# Illinois Medical District Commission

(a component unit of the State of Illinois)

**Financial Report**
**with Supplementary Information**
**June 30, 2023**

# Contents

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## Independent Auditor's Report

To the Board of Commissioners
Illinois Medical District Commission

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the 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, 2023 and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Commission as of June 30, 2023 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.

#### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Commission and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

#### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

To the Board of Commissioners
Illinois Medical District Commission

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Commission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 supplementary 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.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2023 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 18, 2023

This section of Illinois Medical District Commission's (the "Commission") financial report presents our discussion and analysis of the Commission's financial performance during the fiscal year ended June 30, 2023. Please read it in conjunction with the Commission's financial statements, which follow this section.

***Financial Highlights***

- The Commission's total net position decreased to $51,524,629. This year's decrease of $3,204,970 is attributable to the Commission's impairment on a building offset by the decrease in operating expenses other than depreciation. For the year ended June 30, 2022, the Commission's net position increased by $1,518,183, which was the result of increased operating revenue.
- During fiscal year 2023, the Commission's operating expenses were $5,335,559, a decrease of $546,323 compared to fiscal year 2022's operating expenses. The fiscal year 2023 expense decrease is attributed to decrease in broker commissions. During fiscal year 2022, the Commission's operating expenses were $5,881,882.
- During fiscal year 2023, the Commission's operating revenue was $7,095,668, a decrease of 3 percent compared to fiscal year 2022 operating revenue of $7,327,082. Nonoperating expense between fiscal year 2023 and fiscal year 2022 has increased by $5,383,219 as a result of the loss on permanent impairment of capital asset during the current fiscal year.

***Overview of the Financial Statements***

The 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 the Commission's 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 revenue, expenses, and changes in net position - Provides information as to the increase or decrease of current year revenue 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, capital financing activities, and investing activities.

The following table presents condensed financial information about the Commission's financial position as of June 30, 2023 and 2022:

***The Commission's Net Position***

| | 2022 | 2023 |
|---|---|---|
| **Assets** | | |
| Other assets | $ 57,914,986 | $ 61,026,942 |
| Capital assets | 59,950,998 | 54,815,798 |
| Total assets | 117,865,984 | 115,842,740 |
| **Deferred Outflows of Resources** | 119,845 | 421,260 |
| **Liabilities** | | |
| Current liabilities | 3,552,399 | 3,149,561 |
| Long-term liabilities | 28,044,366 | 26,310,336 |
| Total liabilities | 31,596,765 | 29,459,897 |
| **Deferred Inflows of Resources** | 31,659,465 | 35,279,474 |
| **Net Position** | | |
| Net investment in capital assets | 45,972,087 | 41,298,434 |
| Unrestricted | 8,757,512 | 10,226,195 |
| Total net position | **$ 54,729,599** | **$ 51,524,629** |

Other assets increased by $3,111,956, from $57,914,986 as of June 30, 2022 compared to $61,026,942 as of June 30, 2023. The main difference in other assets is attributable to an increase in short- and long-term lease receivable assets in fiscal year 2023. As of June 30, 2023, capital assets decreased by $5,135,200 from June 30, 2022 as a result of an impairment recorded on a building.

In fiscal year 2023, net short-term liabilities decreased by $402,838. Short-term liabilities decreased because of the usage of grant unearned revenue during fiscal year 2023.

Net long-term liabilities decreased by $1,734,030 in fiscal year 2023, as explained in Note 6 to the financial statements. Long-term liabilities decreased because of the repayments made on the outstanding mortgage balance and certificates of participation.

Deferred inflows of resources increased by $3,620,009 in fiscal year 2023. Deferred pension costs decreased from $740,666 as of June 30, 2022 to $335,194 as of June 30, 2023. The Commission recorded a deferred inflow from leases of $34,944,280 as of June 30, 2023, an increase of $4,025,481 from June 30, 2022 as a result of new lease arrangements during the fiscal year.

The following table presents condensed information about the Commission's revenue and expenses for the years ended June 30, 2023 and 2022:

| | 2022 | 2023 |
|---|---|---|
| **Revenue** | | |
| Operating revenue | $ 7,327,082 | $ 7,095,668 |
| Nonoperating revenue | 1,565,498 | 1,856,341 |
| Total revenue | 8,892,580 | 8,952,009 |
| **Expenses** | | |
| Operating expenses other than depreciation | 4,095,177 | 3,543,815 |
| Depreciation | 1,786,705 | 1,791,744 |
| Loss on permanent impairment of capital asset | - | 5,401,979 |
| Interest expense | 1,492,515 | 1,419,441 |
| Total expenses | 7,374,397 | 12,156,979 |
| **Change in Net Position** | 1,518,183 | (3,204,970) |
| **Net Position** - Beginning of year | 53,211,416 | 54,729,599 |
| **Net Position** - End of year | **$ 54,729,599** | **$ 51,524,629** |

Operating revenue decreased by 3.2 percent in fiscal year 2023. Operating expenses other than depreciation decreased by $551,362, which is a 13.5 percent decrease. This decrease is driven by the decrease in broker commissions compared to fiscal year 2022. The Commission recorded a loss on permanent impairment of capital asset in the amount of $5,401,979 during the year ended June 30, 2023.

In 2023, the Commission received nonoperating capital grant income of $1,040,625, an increase of $345,157 over fiscal year 2022.

### *Budgetary Highlights*

The 2023 actual results in comparison to the operating budget were favorable. The Commission's 2023 budget called for budgetary income of $1,801,000. The Commission ended fiscal year 2023 with budgetary income (operating revenue less operating expenses other than depreciation) of $3,551,853. This positive variance of $1,750,853 is largely attributed to increased nonoperating revenue and decreased broker commission expenses.

### *Capital Assets and Debt Administration*

At the end of 2023, the Commission had invested $54,815,798 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 $5,135,200, or 8.6 percent, over last year.

At year end, the Commission had $27,912,364 in notes payable outstanding, a net decrease of 5.7 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 year 2024.

### *Contacting the Commission's Management*

This financial report is intended to provide a general overview of the Commission's finances and demonstrate the Commission's accountability for the money it receives. If you have questions about this report or need additional information, please contact the Commission at accounting@medicaldistrict.org.

# Statement of Net Position

| | June 30, 2023 |
|---|---|
| **Assets** | |
| Current assets: | |
| Cash and cash equivalents (Note 3) | $ 2,992,992 |
| Investments (Note 3) | 3,000,000 |
| Receivables: | |
| Accounts receivable - Net (Note 4) | 99,738 |
| Interest receivable (Note 4) | 63,597 |
| Leases receivable (Note 11) | 3,090,451 |
| Notes receivable (Note 4) | 1,579,840 |
| Total current assets | 10,826,618 |
| Noncurrent assets: | |
| Restricted cash and cash equivalents (Note 3) | 939,847 |
| Net pension asset (Note 9) | 401,986 |
| Capital assets: (Note 5) | |
| Assets not subject to depreciation | 37,847,104 |
| Assets subject to depreciation - Net | 16,968,694 |
| Loan receivable (Note 4) | 100,000 |
| Lease receivable (Note 11) | 33,714,929 |
| Notes receivable (Note 4) | 15,040,700 |
| Other noncurrent assets | 2,862 |
| Total noncurrent assets | 105,016,122 |
| Total assets | 115,842,740 |
| **Deferred Outflows of Resources** - Deferred pension costs (Note 9) | 421,260 |
| **Liabilities** | |
| Current liabilities: | |
| Accounts payable | 329,554 |
| Accrued liabilities and other: | |
| Interest payable (Note 6) | 79,036 |
| Security deposits | 237,544 |
| Unearned revenue | 766,150 |
| Mortgage payable (Note 6) | 442,277 |
| Certificates of participation (Note 6) | 1,295,000 |
| Total current liabilities | 3,149,561 |
| Noncurrent liabilities: | |
| Compensated absences | 135,249 |
| Mortgage payable (Note 6) | 13,075,087 |
| Certificates of participation (Note 6) | 13,100,000 |
| Total noncurrent liabilities | 26,310,336 |
| Total liabilities | 29,459,897 |
| **Deferred Inflows of Resources** | |
| Deferred pension costs (Note 9) | 335,194 |
| Deferred inflows from leases | 34,944,280 |
| Total deferred inflows of resources | 35,279,474 |
| **Net Position** | |
| Net investment in capital assets | 41,298,434 |
| Unrestricted | 10,226,195 |
| Total net position | **$ 51,524,629** |

See notes to financial statements.

## Illinois Medical District Commission

# Statement of Revenue, Expenses, and Changes in Net Position

| | Year Ended June 30, 2023 |
|---|---|
| **Operating Revenue** | |
| Rental income (Note 11) | $ 4,707,642 |
| Interest income from leases (Note 11) | 2,192,105 |
| Tenant reimbursement revenue | 20,796 |
| Other operating revenue | 175,125 |
| Total operating revenue | 7,095,668 |
| **Operating Expenses** | |
| Audit and accounting | 61,100 |
| Broker commissions | 144,670 |
| Consulting services | 144,669 |
| Donations | 19,899 |
| Dues and subscriptions | 15,173 |
| Insurance | 194,919 |
| Legal fees | 96,001 |
| Office expense | 11,749 |
| Other contractual services | 38,415 |
| Other expenses | 4,584 |
| Professional fees | 286,608 |
| Repairs and maintenance | 521,098 |
| Salaries, wages, and related expenses | 1,595,715 |
| Software services | 39,975 |
| Telecommunications | 35,369 |
| Travel expense | 2,243 |
| Utilities | 331,628 |
| Depreciation | 1,791,744 |
| Total operating expenses | 5,335,559 |
| **Operating Income** | 1,760,109 |
| **Nonoperating Revenue (Expenses)** | |
| Interest income | 815,716 |
| Loss on permanent impairment of capital assets (Note 5) | (5,401,979) |
| Interest expense | (1,419,441) |
| Total nonoperating expenses | (6,005,704) |
| **Expense** - Before capital grant income | (4,245,595) |
| **Capital Grant Income** (Note 10) | 1,040,625 |
| **Change in Net Position** | (3,204,970) |
| **Net Position** - Beginning of year | 54,729,599 |
| **Net Position** - End of year | **$ 51,524,629** |

See notes to financial statements.

# Statement of Cash Flows

| | Year Ended June 30, 2023 |
|---|---|
| **Cash Flows from Operating Activities** | |
| Payments received from tenants | $ 6,083,136 |
| Payments to suppliers | (1,854,783) |
| Payments to employees | (1,713,418) |
| Net cash provided by operating activities | 2,514,935 |
| **Cash Flows from Capital Financing Activities** | |
| Purchase of capital assets | (2,058,525) |
| Principal paid on capital debt and leases | (461,547) |
| Proceeds from capital grants | 487,179 |
| Interest paid on capital debt and leases | (1,430,342) |
| Net cash used in capital financing activities | (3,463,235) |
| **Cash Flows from Investing Activities** | |
| Collections on notes receivable | 284,840 |
| Interest income | 821,073 |
| Purchase of investment securities | (3,000,000) |
| Net cash used in investing activities | (1,894,087) |
| **Net Decrease in Cash and Cash Equivalents** | (2,842,387) |
| **Cash and Cash Equivalents** - Beginning of year | 6,775,226 |
| **Cash and Cash Equivalents** - End of year | **$ 3,932,839** |
| **Classification of Cash and Cash Equivalents** | |
| Cash and cash equivalents | $ 2,992,992 |
| Restricted cash and cash equivalents | 939,847 |
| Total cash and cash equivalents | **$ 3,932,839** |
| **Reconciliation of Operating Income to Net Cash from Operating Activities** | |
| Operating income | $ 1,760,109 |
| Adjustments to reconcile operating income to net cash from operating activities: | |
| Depreciation | 1,791,744 |
| Changes in assets and liabilities: | |
| Accounts receivable | 11,065 |
| Other assets | (2,622) |
| Deferred outflows and inflows | (120,925) |
| Accounts payable and accrued expenses | 95,939 |
| Unearned revenue | 32,610 |
| Security deposits | (7,745) |
| Compensated absences | 3,222 |
| Deferred lease inflow and lease receivable | (1,048,462) |
| Net cash provided by operating activities | **$ 2,514,935** |
| **Significant Noncash Transactions** | |
| Noncash payments received on notes receivable | $ 2,048,926 |
| Noncash payments made on certificates of participation | (2,048,926) |
| Loss on permanent impairment of capital asset | (5,401,979) |

See notes to financial statements.

## Note 1 - Nature of Business

Illinois Medical District Commission (the "Commission") is a special district created by statute (70 ILCS 915/0.01 et seq.). Under this statute, 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; therefore, the Commission is no longer considered a state agency. The Commission 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 and 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 (the "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 Policies

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

***Financial Reporting Entity***

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

- 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

- 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 financial statements are, therefore, also included in the State's Annual Comprehensive Financial Report. The State of Illinois' Annual Comprehensive Financial Report (ACFR) may be obtained by writing to the State Comptroller's Office, Financial Reporting Department, 325 West Adams Street, Springfield, IL 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 Policies (Continued)

***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. Revenue is 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 is 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 revenue 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 2023, the Commission did not receive an appropriation from the State of Illinois.

***Classification of Revenue and Expenses***

The Commission has classified its revenue and expenses as either operating or nonoperating according to the following criteria:

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

Nonoperating revenue and expenses - Include investment income, interest expense, loss on permanent impairment of capital asset, and capital grant income.

***Cash and Cash Equivalents***

Cash and cash equivalents include money market accounts and cash in banks for locally held funds.

***Restricted Assets***

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

***Investments***

The Commission reports investments at fair value. The net change in the fair value of investments includes both realized and unrealized gains and losses.

***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 include amounts due from the University of Illinois and the Illinois State Police related to installment sales of real property.

***Capital Assets***

Capital assets include property and equipment that are recorded at cost and useful lives over one year. Donated assets are reported at acquisition value when received. Capital assets are depreciated using the straight-line method.

## Note 2 - Significant Accounting Policies (Continued)

Capitalization thresholds and estimated useful lives are as follows:

| | Capitalization Threshold | Estimated Useful Life |
|---|---|---|
| Land | $100,000 | - |
| 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 |

***Permanent Impairment of Capital Asset***

The Commission reviews the recoverability of long-lived assets, including buildings and equipment, when events or changes in circumstances occur that indicate the carrying value of the asset may not be recoverable. The assessment of possible impairment is based on the ability to recover the carrying value of the asset from the expected future pretax cash flows (undiscounted and without interest charges) of the related operations. If these cash flows are less than the carrying value of such asset, an impairment loss is recognized for the difference between estimated fair value and carrying value. The measurement of impairment requires management to make estimates of these cash flows related to long-lived assets, as well as other fair value determinations.

During 2023, a building was deemed to be impaired and unhabitable in its current state. The building has remained vacant for multiple years. The cost to make the building inhabitable was deemed higher than the net book value of the building. The Commission concluded to write off the entire net book value of the building as of June 30, 2023. An impairment loss of $5,401,979 has been recorded in 2023.

***Leases***

The Commission is a lessor for noncancelable leases of land and buildings. The Commission recognizes a lease receivable and a deferred inflow of resources in the financial statements.

At the commencement of a lease, the Commission initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the Commission determines the discount rate it uses to discount the expected lease receipts to present value, lease term, and lease receipts.

- The Commission uses the actual rate charged to lessees as the discount rate for leases.
- The lease term includes the noncancelable period of the lease and periods covered by options to extend if reasonably certain to be exercised. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The Commission monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

***Long-term Obligations***

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

## Note 2 - Significant Accounting Policies (Continued)

***Deferred Outflows and Inflows of Resources***

In addition to assets, the statement of net 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 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 net 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 and so will not be recognized as an inflow of resources (revenue) until that time. The Commission has two items that qualify for reporting in this category. They are related to the deferred pension expenses associated with the differences between actual and expected experience and deferred lease revenue previously described.

***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.

***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.

***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. There is no restricted net position at June 30, 2023.

Unrestricted - This consists of net position that does not meet the definition of restricted or net investment in capital assets.

***Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

## Note 2 - Significant Accounting Policies (Continued)

***Upcoming Accounting Pronouncement***

In June 2022, the Governmental Accounting Standards Board issued Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences under a unified model. This statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means and establishes guidance for measuring a liability for leave that has not been used. It also updates disclosure requirements for compensated absences. The provisions of this statement are effective for the Commission's financial statements for the year ending June 30, 2025.

***Subsequent Events***

The financial statements and related disclosures include evaluation of events up through and including October 18, 2023, which is the date the financial statements were available to be issued.

## 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 and investments are presented below, and the financial statement captions shown on the statement of net position as of June 30, 2023 are as follows:

| | |
|---|---|
| Investments | $ 3,000,000 |
| Carrying amount of deposits | 3,932,839 |
| | |
| Cash and cash equivalents - Current | $ 2,992,992 |
| Cash and cash equivalents - Restricted for grants and security deposits | 939,847 |
| | $ 3,932,839 |

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 of the State Treasury. As of June 30, 2023, no commission funds were held in the State Treasury.

***Deposits***

The Commission utilizes different bank accounts for the various activities of the Commission. The book balance of such accounts was $3,932,839 at June 30, 2023, while the bank balance was $4,024,935 at June 30, 2023. The difference between the above amounts primarily represents checks and deposits that 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, 2023, the Commission had no deposits that were uninsured or uncollateralized. The Commission, therefore, has no custodial credit risk related to its deposits.

## Note 3 - Deposits and Investments (Continued)

***Custodial Credit Risk of Investments***

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Commission will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Commissions does not have a policy for custodial credit risk. At June 30, 2023, the Commission held $3,000,000 in U.S. Treasury securities that were uninsured and unregistered, with securities held by a third-party administrator.

***Interest Rate Risk***

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Commission's investment policy does not restrict investment maturities. At year end, the average maturities of U.S. Treasury securities was less than one year in the amount of $3,000,000.

***Credit Risk***

The Commission has no investment policy that would further limit its investment choices except as noted in the state statute. As of June 30, 2023, the credit quality ratings of debt securities in U.S. Treasury securities were AA+.

***Concentration of Credit Risk***

The Commission places no limit on the amount it may invest in any one issuer. At June 30, 2023, the Commission has 100 percent of its investment portfolio invested in U.S. Treasury securities.

***Fair Value Measurements***

The Commission categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Commission’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The Commission has the following recurring fair value measurements as of June 30, 2023:

| | Assets and Liabilities Measured at Carrying Value on a Recurring Basis at June 30, 2023 | | | |
|---|---|---|---|---|
| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Balance at June 30, 2023 |
| U.S. Treasury securities | $ 3,000,000 | $ - | $ - | $ 3,000,000 |

U.S Treasury securities classified in Level 1 are valued using prices quoted in active markets for those securities.

## 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 and the related allowance for doubtful accounts:

| | Rent and Related Fees |
|---|---|
| Accounts receivable | $ 119,738 |
| Allowance for doubtful accounts | (20,000) |
| Net | $ 99,738 |

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 $63,597 related to the installment sale of real estate described in Note 6.

***Notes Receivable***

Notes receivable, inclusive of imputed interest, represent 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. The total note receivable as of June 30, 2023 was $16,551,400.

The second contract was entered into with the Illinois State Police (ISP) in July 2004. In accordance with this contract, the Commission sold certain parcels of land and agreed to construct a parking lot thereon. In turn, the ISP will make annual payments (inclusive of imputed interest) over 20 years, totaling $2,164,668. The total note receivable as of June 30, 2023 was $69,140.

***Loan Receivable***

On February 14, 2020, the Commission entered into an agreement with the Chicago Community Loan Fund (CCLF), an Illinois not-for-profit corporation. The agreement provides $100,000 to the CCLF to be used for projects that will benefit communities in the Chicagoland area in categories such as health care, education, and economic vitality. The term of the agreement is three years, with an interest rate of 2.25 percent paid semiannually. On February 14, 2023, this agreement was renewed for an additional three years.

## Note 5 - Capital Assets

Capital asset activity for the year ended June 30, 2023 was as follows:

| | Balance July 1, 2022 | Additions | Deletions | Balance June 30, 2023 |
|---|---|---|---|---|
| Capital assets not being depreciated: | | | | |
| Land and land improvements | $ 36,896,384 | $ 949,525 | $ - | $ 37,845,909 |
| Construction in progress | 34,886 | 464,803 | (498,494) | 1,195 |
| Subtotal | 36,931,270 | 1,414,328 | (498,494) | 37,847,104 |
| Capital assets being depreciated: | | | | |
| Site improvements | 4,230,137 | 194,500 | - | 4,424,637 |
| Buildings and improvements | 41,041,018 | 948,189 | (6,593,874) | 35,395,333 |
| Equipment | 82,874 | - | - | 82,874 |
| Subtotal | 45,354,029 | 1,142,689 | (6,593,874) | 39,902,844 |
| Accumulated depreciation: | | | | |
| Site improvements | 1,643,808 | 216,803 | - | 1,860,611 |
| Buildings and improvements | 20,641,633 | 1,564,009 | (1,191,895) | 21,013,747 |
| Equipment | 48,860 | 10,932 | - | 59,792 |
| Subtotal | 22,334,301 | 1,791,744 | (1,191,895) | 22,934,150 |
| Net capital assets being depreciated | 23,019,728 | (649,055) | (5,401,979) | 16,968,694 |
| Net capital assets | $ 59,950,998 | $ 765,273 | $ (5,900,473) | $ 54,815,798 |

The Commission's nonoperating revenue (expenses) on the statement of revenue, expenses, and changes in net position includes a permanent impairment loss of $5,401,979.

## Note 6 - Short-term and Long-term Debt

***Interest Payable***

Interest payable includes interest payable on the Signature Bank mortgage of $21,380 and interest payable on certificates of participation of $57,656.

***Certificates of Participation***

On June 1, 2002, the Commission issued certificates of participation totaling $30,625,000 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 percent to 5.25 percent, with interest paid semiannually on June 1 and December 1. The balance outstanding was $14,395,000 as of June 30, 2023.

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

| | Balance July 1, 2022 | Draws | Payments | Balance June 30, 2023 | Due within One Year |
|---|---|---|---|---|---|
| Certificates of participation | $ 15,630,000 | $ - | $ (1,235,000) | $ 14,395,000 | $ 1,295,000 |

## Note 6 - Short-term and Long-term Debt (Continued)

Sinking Fund maturities and interest requirements on the certificates of participation payable at June 30, 2023 are as follows:

| Years Ending June 30 | Principal | Interest | Total |
|---|---|---|---|
| 2024 | $ 1,295,000 | $ 750,631 | $ 2,045,631 |
| 2025 | 1,360,000 | 684,263 | 2,044,263 |
| 2026 | 1,430,000 | 614,563 | 2,044,563 |
| 2027 | 1,505,000 | 541,275 | 2,046,275 |
| 2028 | 1,585,000 | 462,263 | 2,047,263 |
| 2029-2032 | 7,220,000 | 971,777 | 8,191,777 |
| Total | $ 14,395,000 | $ 4,024,772 | $ 18,419,772 |

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 (see 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 December 16, 2021, the Commission refinanced two mortgages originally dated September 1, 2016 and June 30, 2017. The fiscal year beginning mortgage balances prior to refinancing were $10,624,457 and $3,739,356, respectively. The refinanced mortgage was $14,202,995, which is collateralized by security interests in certain properties. There was no additional debt taken on to refinance the previous mortgages. This mortgage note has various principal payments until it matures on December 16, 2026 with the final principal payment of $11,779,720 due on the maturity date. The coupon rate on the mortgage note is 4.38 percent, with interest paid monthly.

Changes in long-term debt related to direct borrowings of mortgage notes were as follows:

| | Balance July 1, 2022 | Draws | Payments | Balance June 30, 2023 | Due within One Year |
|---|---|---|---|---|---|
| Mortgages | $ 13,978,911 | $ - | $ (461,547) | $ 13,517,364 | $ 442,277 |

Future principal and interest requirements on these notes at June 30, 2023 are as follows:

| Years Ending June 30 | Principal | Interest | Total |
|---|---|---|---|
| 2024 | $ 442,277 | $ 591,404 | $ 1,033,681 |
| 2025 | 504,287 | 567,985 | 1,072,272 |
| 2026 | 527,143 | 545,093 | 1,072,236 |
| 2027 | 12,043,657 | 264,787 | 12,308,444 |
| Total | $ 13,517,364 | $ 1,969,269 | $ 15,486,633 |

***Debt Service Coverage Ratio***

The mortgage loan and security agreement requires the Commission to achieve a debt service coverage ratio of at least 1.20 for each fiscal year commencing with the fiscal year beginning on July 1, 2021. For the fiscal year ended June 30, 2023, using the language definition of debt service coverage found in the loan agreements, the Commission calculated the ratios to exceed the minimum for the mortgage.

## Note 7 - Risk Management

The Commission is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees.

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 - Contingencies

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 financial statements of the Commission is necessary at June 30, 2023, 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 Illinois Medical District Commission defined benefit pension plan for regular employees provides retirement and disability benefits, postretirement 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 multiemployer 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 Annual Comprehensive 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 8 years of qualifying service credit. Tier 1 employees who retire at age 55 (at reduced benefits) or after age 60 (at full benefits) with 8 years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1.667 percent of the final rate of earnings for the first 15 years of service credit, plus 2 percent for each year of service credit after 15 years to a maximum of 75 percent 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 percent of the original amount on January 1 every year after retirement.

## Note 9 - Pension Plan (Continued)

Employees hired on or after January 1, 2011 are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after 10 years of service. Participating employees who retire at age 62 (at reduced benefits) or after age 67 (at full benefits) with 10 years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1.667 percent of the final rate of earnings for the first 15 years of service credit, plus 2 percent for each year of service credit after 15 years to a maximum of 75 percent 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 percent of the original pension amount
- One-half of the increase in the Consumer Price Index of the original pension amount

### *Employees Covered by Benefit Terms*

As of December 31, 2022, the following members were covered by the benefit terms:

| | Illinois Municipal Retirement Fund |
|---|---|
| Inactive plan members or beneficiaries currently receiving benefits | 6 |
| Inactive plan members entitled to but not yet receiving benefits | 9 |
| Active plan members | 11 |
| Total employees covered by the plan | 26 |

### *Contributions*

As set by statute, the Commission’s Regular Plan members are required to contribute 4.5 percent 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 2023 was 4.5 percent. For the fiscal year ended June 30, 2023, the Commission contributed $55,472 to the plan. The Commission also contributes for disability benefits, death benefits, and supplementary 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 supplementary retirement benefits rate is set by statute.

### *Net Pension Asset*

The Commission's net pension asset was measured as of December 31, 2022. The total pension liability was determined by an actuarial valuation performed as of that date.

## Note 9 - Pension Plan (Continued)

| Changes in Net Pension Asset | Increase (Decrease) Total Pension Liability | Plan Net Position | Net Pension Asset |
|---|---|---|---|
| **Balance at December 31, 2021** | $ 2,236,753 | $ 3,224,701 | $ (987,948) |
| Changes for the year: | | | |
| Service cost | 103,071 | - | 103,071 |
| Interest | 161,252 | - | 161,252 |
| Differences between expected and actual experience | 143,684 | - | 143,684 |
| Contributions - Employer | - | 55,472 | (55,472) |
| Contributions - Employee | - | 55,471 | (55,471) |
| Net investment loss | - | (345,446) | 345,446 |
| Benefit payments, including refunds | (128,243) | (128,243) | - |
| Miscellaneous other charges | - | 56,548 | (56,548) |
| Net changes | 279,764 | (306,198) | 585,962 |
| **Balance at December 31, 2022** | $ 2,516,517 | $ 2,918,503 | $ (401,986) |

### *Actuarial Assumptions*

The following are the methods and assumptions used to determine total pension liability at December 31, 2022:

- The actuarial cost method used was entry age normal.
- The inflation rate was assumed to be 2.25 percent.
- Salary increases were expected to be 2.85 percent to 13.75 percent, including inflation.
- The investment rate of return was assumed to be 7.25 percent, including inflation.
- Projected retirement age was from the experience-based table of rates, specific to the type of eligibility condition, last updated for the 2020 valuation according to an experience study for the years from 2017 to 2019.
- For nondisabled retirees, the Pub-2010, Amount-Weighted, below-median income, General, Retiree, Male (adjusted 106 percent) and Female (adjusted 105 percent) tables, and future mortality improvements projected using scale MP-2020
- For disabled retirees, the Pub-2010, Amount-Weighted, below-median income, General, Disabled Retiree, Male and Female (both unadjusted) tables, and future mortality improvements projected using scale MP-2020
- For active members, the Pub-2010, Amount-Weighted, below-median income, General, Employee, Male and Female (both unadjusted) tables, and future mortality improvements projected using scale MP-2020

## Note 9 - Pension Plan (Continued)

***Investment Rate of Return***

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, 2022:

| Asset Class | Target Allocation | Long-term Expected Real Rate of Return |
|---|---|---|
| Domestic equity | 35.50 % | 6.50 % |
| International equity | 18.00 | 7.60 |
| Fixed income | 25.50 | 4.90 |
| Real estate | 10.50 | 6.20 |
| Alternative investments | 9.50 | 6.25-9.90 |
| Cash or cash equivalents | 1.00 | 4.00 |

***Single Discount Rate***

A single discount rate of 7.25 percent 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 the following:

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)

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 7.25 percent was applied to all periods of projected benefit payments to determine the total pension liability.

***Sensitivity of the Net Pension Asset to Changes in the Discount Rate***

The following presents the plan's net pension asset, calculated using a single discount rate of 7.25 percent, as well as what the plan's net pension asset would be if it were calculated using a single discount rate that is 1 percentage point lower or 1 percentage point higher:

| | 1 Percentage Point Decrease (6.25%) | Current Discount Rate (7.25%) | 1 Percentage Point Increase (8.25%) |
|---|---|---|---|
| Net pension asset | $ 82,132 | $ 401,986 | $ 611,654 |

## 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, 2023, the Commission recognized pension recovery of $90,600. At June 30, 2023, 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 | $ 142,121 | $ (322,308) |
| Changes of assumptions | 13,997 | (12,886) |
| Net difference between projected and actual earning on pension plan investments | 238,110 | - |
| Total deferred amounts to be recognized in pension expense in future periods | 394,228 | (335,194) |
| Pension contributions made subsequent to the measurement date | 27,032 | - |
| Total deferred amounts related to pensions | $ 421,260 | $ (335,194) |

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:

| Years Ending June 30 | Net Deferred Outflows/Inflows of Resources |
|---|---|
| 2024 | $ (56,397) |
| 2025 | (9,082) |
| 2026 | 27,424 |
| 2027 | 81,694 |
| 2028 | 15,395 |
| Total | $ 59,034 |

## Note 10 - Grant Funding

On March 30, 2020, the Illinois Department of Commerce & Economic Opportunity (DCEO) awarded the Commission a grant totaling $5,000,000. The grant funds are to be used for improvements at the Commission's property located at 2020 West Ogden, Chicago, Illinois. Total funding since inception of $4,690,118 has been received, and the Commission has expended $3,987,815. The unexpended grant balance of $939,847 is recorded as cash restricted for grants (see Note 3).

## Note 11 - Leases

The Commission leases certain assets to various third parties. The assets leased include land and buildings. Payments are generally fixed monthly with certain variable payments not included in the measurement of the lease receivable required based on future fair market value and changes to the Consumer Price Index after initial measurement.

## Note 11 - Leases (Continued)

During the year ended June 30, 2023, the Commission recognized the following related to its lessor agreements:

| | |
|---|---|
| Lease revenue | $ 4,707,642 |
| Interest income related to its leases | 2,192,105 |

Future principal and interest payment requirements related to the Commission's lease receivable at June 30, 2023 are as follows:

| Years Ending | Principal | Interest | Total |
|---|---|---|---|
| 2024 | $ 3,090,451 | $ 2,201,800 | $ 5,292,251 |
| 2025 | 2,872,006 | 2,041,002 | 4,913,008 |
| 2026 | 1,847,792 | 1,897,883 | 3,745,675 |
| 2027 | 1,708,389 | 1,790,388 | 3,498,777 |
| 2028 | 1,258,426 | 1,687,531 | 2,945,957 |
| 2029-2033 | 1,579,121 | 7,898,154 | 9,477,275 |
| 2034-2038 | 227,353 | 7,741,109 | 7,968,462 |
| 2039-2043 | 458,991 | 7,627,687 | 8,086,678 |
| 2044-2048 | (52,635) | 7,588,552 | 7,535,917 |
| 2049-2053 | 266,899 | 7,570,139 | 7,837,038 |
| Thereafter | 23,548,587 | 44,083,273 | 67,631,860 |
| Total | $ 36,805,380 | $ 92,127,518 | $ 128,932,898 |

# Required Supplementary Information

# Required Supplementary Information
## Schedule of Changes in the Net Pension (Asset) Liability and Related Ratios

**Calendar Years Ended December 31**

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|---|---|---|
| **Total Pension Liability** | | | | | | | | | |
| Service cost | $ 103,071 | $ 119,965 | $ 119,741 | $ 119,299 | $ 124,472 | $ 118,539 | $ - | $ 157,246 | $ 140,414 |
| Interest on the total pension liability | 161,252 | 181,460 | 166,099 | 149,409 | 146,923 | 129,569 | 91,236 | 135,165 | 105,043 |
| Differences between expected and actual experience of the total pension liability | 143,684 | (427,277) | 47,057 | (488) | (190,659) | 62,197 | 412,773 | (735,250) | 112,472 |
| Changes in assumptions | - | - | (25,166) | - | 64,296 | (42,005) | - | - | 73,198 |
| Benefit payments, including refunds of employee contributions | (128,243) | (160,622) | (31,309) | (45,158) | (36,045) | (43,713) | (60,637) | (67,881) | (7,945) |
| **Net Change in Total Pension Liability** | 279,764 | (286,474) | 276,422 | 223,062 | 108,987 | 224,587 | 443,372 | (510,720) | 423,182 |
| **Total Pension Liability** - Beginning of year | 2,236,753 | 2,523,227 | 2,246,805 | 2,023,743 | 1,914,756 | 1,690,169 | 1,246,797 | 1,757,517 | 1,334,335 |
| **Total Pension Liability** - End of year | **$ 2,516,517** | **$ 2,236,753** | **$ 2,523,227** | **$ 2,246,805** | **$ 2,023,743** | **$ 1,914,756** | **$ 1,690,169** | **$ 1,246,797** | **$ 1,757,517** |
| **Plan Fiduciary Net Position** | | | | | | | | | |
| Contributions - Employer | $ 55,472 | $ 59,058 | $ 71,914 | $ 74,288 | $ 79,832 | $ 100,716 | $ 121,825 | $ 106,338 | $ 164,465 |
| Contributions - Employees | 55,471 | 52,729 | 60,038 | 56,468 | 56,483 | 55,473 | 56,513 | 48,731 | 65,435 |
| Net investment (loss) income | (345,446) | 427,506 | 323,126 | 324,156 | (66,005) | 262,234 | 101,434 | 7,537 | 78,386 |
| Benefit payments, including refunds | (128,243) | (160,622) | (31,309) | (45,158) | (36,045) | (43,713) | (60,637) | (67,881) | (7,945) |
| Other (net transfers) | 56,548 | (3,893) | 1,666 | 39,362 | (79,870) | (16,767) | (9,221) | (105,321) | (10,664) |
| **Net Change in Plan Fiduciary Net Position** | (306,198) | 374,778 | 425,435 | 449,116 | (45,605) | 357,943 | 209,914 | (10,596) | 289,677 |
| **Plan Fiduciary Net Position** - Beginning of year | 3,224,701 | 2,849,923 | 2,424,488 | 1,975,372 | 2,020,977 | 1,663,034 | 1,453,120 | 1,463,716 | 1,174,039 |
| **Plan Fiduciary Net Position** - End of year | **$ 2,918,503** | **$ 3,224,701** | **$ 2,849,923** | **$ 2,424,488** | **$ 1,975,372** | **$ 2,020,977** | **$ 1,663,034** | **$ 1,453,120** | **$ 1,463,716** |
| **Commission's Net Pension (Asset) Liability** - Ending | **$ (401,986)** | **$ (987,948)** | **$ (326,696)** | **$ (177,683)** | **$ 48,371** | **$ (106,221)** | **$ 27,135** | **$ (206,323)** | **$ 293,801** |
| **Plan Fiduciary Net Position as a Percentage of Total Pension Liability** | 115.97 % | 144.17 % | 112.95 % | 107.91 % | 97.61 % | 105.55 % | 98.39 % | 116.55 % | 83.28 % |
| **Covered Payroll** | $ 1,232,715 | $ 1,171,784 | $ 1,334,200 | $ 1,254,870 | $ 1,255,211 | $ 1,232,764 | $ 1,138,181 | $ 1,073,036 | $ 1,524,867 |
| **Commission's Net Pension (Asset) Liability as a Percentage of Covered Payroll** | (32.61)% | (84.31)% | (24.49)% | (14.16)% | 3.85 % | (8.62)% | 2.38 % | (19.23)% | 19.27 % |

# Required Supplementary Information
# Schedule of Employer Contributions

**Last Ten Calendar Years**

**Years Ended December 31**

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|---|---|---|---|---|
| Actuarially determined contribution | $ 55,472 | $ 59,058 | $ 71,913 | $ 74,288 | $ 79,831 | $ 100,717 | $ 110,290 | $ 105,158 | $ 172,462 | $ 147,708 |
| Actual contribution | 55,472 | 59,058 | 71,914 | 74,288 | 79,832 | 100,716 | 121,825 | 106,338 | 164,465 | 147,708 |
| **Contribution Excess (Deficiency)** | **$ -** | **$ -** | **$ 1** | **$ -** | **$ 1** | **$ (1)** | **$ 11,535** | **$ 1,180** | **$ (7,997)** | **$ -** |
| **Covered Payroll** | $ 1,232,715 | $ 1,171,784 | $ 1,334,200 | $ 1,254,870 | $ 1,255,211 | $ 1,232,764 | $ 1,138,181 | $ 1,073,036 | $ 1,524,867 | $ 1,169,500 |
| **Contributions as a Percentage of Covered Payroll** | 4.50 % | 5.04 % | 5.39 % | 5.92 % | 6.36 % | 8.17 % | 10.70 % | 9.91 % | 10.79 % | 12.63 % |

**Notes to Schedule of Employer Contributions**

Actuarial valuation information relative to the determination of contributions:

| | |
|---|---|
| Valuation date | Actuarially determined contribution rates are calculated as of December 31 each year, which is 12 months prior to the beginning of the calendar year in which contributions are reported. |

Methods and assumptions used to determine 2022 contribution rates:

| | |
|---|---|
| Actuarial cost method | Aggregate entry age normal |
| Amortization method | Level percentage of payroll, closed |
| Remaining amortization period | Nontaxing bodies: 10-year rolling period |
| Asset valuation method | 5-year smoothed market; 20 percent corridor |
| Inflation | 2.75 percent, approximate. No explicit price inflation assumption is used in this valuation |
| Salary increase | 2.85 percent to 13.75 percent, including inflation |
| Investment rate of return | 7.25 percent |
| Retirement age | Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2017 valuation pursuant to an experience study of the period 2017-2019. |
| Mortality | For active members, the Pub-2010, Amount-Weighted, below-median income, General, Employee, Male and Female (both unadjusted) tables, and future morality improvements projected using scale MP-2020. |
| Other information | There were no benefit changes during the year. |

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

## Independent Auditor's Report

To Management and the Board of Commissioners
Illinois Medical District Commission

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Illinois Medical District Commission (the "Commission") as of and for the year ended June 30, 2023 and the related notes to the basic financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated October 18, 2023.

### Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified a certain deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Commission's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings as Finding 2023-001 to be a material weakness.

### Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### The Commission's Response to the Finding

*Government Auditing Standards* require the auditor to perform limited procedures on the Commission's response to the finding identified in our audit and described in the accompanying schedule of findings. The Commission's response was not subjected to the other auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on it.

To Management and the Board of Commissioners
Illinois Medical District Commission

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

October 18, 2023

| Reference Number | Finding |
|---|---|
| 2023-001 | **Finding Type** - Material weakness |

**Criteria** - Good business practices would state that the Commission should have adequate levels of review in place surrounding significant, material manual adjusting journal entries to ensure adjustments are accurate.

**Condition** - Only one individual is involved in the recording of the annual GASB 87 manual adjusting journal entry, and there are no mitigating controls in place.

**Context** - There were multiple corrections that needed to be made to the GASB 87 accumulation tool that resulted in various adjusting journal entries.

**Cause** - There is no secondary review of the GASB 87 accumulation tool and related toolkits.

**Effect** - Various adjusting journal entries have been recorded in order to properly reflect the activity. This resulted in the correction of GASB 87 toolkits for the related leases. This could result in inaccurate financial reporting at year end.

**Recommendation** - We recommend that the Commission implement appropriate levels of review after the initial preparation of the GASB 87 accumulation tool utilized to record the manual adjusting journal entry.

**Views of Responsible Officials and Planned Corrective Actions** - Management agrees with this finding. The following are the planned corrective actions to incorporate additional review:

1. The senior accountant will be trained to prepare the individual GASB 87 toolkit workbooks; these workbooks will be prepared within 30 days of signing any new/modified lease agreements rather than at year end.

2. Lease extracts (summary of important lease terms) will be created by the director of operations in conjunction with general counsel.

3. Lease extracts will be reviewed by the CFO, and they will be compared to the senior accountant's toolkit worksheets to ensure that data is correctly entered into the GASB 87 workbooks.

4. The accumulation workbook will be updated by the CFO and reviewed against the toolkits by the senior accountant. Annual adjusting GASB 87 journal entries will be created by the senior accountant and reviewed for correctness by the CFO.