ILLINOIS MEDICAL DISTRICT COMMISSION

(A Component Unit of the State of Illinois)

CHICAGO, ILLINOIS

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

ILLINOIS MEDICAL DISTRICT COMMISSION
(A Component Unit of the State of Illinois
CHICAGO, ILLINOIS

FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 and 2017

TABLE OF CONTENTS

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Independent Auditor's Report

To the Board of Commissioners
Illinois Medical District Commission

Report on the Financial Statements

We have audited the accompanying financial statements of Illinois Medical District Commission (the "Commission"), a component unit of the State of Illinois, as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise Illinois Medical District Commission's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, 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 financial statements 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 financial statements.

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 financial statements referred to above present fairly, in all material respects, the financial position of Illinois Medical District Commission as of June 30, 2018 and the changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Commissioners
Illinois Medical District Commission

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in the net pension liability and related ratios, and the schedule of employer contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Summarized Comparative Information

We have previously audited Illinois Medical District Commission's June 30, 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 27, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Plante & Moran, PLLC

December 17, 2018

MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of the Commission's financial report presents our discussion and analysis of the Commission's financial performance during the fiscal years that ended on June 30, 2018 and 2017. Please read it in conjunction with the Commission's financial statements, which follow this section.

Financial Highlights

- The Commission's total net position increased to $54,930,308. This year's increase of $6,495,312 is attributable to the Commission's sale of capital assets during the year. For the year ended June 30, 2017 the Commission's net position decreased by $6,030,275 which was the result of debt restructuring expenses during the year.

- During fiscal year 2018, the Commission's operating expenses were $5,157,409 an increase of $511,098 over fiscal year 2017's operating expenses. The fiscal year 2018 expense increase is attributed to increases in legal, repairs & maintenance, and depreciation expenses.

- During fiscal year 2018, the Commission's operating revenues were $5,636,616, an increase of 14.2 percent over fiscal year 2017.

- In fiscal year 2018 the Commission recorded a nonoperating gain related to debt restructuring of $389,512 and a loss on early debt extinguishment of $2,197,807. This is a net nonoperating expense of $1,808,295.

OVERVIEW OFTHE FINANCIAL STATEMENTS

The basic financial statements of the Commission have been prepared on the accrual basis of accounting following the business-type activities reporting requirements of the Governmental Accounting Standards Board (GASB) as a single enterprise fund. These statements are as follows:

- **Statement of Net Position** - includes all of the Commission's assets and liabilities and provides information about the amounts and investments in assets and the obligations to Commission creditors. It also provides a basis of assessing the liquidity and financial flexibility of the Commission. Over time, increases or decreases in Net Position may serve as a useful indicator of whether the financial health of the Commission is improving or deteriorating.

- **Statement of Revenues, Expenses and Changes in Net Position** - provides information as to the increase or decrease of current year revenues over expenses.

- **Statement of Cash Flows** - provides information about the Commission's cash receipts and disbursements during the reporting period. The statement discloses net cash provided by, or used in operating activities, non-capital financing activities, from capital and related financing activities and from investing activities.

Condensed Financial Information

The following table presents condensed information about the Commission's financial position as of June 30, 2017 and 2018:

	2017	2018
Other assets	$ 27,868,385	$ 33,243,494
Capital assets	67,326,914	58,717,923
Total assets	95,195,299	91,961,417
Deferred outflows of resources	248,329	192,691
Current liabilities	3,735,642	2,646,611
Long-term liabilities	42,894,398	34,285,937
Total liabilities	46,630,040	36,932,548
Deferred inflows of resources	378,592	291,252
Net position		
Net investment in capital assets	43,619,051	43,146,593
Restricted	31,639	31,639
Unrestricted	4,784,306	11,752,076
Total net position	$ 48,434,996	$ 54,930,308

Capital assets decreased because of the Commission's sale of a property. The difference in other assets is attributable to an increase in cash of $6,605,731 from the sale of a property in fiscal year 2018.

Current liabilities decreased in fiscal year 2018, as explained in Note 6 to the financial statements.

Long-term liabilities declined because of a bond redemption. Net long-term liabilities declined by $8,608,461 in fiscal year 2018, as explained in Note 6 to the financial statements.

The following table presents condensed information about the Commission's revenue and expenses for the years ended June 30, 2017 and 2018:

	2017	2018
Operating revenue	$ 4,936,396	$ 5,636,616
Operating expenses, other than depreciation	3,296,871	3,545,737
Depreciation and amortization	1,349,440	1,611,672
Operating income	290,085	479,207
Interest income	1,121,865	1,076,905
Interest expense	(2,843,118)	(2,250,339)
Debt restructuring	(1,717,942)	389,512
Loss on early debt extinguishment	(2,880,123)	(2,197,807)
(Loss) gain on sale of capital assets	(1,042)	8,997,834
Change in net position	$ (6,030,275)	$ 6,495,312

Operating revenue increased by 14.2 percent in fiscal year 2018. A major tenant's increase in their rental rate led to increased revenue. Operating expenses other than depreciation increased by $248,866 which is a 7.5 percent increase. Categories that experienced increases were legal and repairs & maintenance expenses.

Bond debt was fully redeemed by utilizing funds from a sale of property in fiscal year 2018. The Commission incurred nonoperating expenses associated to the bond redemption. Debt restructuring expense and loss on debt extinguishment expenses totaled $1,808,295.

Budgetary Highlights

The 2018 actual results in comparison to the operating budget were slightly favorable. The Commission's 2018 budget called for Budgetary income of $2,056,535. The Commission ended 2018 year with Budgetary Income (Operating revenues less operating expenses other than depreciation) of $2,090,879. This 1.7 percent positive variance is attributed to several expense categories being slightly under budget.

Capital Asset and Debt Administration

At the end of 2018, the Commission had invested $58,717,923 in a broad range of capital assets, including land, buildings and equipment (see Note 5 to the financial statements). This amount represents a net decrease (including additions and deductions) of $8,608,991, or 12.8 percent, over last year.

At year-end the Commission had $35,576,330 in bonds and notes outstanding, a net decrease of 20.4 percent over last year. More detailed information about the Commission's long-term liabilities is presented in Note 6 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Cost controls continue to be in effect, and we believe we will meet our budgetary goals in fiscal 2019.

Contacting the Commission's Management

This financial report is intended to provide the Commission's users with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Commission via email at: administration@medicaldistrict.org.

BASIC FINANCIAL STATEMENTS

Illinois Medical District Commission
(A Component Unit of the State of Illinois)
Statements of Net Position
As of June 30, 2018

		As of June 30, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	$	9,029,895
Accounts receivable - net		226,298
Interest receivable		86,057
Notes receivable		1,296,871
Other assets		3,875
Total current assets		10,642,996
Noncurrent assets:		
Cash and cash equivalents, restricted		105,973
Notes receivable		22,354,461
Capital assets - nondepreciable		34,927,988
Capital assets - depreciable - net		23,789,935
Net pension asset		106,221
Other assets		33,843
Total noncurrent assets		81,318,421
Total assets		91,961,417
DEFERRED OUTFLOWS OF RESOURCES		
Deferred pension payments		192,691
Total deferred outflows of resources		192,691
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses		798,892
Unearned revenue		230,366
Interest payable		142,293
Security deposits		74,335
Certificates of participation		1,015,000
Mortgage payable		385,725
Total current liabilities		2,646,611
Noncurrent liabilities:		
Compensated absences		110,332
Certificates of participation		18,990,000
Mortgage payable		15,185,605
Total noncurrent liabilities		34,285,937
Total liabilities		36,932,548
DEFERRED INFLOWS OF RESOURCES		
Deferred pension inflows		291,252
Total deferred inflows of resources		291,252
NET POSITION		
Net investment in capital assets		43,146,593
Restricted for:		
Expendable for grant activities		31,639
Unrestricted		11,752,076
TOTAL NET POSITION	$	54,930,308

Illinois Medical District Commission
(A Component Unit of the State of Illinois)
Statements of Revenues, Expenses, and Changes in Net Position

	Year Ended June 30,2018	Year Ended June 30,2017
OPERATING REVENUES		
Rental income	$ 5,521,289	$ 4,783,318
Tenant reimbursement revenue	46,599	46,599
Other operating revenues	68,728	106,479
Total operating revenues	5,636,616	4,936,396
OPERATING EXPENSES		
Property management and development		
Advertising and promotion	2,185	-
Automotive expense	1,678	3,435
Capital outlay	-	21,275
Consulting services	103,720	121,243
Donations	17,500	-
Dues and subscriptions	20,625	20,137
Insurance	119,367	115,836
Legal and professional fees	709,788	500,654
Office expense	562	620
Other	159,944	151,990
Printing and copier expense	5,717	5,639
Real estate taxes	66,544	-
Rental expense	4,651	9,236
Repairs and maintenance	320,433	201,700
Salaries, wages and related expenses	1,595,842	1,767,586
Small tools and equipment	12,839	1,314
Supplies	22,541	22,933
Telecommunications	43,178	51,067
Travel expense	27,841	14,755
Utilities	310,782	287,451
Sub-Total Property Management and Development	3,545,737	3,296,871
Depreciation expense	1,611,672	1,349,440
Total operating expenses	5,157,409	4,646,311
Operating income (loss)	479,207	290,085
NONOPERATING REVENUES (EXPENSES)		
Interest income	1,076,905	1,121,865
Interest expense	(2,250,339)	(2,843,118)
Debt restructuring expense	389,512	(1,717,942)
Loss on early debt extinguishment	(2,197,807)	(2,880,123)
Gain/(Loss) on disposal of capital assets	8,997,834	(1,042)
Net nonoperating revenues (expenses)	6,016,105	(6,320,360)
Increase (Decrease) in Net Position	6,495,312	(6,030,275)
NET POSITION		
Net position, beginning of year	48,434,996	54,465,271
Net position, end of year	$ 54,930,308	$ 48,434,996

Illinois Medical District Commission
(A Component Unit of the State of Illinois)
Statements of Cash Flows

		Year Ended June 30, 2018		Year Ended June 30, 2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Grant revenue received	$	863	$	78,105
Payments received from tenants		5,737,334		4,700,345
Payments to suppliers		(1,499,122)		(1,526,672)
Payments to employees		(1,775,563)		(2,065,403)
Net cash provided by operating activities		2,463,512		1,186,375
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Payments on loan from other State agency		(7,632,530)		(20,375,652)
Draws on mortgaged debt		-		16,285,200
Purchase of capital assets		(702,309)		(4,702,971)
Principal paid on capital debt and leases		(335,595)		(791)
Debt restructuring costs		-		(4,162,950)
Proceeds from the sale of capital assets		14,039,753		(1,042)
Interest paid on capital debt and leases		(2,656,069)		(1,741,746)
Net cash provided by (used in) capital financing activities		2,713,250		(14,699,952)
CASH FLOWS FROM INVESTING ACTIVITIES				
Collections on notes receivable		1,428,969		278,973
Sale of investments		-		13,513,966
Net cash provided by investing activities		1,428,969		13,792,939
Net increase in cash and cash equivalents		6,605,731		279,362
Cash and cash equivalents, beginning of year		2,530,137		2,250,775
Cash and cash equivalents, end of year	$	9,135,868	$	2,530,137
RECONCILIATION OF OF CASH AND CASH EQUIVALENTS ABOVE, TO STATEMENT OF NET POSITION				
Cash and cash equivalents	$	9,029,895	$	2,498,498
Cash and cash equivalents, restricted		105,973		31,639
Net cash and equivalents	$	9,135,868	$	2,530,137
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income	$	479,207	$	290,085
Adjustments to reconcile operating income to net cash provided by operating activities:				
Non-cash expenses included in operating income:				
Depreciation		1,611,672		1,349,440
Changes in assets and liabilities:				
Accounts receivable		48,524		29,447
Grants receivable		-		73,116
Other assets		(28,744)		12,246
Deferred outflows and inflows		(31,702)		(139,759)
Accounts payable and accrued expenses		479,517		(9,633)
Unearned revenue		62,248		(292,950)
Security deposits		(9,191)		32,441
Compensated absences		(14,663)		21,130
Net pension asset/liability		(133,356)		(179,188)
Net cash provided by operating activities	$	2,463,512	$	1,186,375
NON-CASH ITEMS				
Capital grant revenue applied to loan from other State agency	$	-	$	-
Non-cash payments received on notes receivable	$	2,045,926	$	562,773
Non-cash payments made on certificates of participation	$	(2,045,926)	$	(562,773)

NOTE 1 – ORGANIZATION

The Illinois Medical District Commission (the "Commission"), is a special district created by statute (70 ILCS 915/0.01 et. seq.). Under this statue, it was formerly considered part of the executive branch of the State of Illinois and operated under the authority and review of the Illinois General Assembly. On July 18, 2012, Public Act 97-0825 was signed into law by the Governor of Illinois. This Act amended the Illinois Medical District Commission Act (70 ILCS 915). This amendment designates the Commission as a unit of local government and therefore the Commission is no longer considered a State Agency. The Commission had requested a determination from the Comptroller's Office as to whether the Commission will continue to be reported as a component unit of the State of Illinois for financial reporting purposes after the date of the amendment. After reviewing the change in legislation affecting the Commission as well as the effects of the State's implementation of GASB Statement No. 61, the Comptroller's office concluded on February 20, 2013 that the Commission will continue to be reported as a discretely presented component unit of the State due to the board appointment and ability to impose its will.

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). The Commission also provides 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 land, buildings, facilities, equipment, and personal property as permitted under the Act, and administering and exercising ultimate authority for the Chicago Technology Park.

NOTE 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).

A. 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

- 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 (CAFR) may be obtained by writing to the State Comptroller's Office, Financial Reporting Department, 325 West Adams Street, Springfield, Illinois 62704.

The Commission's reporting entity includes the Commission's governing board and all related organizations for which the Commission exercises oversight responsibility. Currently there are no related organizations that meet the criteria noted above.

NOTE 2 – SIGNIFICANT ACCOUNTING PRINCIPLES AND POLICIES (Continued)

B. 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.

Appropriations made from the State of Illinois General Revenue or 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.

During fiscal year 2018, the Commission did not receive an appropriation from the State of Illinois.

C. Classification of Revenues and Expenses

The Commission has classified its revenues and expenses as either operating or non-operating according to the following criteria:

Operating revenues and expenses

Operating revenues and expenses include activities that directly relate to the operational purposes of the Commission. Operating revenues primarily include rent and service payments from tenants. Operating expenses primarily include expenses related to property management and development as well as depreciation and amortization expense.

Non-operating revenues and expenses

Non-operating revenues and expenses include investment income, interest expense, debt restructuring revenue (expense), loss on early debt extinguishment, and gain (loss) on sale of capital assets.

D. Cash and Cash Equivalents

Cash and cash equivalents include 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.

Restricted assets

The restricted cash and cash equivalents relate to amounts to be used for grant purposes and security deposits received from tenants.

NOTE 2 – SIGNIFICANT ACCOUNTING PRINCIPLES AND POLICIES (Continued)

E. Accounts and Notes Receivable

Accounts receivable include amounts due from tenants for rent, parking, or other chargeable costs. The amounts 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.

F. Capital Assets

Capital assets include property and equipment which are reported at cost. Donated assets are reported at acquisition value when received. Capital assets are depreciated using the straight-line method.

Capitalization thresholds and estimated useful lives are as follows:

Capital Asset Category	Capitalization Threshold	Estimated Useful Life
Land	$ 100,000	N/A
Land improvements	25,000	30
Site improvements	25,000	20-30
Buildings	100,000	10-30
Building improvements	25,000	10-30
Intangible assets	100,000	3-25
Equipment	5,000	3-7

G. Long-term Obligations

Long-term debt and other long-term obligations, including mortgages and certificates of participation, are reported as liabilities in the statements of net position.

H. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Commission has one item that qualifies for reporting in this category. It is related to the deferred pension expenses associated with the differences between actual and expected experience, changes of actuarial assumptions, the net difference between projected and actual earnings on investments within the pension plan, and employer contributions made to the pension plan subsequent to the measurement date of the net pension liability.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The commission has one item that qualifies for reporting in this category. It is related to the deferred pension expenses associated with the differences between actual and expected experience.

NOTE 2 – SIGNIFICANT ACCOUNTING PRINCIPLES AND POLICIES (Continued)

I. Pension

The Commission offers a defined benefit pension plan to its employees. The Commission records a net pension asset or liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For the purposes of measuring the net pension asset or liability, deferred outflows of resources related to pensions, deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

J. Compensated Absences

The liability for compensated absences consists of vested, accumulated paid time off leave balances for Commission employees. The liability has been calculated based on the employees' current salary level.

L. Net Position

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

Net investment in capital assets - This consists of capital assets, net of accumulated depreciation, less the outstanding balances of due to other State agency, 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 position that is 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 position that does not meet the definition of restricted or net investment in capital assets.

M. 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.

N. Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Commission's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

NOTE 3 – DEPOSITS AND INVESTMENTS

The Public Funds Investment Act (30 ILCS 235/1 et seq.) and Public Funds Deposit Act (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 is 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 is presented below, and the financial statement captions shown on the Statement of Net Position for the year ended June 30, 2018 is as follows:

Carrying amount of deposits	$ 9,135,868
	$ 9,135,868

Cash and cash equivalents, current	$ 9,029,895
Cash and cash equivalents, restricted for grants and security deposits	105,973
	$ 9,135,868

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. As of June 30, 2018, no Commission funds were held in the State Treasury.

<u>Deposits</u>

The Commission utilizes different bank accounts for the various activities of the Commission. The book balance of such accounts was $9,135,868 at June 30, 2018, while the bank balance was $9,395,709 at June 30, 2018. The difference between the above amounts primarily represents checks and deposits which had not cleared with the bank.

Custodial credit risk for deposits exists when, in the event of the failure of a depository financial institution, the Commission's deposits may not be recovered. As of June 30, 2018, the Commission had no deposits that were uninsured or uncollateralized. The Commission therefore, has no custodial credit risk related to its deposits.

NOTE 4 – ACCOUNTS, INTEREST AND NOTES RECEIVABLE

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

	Accounts Receivable	Allowance for doubtful accounts	Net
Rents and related fees	$266,229	$ (39,931)	$226,298

Rents and related fees above include no receivables that are over 360 days past due.

Interest receivable includes interest due from the University of Illinois of $86,057 related to the installment sale of real estate as described in Note 6.

Notes receivable inclusive of imputed interest represents two installment sales contracts. The first contract is with the University of Illinois and relates to the installment sale agreement described in Note 6. The contract calls for annual principal payments of $215,700 each December 1 through the year 2032 for the land portion of the agreement and principal and interest payments equal to the principal and interest payments due on the certificates of participation as noted in Note 6. Total note receivable as of June 30, 2018 was $23,242,500.

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 $2,158,668. The total note receivable as of June 30, 2018 was $408,832.

NOTE 5 – CAPITAL ASSETS

Capital assets activities for the year ended June 30, 2018 are as follows:

	Balance July 1, 2017	Additions	Deletions	Reclassifications	Balance June 30, 2018
Cost:					
Land and land improvements	$ 40,945,679	$ 234,530	$ 6,256,884	$ 4,663	$ 34,927,988
Site improvements	2,915,244	-	-	8,654	2,923,898
Buildings and improvements	31,287,022	467,778	2,064,036	6,816,311	36,507,075
Construction in progress	6,829,628	-	-	(6,829,628)	-
Equipment	85,381	-	-	-	85,381
Total	82,062,954	702,308	8,320,920	-	74,444,342
Less accumulated depreciation:					
Site improvements	1,210,067			(265,911)	944,156
Buildings and improvements	13,459,840	1,606,431	621,293	264,108	14,709,086
Equipment	66,133	5,241	-	1,803	73,177
Total	14,736,040	1,611,672	621,293	-	15,726,419
Capital assets, net	$ 67,326,914	$ (909,364)	$ 7,699,627	$ -	$ 58,717,923

NOTE 6 – LINES OF CREDIT AND SHORT-TERM AND LONG-TERM DEBT

Interest Payable

Interest payable includes interest payable on the Signature Bank mortgage of $56,236 and interest payable on certificates of participation of $86,057.

Due to Other State Agency

On January 31, 2006, the 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 is to loan the $40 million to the Commission. The intent of this undertaking was to purchase certain real estate parcels within the Illinois Medical District and to construct facilities to be used for medical and other related activities.

During the year ended June 30, 2018, the Commission voted to redeem the full balance of the remaining series 2006B bonds. The redemption occurred in May 2018 with a redemption payment of $13,415,000. This payment is higher than noted below because related trust assets were utilized as part of the redemption transaction. The Commission secured the resources for the redemption from disposing of an asset. The transaction was accounted for in accordance with GASB Statement No. 86 whereby the redemption premium of $2,197,807 was recorded as a nonoperating loss on debt extinguishment.

Changes in debt payable to the IFA were as follows:

	Balance July 1, 2017	Increase / (Decrease)	Balance June 30, 2018
Due to IFA	$7,800,938	($7,800,938)	$ -

Certificates of Participation

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 $20,005,000 as of June 30, 2018.

Changes in long-term debt related to certificates of participation were as follows:

	Balance July 1, 2017	Draws	Payments	Balance June 30, 2018	Due Within One Year
Certificates of participation	$20,970,000	$ –	$965,000	$20,005,000	$1,015,000

NOTE 6 – LINES OF CREDIT AND SHORT-TERM AND LONG-TERM DEBT (Continued)

Sinking fund maturities and interest requirements on the certificates of participation payable at June 30, 2018 are as follows (in thousands):

Year ending June 30,	Principal	Interest	Total
2019	1,015	1,032	2,047
2020	1,065	982	2,047
2021	1,120	929	2,049
2022-2026	6,495	3,736	10,231
2027-2031	8,365	1,873	10,238
2032	1,945	102	2,047
Sub-Total	20,005	8,654	28,659
Less current portion	1,015		
Long-term portion	$18,990		

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 (Note 4) 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.

Mortgage Notes

On September 1, 2016 and June 30, 2017, the Commission secured two separate mortgages for $12,000,000 and $4,095,000, respectively. Proceeds from the notes were used as part of the bond redemption described above and to purchase additional properties. These mortgage notes will mature from 2018 to 2023 at various amounts. The coupon rate on the mortgage notes various from 4.13% to 4.92% with interest paid monthly. The balance outstanding was $15,571,330 as of June 30, 2018.

Changes in long-term debt related to mortgages were as follows:

	Balance July 1, 2017	Draws	Payments	Balance June 30, 2018	Due Within One Year
Mortgages	15,906,925	$ –	$335,595	$15,571,330	$385,725

NOTE 6 – LINES OF CREDIT AND SHORT-TERM AND LONG-TERM DEBT (Continued)

Future principal and interest requirements on these notes at June 30, 2018 are as follows (in thousands):

Year ending June 30,	Principal	Interest	Total
2019	386	677	1,063
2020	401	661	1,062
2021	421	641	1,062
2022	10,727	370	11,097
2023	3,636	15	3,651
Sub-Total	15,571	2,364	17,935
Less current portion	386		
Long term portion	$15,185		

Debt Service Coverage Ratio

The mortgage loan and security agreements require the Commission to achieve a debt service coverage ratio of at least 1.00 for each fiscal year commencing with the fiscal year beginning July 1, 2017. For the fiscal year ended June 30, 2018, using the language definition of "Debt Service Coverage" found in the loan agreements, the Commission management has calculated the ratio to exceed the minimum.

NOTE 7 – 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 medical benefits provided to employees, automobiles, workers' compensation and property liability. Settled claims have not exceeded the amount of insurance coverage in any of the past three years.

NOTE 8 – CONTIGENCIES

The Commission is from time to time subject to various claims, legal actions, and inquiries related to compliance with environmental and other governmental laws and regulations. Although it is difficult to quantify the potential impact of these claims, management believes that the ultimate cost of these matters will not adversely affect the Commission's future financial condition or results of operations.

Accordingly, management does not believe that a reserve of the future effect, if any, of these matters in the basic financial statements of the Commission is necessary at June 30, 2018, as it is not possible to determine with any degree of probability the level of future expenditures for these matters.

NOTE 9 – PENSION PLAN

IMRF Plan Description

The Commission's defined benefit pension plan for regular employees provides retirement and disability benefits, post-retirement increases, and death benefits to plan members and beneficiaries. The Commission's plan is managed by the Illinois Municipal Retirement Fund (IMRF), the administrator of a multi-employer public pension fund. A summary of IMRF's pension benefits is provided in the "Benefits Provided" section of this note. Details of all benefits are available from IMRF. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available Comprehensive Annual Financial Report that includes financial statements, detailed information about the pension plan's fiduciary net position, and required supplementary information. The report is available for download at www.imrf.org.

Benefits Provided

IMRF has three benefit plans. The vast majority of IMRF members participate in the Regular Plan (RP). The Sheriff's Law Enforcement Personnel (SLEP) plan is for sheriffs, deputy sheriffs, and selected police chiefs. Counties could adopt the Elected County Official (ECO) plan for officials elected prior to August 8, 2011 (the ECO plan was closed to new participants after that date).

All three IMRF benefit plans have two tiers. Employees hired ***before*** January 1, 2011, are eligible for Tier 1 benefits. Tier 1 employees are vested for pension benefits when they have at least eight years of qualifying service credit. Tier 1 employees who retire at age 55 (at reduced benefits) or after age 60 (at full benefits) with eight years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any consecutive 48 months within the last 10 years of service, divided by 48. Under Tier 1, the pension is increased by 3% of the original amount on January 1 every year after retirement.

Employees hired ***on or after*** January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating employees who retire at age 62 (at reduced benefits) or after age 67 (at full benefits) with ten years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any 96 consecutive months within the last 10 years of service, divided by 96. Under Tier 2, the pension is increased on January 1 every year after retirement, upon reaching age 67, by the *lesser* of:

- 3% of the original pension amount, or
- 1/2 of the increase in the Consumer Price Index of the original pension amount.

NOTE 9 – PENSION PLAN (Continued)

Employees Covered by Benefit Terms

As of December 31, 2017, the following employees were covered by the benefit terms:

	IMRF
Retirees and Beneficiaries currently receiving benefits	2
Inactive Plan Members entitled to but not yet receiving benefits	8
Active Plan Members	14
Total	24

Contributions

As set by statute, the Commission's Regular Plan Members are required to contribute 4.5% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The Commission's annual contribution rate for calendar year 2017 was 8.17%. For the fiscal year ended June 30, 2018, the Commission contributed $95,445 to the plan. The Commission also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Net Pension Asset

The Commission's net pension asset was measured as of December 31, 2017. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The following are the methods and assumptions used to determine total pension liability at December 31, 2017:

- The **Actuarial Cost Method** used was Entry Age Normal.
- The **Inflation Rate** was assumed to be 2.50%.
- **Salary Increases** were expected to be 3.39% to 14.25%, including inflation.
- The **Investment Rate of Return** was assumed to be 7.50%, including inflation.
- **Projected Retirement Age** was from the Experience-based Table of Rates, specific to the type of eligibility condition, last updated for the 2017 valuation according to an experience study from years 2014-2016.
- The IMRF-specific rates for **Mortality** (for non-disabled retirees): an IMRF specific mortality table was used with fully generational protection scale MP-2017 (base year 2015). The IMRF specific rates were developed from RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience.
- For **Disabled Retirees**, an IMRF-specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustments that were applied for non-disabled lives.
- For **Active Members**, an IMRF- specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

NOTE 9 – PENSION PLAN (Continued)

- The **long-term expected rate of return** on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table as of December 31, 2017:

Asset Class	Portfolio Target Percentage	Long-Term Expected Real Rate of Return
Domestic Equity	37%	6.85%
International Equity	18%	6.75%
Fixed Income	28%	3.00%
Real Estate	9%	5.75%
Alternative Investments	7%	2.65-7.35%
Cash Equivalents	1%	2.25%
Total	100%	

Single Discount Rate

A single discount rate of 7.50% was used to measure the total pension liability. The projection of cash flow used to determine this single discount rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The single discount rate reflects:

1. The long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits), and
2. The tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments of 7.5% was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 9 – PENSION PLAN (Continued)

Changes in the Net Pension (Asset) Liability

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension (Asset) Liability (A) - (B)
Balances at December 31, 2016	1,690,169	1,663,034	27,135
Changes for the year:			
Service Cost	118,539		118,539
Interest on the Total Pension Liability	129,569		129,569
Changes of Benefit Terms			-
Differences Between Expected and Actual Experience of the Total Pension Liability	62,197		62,197
Changes of Assumptions	(42,005)		(42,005)
Contributions - Employer		100,716	(100,716)
Contributions - Employees		55,473	(55,473)
Net Investment Income		262,234	(262,234)
Benefit Payments, including Refunds of Employee Contributions	(43,713)	(43,713)	-
Other (Net Transfer)		(16,767)	16,767
Net Changes	224,587	357,943	(133,356)
Balances at December 31, 2017	1,914,756	2,020,977	(106,221)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the plan's net pension liability, calculated using a single discount rate of 7.50%, as well as what the plan's net pension liability (asset) would be if it were calculated using a single discount rate that is 1% lower or 1% higher:

	1% Lower (6.50%)	Current (7.50%)	1% Higher (8.50%)
Net Pension Liability (Asset)	$ 133,111	$ (106,221)	$ (300,538)

NOTE 9 – PENSION PLAN (Continued)

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2018, the Commission recognized pension income of $73,718. At June 30, 2018, the Commission reported deferred outflows or resources and deferred inflows of resources related to pensions from the following sources:

Deferred Amounts Related to Pensions	Deferred Outflows of Resources	Deferred Inflows of Resources
Deferred Amounts to be Recognized in Pension Expense in Future Periods		
Differences between expected and actual experience	$ 108,422	$ 200,263
Changes of assumptions	36,867	34,968
Net difference between projected and actual earnings on pension plan investments	-	56,021
Total Deferred Amounts to be recognized in pension expense in future periods	145,289	291,252
Pension Contributions made subsequent to the Measurement Date	47,402	-
Total Deferred Amounts Related to Pensions	$ 192,691	$ 291,252

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future periods as follows:

Year Ending December 31	Net Deferred Inflows (Outflows) of Resources
2018	$ (152,536)
2019	343
2020	1,961
2021	(363)
2022	4,632
Thereafter	-
Total	$ (145,963)

NOTE 10 – TENANT IMPROVEMENTS

The Commission renovated the second floor at 2100 W. Harrison Street to accommodate changes with the new tenant, Jesse Brown VA Medical Center (VA) effective October 2012. In connection with this renovation, VA paid $760,041 towards tenant improvements which is amortized over the life of the lease. A portion of such tenant improvements amounting to $46,583 has been recognized as revenue in fiscal year 2018. There is no remaining balance to amortize in future years.

REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)

Illinois Medical District Commission
(Component Unit of the State of Illinois)
Schedule of Changes in the Net Pension Liability and Related Ratios
Calendar Years Ended December 31, 2014 – 2017

	2017	2016	2015	2014
Total Pension Liability				
Service Cost	$ 118,539	$ -	$ 157,246	$ 140,414
Interest on the Total Pension Liability	129,569	91,236	135,165	105,043
Changes of Benefit Terms	-	-	-	-
Differences Between Expected and Actual Experience of the Total Pension Liability	62,197	412,773	(735,250)	112,472
Changes of Assumptions	(42,005)	-	-	73,198
Benefit Payments, including Refunds of Employee Contributions	(43,713)	(60,637)	(67,881)	(7,945)
Net Change in Total Pension Liability	224,587	443,372	(510,720)	423,182
Total Pension Liability - Beginning	1,690,169	1,246,797	1,757,517	1,334,335
Total Pension Liability - Ending (A)	$ 1,914,756	$ 1,690,169	$ 1,246,797	$ 1,757,517
Plan Fiduciary Net Position				
Contributions - Employer	$ 100,716	$ 121,825	$ 106,338	$ 164,465
Contributions - Employees	55,473	56,513	48,731	65,435
Net Investment Income	262,234	101,434	7,537	78,386
Benefit Payments, including Refunds of Employee Contributions	(43,713)	(60,637)	(67,881)	(7,945)
Other (Net Transfers)	(16,767)	(9,221)	(105,321)	(10,664)
Net Change in Plan Fiduciary Net Position	357,943	209,914	(10,596)	289,677
Plan Fiduciary Net Position - Beginning	1,663,034	1,453,120	1,463,716	1,174,039
Plan Fiduciary Net Position - Ending (B)	$ 2,020,977	$ 1,663,034	$ 1,453,120	$ 1,463,716
Net Pension Liability (Asset) - Ending (A) - (B)	$ (106,221)	$ 27,135	$ (206,323)	$ 293,801
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	105.55%	98.39%	116.55%	83.28%
Covered Valuation Payroll	1,232,764	1,138,181	1,073,036	1,454,154
Net Pension Liability as a Percentage of Covered Valuation Payroll	-8.62%	2.38%	-19.23%	20.20%

This schedule is to be built prospectively from 2014 until 10 years are provided.

Illinois Medical District Commission
(Component Unit of the State of Illinois)
Schedule of Employer Contributions
For the last Ten Calendar Years

Calendar Year Ended December 31,	Actuarily Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Valuation Payroll	Actual Contribution as a Percentage of Covered Valuation Payroll
2017	$100,717	$100,716	$1	$1,232,764	8.17%
2016	$110,290	$121,825	($11,535)	$1,138,181	10.70%
2015	105,158	106,338	(1,180)	1,073,036	9.91%
2014	172,462	164,465	7,997	1,524,867	10.79%
2013	147,708	147,708	0	1,169,500	12.63%
2012	119,922	119,922	0	892,940	13.43%
2011	98,076	98,076	0	754,427	13.00%
2010	104,081	88,963	15,118	726,824	12.24%
2009	68,461	68,461	0	615,108	11.13%
2008	62,815	62,815	0	491,897	12.77%

Illinois Medical District Commission
(Component Unit of the State of Illinois)
Schedule of Employer Contributions (continued)
Calendar Years Ended December 31, 2017 and 2016

Notes to Schedule:

Summary of Actuarial Methods and Assumptions Used in the Calculation of the 2017 Contribution Rate*

Valuation Date:

Notes	Actuarially determined contribution rates are calculated as of December 31 each year, which are 18 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine 2017 Contribution Rates:

Actuarial Cost Method:	Aggregate entry age = normal
Amortization Method:	Level percentage of payroll, closed
Remaining Amortization Period:	Non-taxing bodies: 10-year rolling period
Asset Valuation Method:	5-year smoothed market; 20% corridor
Wage Growth:	3.5%
Price Inflation:	2.75%, approximate; No explicit price inflation assumption is used in this valuation.
Salary Increases:	3.75% to 14.50%, including inflation
Investment Rate of Return:	7.50%
Retirement Age:	Experience-based table of rates that are specific to the type of eligibility condition; last updated for the 2014 valuation pursuant to an experience study of the period 2011 to 2013.
Mortality:	For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table, with adjustments to match current IMRF experience.

Other Information:

Notes:	There were no benefit changes during the year.

* Based on Valuation Assumptions used in the December 31, 2015 actuarial valuation.