel@bsals.com, c=US  
 Date: 2016.08.02 10:21:39 -04'00'

Patrick Mendel

By \_\_\_\_\_ Date: \_\_\_\_\_

This Certification is not negotiable. The Amount Certified is payable only to the Contractor named herein. Issuance, payment, and acceptance of payment are without prejudice to any rights of the Owner or Contractor under this Contract.

## Architect's Certificate for Payment

In accordance with the Contract Documents, based on on-site observations and the data comprising the above application the Architect certifies to the Owner that to the best of the Architect's knowledge, information and belief the Work has progressed as indicated, the quality of the Work is in accordance with the Contract Documents, and the Contractor is entitled to payment of the Amount Certified.

Amount Certified \$ \_\_\_\_\_ INV# 4156-23 08/04/16

Ch D Bahr

Handwritten signature  
8/3/16

# Application and Certificate For Payment

Page 1

<b>To Owner:</b> Memorial Medical Center 701 N First St Springfield, IL 62781	<b>Project:</b> MMC Infrastructure 701 N. 1st Street Harry Schmidt Springfield, IL 62781	<b>Application No:</b> 26 <b>Date:</b> 04/01/2016 <b>Period To:</b> 04/30/16 <b>Architect's Project No:</b> <b>Contract Date:</b> 06/03/13
<b>From (Contractor):</b> Harold O'Shea Builders, Inc. 3401 Constitution Dr Springfield, IL 62711	<b>Contractor Job Number:</b> 4157 <b>Via (Architect):</b> BSA Lifestructures	
<b>Phone:</b> 217 522-2826	<b>Contract For:</b> PO 20141001002SCAP	

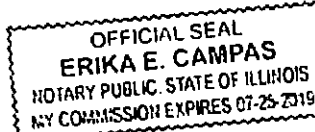
## Contractor's Application For Payment

Change Order Summary	Additions	Deductions
Change orders approved in previous months by owner	653,304.00	
		</

Original contract sum	9,200,926.00
Net change by change orders	585,969.00
Contract sum to date	9,786,895.00
Total completed and stored to date	9,786,895.00
Retainage	
0.0% of completed work	0.00
0.0% of stored material	0.00
Total retainage	0.00
Total earned less retainage	9,786,895.00
Less previous certificates of payment	9,768,889.00

The undersigned Contractor certifies that to the best of the Contractor's knowledge, information, and belief the work covered by this Application for Payment has been completed in accordance with the Contract Documents, that all amounts have been paid by the Contractor for work for which previous Certificates for Payment were issued and payments received from the Owner, and that current payment shown herein is now due.

Contractor:  
 By: [Signature] Date: 4-18-16  
 State of: Illinois County of: Sangamon  
 Subscribed and sworn to before me this 18th day of April, 2016 (year). Notary public: Erika E. Campas  
 My commission expires 07-25-2019



Current sales tax	
0.000% of taxable amount	0.00
Current sales tax	0.00
Current payment due	18,006.00
Balance to finish, including retainage	0.00

## Architect's Certificate for Payment

In accordance with the Contract Documents, based on on-site observations and the data comprising the above application the Architect certifies to the Owner that to the best of the Architect's knowledge, information and belief the Work has progressed as indicated, the quality of the Work is in accordance with the Contract Documents, and the Contractor is entitled to payment of the Amount Certified.

Amount Certified: \$ Inv# 4157-26 04/18/16  
CBE# 2013-1203  
100-9504-113013 CP70013-12030-1 C0000 \$18,006.00

Architect:

By \_\_\_\_\_ Date: \_\_\_\_\_

This Certification is not negotiable. The Amount Certified is payable only to the Contractor named herein. Issuance, payment, and acceptance of payment are without prejudice to any rights of the Owner or Contractor under this Contract

[Signature]

[Signature]  
 4/18/16

# Application and Certificate For Payment

Page 1

<b>To Owner:</b> Memorial Medical Center 701 N First St Springfield, IL 62781	<b>Project:</b> MMC Patient Care Tower 701 N. 1st Street Harry Schmidt Springfield, IL 62781	<b>Application No:</b> 34 <b>Date:</b> 04/01/2016 <b>Period To:</b> 04/30/16 <b>Architect's Project No:</b> <b>Contract Date:</b> 07/11/13
<b>From (Contractor):</b> Harold O'Shea Builders, Inc. 3401 Constitution Dr Springfield, IL 62711	<b>Contractor Job Number:</b> 4158 <b>Via (Architect):</b> BSA Lifestructures	
<b>Phone:</b> 217 522-2826	<b>Contract For:</b> XRO 0011104100250AR	

## Contractor's Application For Payment

Change Order Summary	Additions	Deductions
Change orders approved in previous months by owner	1,074,451.00	
Number Date Approved Change orders approved this month 021 04/14/16		-393,836.00
<b>Totals</b>		-393,836.00
<b>Net change by change orders</b>	680,615.00	

The undersigned Contractor certifies that to the best of the Contractor's knowledge, information, and belief the work covered by this Application for Payment has been completed in accordance with the Contract Documents, that all amounts have been paid by the Contractor for work for which previous Certificates for Payment were issued and payments received from the Owner, and that current payment shown herein is now due.

Contractor: Harold O'Shea Builders, Inc.  
 By: [Signature] Date: 4/14/16  
 State of: Illinois County of: Sangamon  
 Subscribed and sworn to before me this 14 day of April, 2016.  
 (year). Notary public: Erika E. Campas  
 My commission expires 7/25/2019



Original contract sum	56,993,634.00
Net change by change orders	680,615.00
Contract sum to date	57,674,249.00
Total completed and stored to date	57,674,249.00
Retainage	
0.0% of completed work	0.00
0.0% of stored material	0.00
Total retainage	0.00
Total earned less retainage	57,674,249.00
Less previous certificates of payment	56,425,003.35
Current sales tax	
0.000% of taxable amount	0.00
Current sales tax	0.00
Current payment due	1,249,245.65
Balance to finish, including retainage	0.00

## Architect's Certificate for Payment

In accordance with the Contract Documents, based on on-site observations and the data comprising the above application the Architect certifies to the Owner that to the best of the Architect's knowledge, information and belief the Work has progressed as indicated, the quality of the Work is in accordance with the Contract Documents, and the Contractor is entitled to payment of the Amount Certified.

Amount Certified: \$ INV# 4158-34 04/15/16  
CBE# 2013-1201 and 2013-1205  
100-9504-113013 CP70013-12020-1 C0000 \$1,148,554.22  
100-9504-113013 CP70013-12050-1 C0000 \$100,691.43

Architect:

By: \_\_\_\_\_ Date: \_\_\_\_\_

This Certification is not negotiable. The Amount Certified is payable only to the Contractor named herein. Issuance, payment, and acceptance of payment are without prejudice to any rights of the Owner or Contractor under this Contract.

Ch D B...

[Signature]  
4/15/16