



**ILLINOIS
MEDICAL
DISTRICT**

ILLINOIS MEDICAL DISTRICT COMMISSION

(A Component Unit of the State of Illinois)

CHICAGO, ILLINOIS

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

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

**FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016**

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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, a component unit of the State of Illinois, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements of Illinois Medical District Commission, 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 basic financial statements referred to above present fairly, in all material respects, the financial position of Illinois Medical District Commission as of June 30, 2016, 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 Supplementary 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, as identified in the table of contents, 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 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Illinois Medical District Commission's basic financial statements. The other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplementary information, as identified in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information, as identified in the table of contents, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited Illinois Medical District Commission's June 30, 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 17, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Plante & Moran, PLLC

March 8, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

**State of Illinois
Illinois Medical District Commission
(A Component Unit of the State of Illinois)
Management's Discussion and Analysis**

This section of the Illinois Medical District Commission's (the "Commission") financial report presents our discussion and analysis of the Commission's financial performance during the fiscal years that ended on June 30, 2016 and 2015. 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 \$54,465,271. This year's increase of \$12,304,196 is attributable to the sale of assets by the Commission. For the year ended June 30, 2015 the Commission's net position increased by \$7,302,393 (when considering the prior period adjustment) which was the result of development of capital assets during the year.
- During fiscal year 2016, the Commission's operating expenses were \$4,390,070, a decrease of \$2,091,708 over fiscal year 2015's operating expenses. The fiscal year 2016 substantial expense reduction is attributed to reductions in legal and consulting service expenses, reductions in utility expense, and reductions in payroll related expenses.
- During fiscal year 2016, the Commission's operating revenues were \$5,585,489, a modest increase over fiscal year 2015.
- In fiscal year 2016, non-operating capital grants ceased entirely and the Commission recorded gains on the sale of properties totaling \$12,772,586.

OVERVIEW OF THE 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, 2015 and 2016:

	2015	2016
Other assets	\$ 30,464,398	\$ 42,626,815
Capital assets	<u>67,038,130</u>	<u>63,974,425</u>
Total assets	97,502,528	106,601,240
Deferred outflows of resources	245,381	286,899
Current liabilities	5,388,911	3,918,161
Long-term liabilities	<u>50,197,923</u>	<u>47,947,786</u>
Total liabilities	<u>55,586,834</u>	<u>51,865,947</u>
Deferred inflows of resources	-	556,921
Net position		
Net investment in capital assets	37,725,646	35,637,717
Restricted	-	13,545,569
Unrestricted	<u>4,473,999</u>	<u>5,281,985</u>
Total net position	<u>\$ 42,199,645</u>	<u>\$ 54,465,271</u>

Capital assets declined as a result of the Commission's sale of certain properties. The difference in other assets is attributable to an increase in cash and investments of \$15,660,473 and reductions of grants receivable of \$2,503,849 and notes receivable of \$1,095,700. The significant increase in cash is the result of selling real estate, of which the proceeds of \$13,513,968 will be used to pay down debt in fiscal year 2017.

Current liabilities declined considerably; this is the result of a reduction of unearned revenue of \$1,667,026 and the extinguishment of a line of credit totaling \$1,200,000.

Long-term liabilities declined as a result of scheduled payments throughout the year.

The increase in restricted net position relates to the proceeds from the sale of certain properties noted above, which are restricted for the purpose of debt service based on the escrow agreement.

Condensed Financial Information (continued)

The following table presents condensed information about the Commission's revenue and expenses for the years ended June 30, 2015 and 2016:

	2015	2016
Operating revenue	\$ 5,453,816	\$ 5,585,489
Operating expenses, other than depreciation	5,148,808	3,069,032
Depreciation and amortization	<u>1,332,970</u>	<u>1,321,038</u>
Operating income (loss)	(1,027,962)	1,195,419
Interest income	1,203,353	1,163,918
Interest expense	(2,985,769)	(2,827,727)
Gain on sale of capital asset	-	12,772,586
Capital grants	<u>10,192,284</u>	<u>-</u>
Change in net position	<u>\$ 7,381,906</u>	<u>\$ 12,304,196</u>

Operating revenue increased by 2.4 percent, a modest improvement. Operating expenses decreased by \$2,079,776 which is a 40.4 percent reduction. Categories that experienced declines were legal, consulting, utility, salaries, and capital outlay expenses.

Capital assets were sold in fiscal 2016, with corresponding gains of \$12,772,586. There were no Capital grants in fiscal year 2016.

Budgetary Highlights

The 2016 actual results in comparison to the original budget were favorable. The Commission's amended 2016 budget called for budgetary income of \$1,951,370. The Commission ended the 2016 year with budgetary income of \$2,516,457. This improvement is the result of implementing significant cost controls. This is a credit to the Commission board's diligent efforts to keep costs low and within planned limits. Total revenue was very close to the original budget projections.

Capital Asset and Debt Administration

At the end of 2016, the Commission had invested \$63,974,425 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 \$3,063,705, or 4.6 percent, over last year.

At year end the Commission had \$50,223,921 in bonds and notes outstanding, a net decrease of 3.6 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

As a result of selling certain assets in fiscal years 2016 and 2017, the Commission projects that revenue will decrease in fiscal year 2017. The Commission anticipates that the proceeds of these transactions will be used to reduce the debt of the Commission. This, in turn, will reduce interest expense. Cost controls continue to be in effect, and we believe we will meet our budgetary goals in fiscal year 2017.

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

State of Illinois
Illinois Medical District Commission
(A Component Unit of the State of Illinois)
Statements of Net Position

	As of June 30, 2016
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 2,219,174
Accounts receivable - net	304,270
Grants receivable	73,116
Interest receivable	93,796
Notes receivable	1,264,144
Other assets	12,246
Total current assets	<u>3,966,746</u>
Noncurrent assets:	
Cash and investments, restricted	13,545,569
Notes receivable	24,899,203
Capital assets - net	63,974,425
Net pension asset	206,323
Other assets	8,974
Total noncurrent assets	<u>102,634,494</u>
Total assets	106,601,240
DEFERRED OUTFLOWS OF RESOURCES	
Deferred pension payments	286,899
Total deferred outflows of resources	<u>286,899</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	329,209
Unearned revenue	461,069
Interest payable	696,798
Security deposits	51,085
Certificates of participation	920,000
Due to other State agency	1,460,000
Total current liabilities	<u>3,918,161</u>
Noncurrent liabilities:	
Compensated absences	103,865
Certificates of participation	20,970,000
Due to other State agency	26,873,921
Total noncurrent liabilities	<u>47,947,786</u>
Total liabilities	51,865,947
DEFERRED INFLOWS OF RESOURCES	
Deferred pension inflows	556,921
Total deferred outflows of resources	<u>556,921</u>
NET POSITION	
Net investment in capital assets	35,637,717
Restricted for:	
Grant activities	31,601
Debt service	13,513,968
Unrestricted	5,281,985
TOTAL NET POSITION	<u>\$ 54,465,271</u>

See accompanying notes to basic financial statements.

State of Illinois
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, 2016	Year Ended June 30, 2015
OPERATING REVENUES		
Rental income	\$ 5,126,621	\$ 5,201,230
Tenant reimbursement revenue	46,599	46,599
Other operating revenues	412,269	205,987
Total operating revenues	5,585,489	5,453,816
OPERATING EXPENSES		
Property management and development		
Advertising and promotion	842	1,429
Automotive expense	6,748	9,684
Capital outlay	27,431	206,628
Consulting services	281,389	483,437
Dues and subscriptions	15,631	11,903
Insurance	120,486	148,705
Legal and professional fees	386,664	1,206,076
Office expense	747	1,479
Other	55,758	30,748
Printing and copier expense	5,965	7,202
Rental expense	9,552	8,195
Repairs and maintenance	308,768	461,438
Salaries, wages, and related expenses	1,457,309	1,823,862
Small tools and equipment	8,752	9,462
Supplies	35,836	53,659
Telecommunications	33,448	39,797
Travel expense	5,639	10,526
Utilities	308,067	634,578
Subtotal Property Management and Development	3,069,032	5,148,808
Depreciation expense	1,321,038	1,332,970
Total operating expenses	4,390,070	6,481,778
Operating income (loss)	1,195,419	(1,027,962)
NONOPERATING REVENUES (EXPENSES)		
Interest income	1,163,918	1,203,353
Interest expense	(2,827,727)	(2,985,769)
Gain on sale of capital assets	12,772,586	-
Net nonoperating revenues (expenses)	11,108,777	(1,782,416)
Income (Loss) before capital grants	12,304,196	(2,810,378)
Capital grants	-	10,192,284
Increase (Decrease) in Net Position	12,304,196	7,381,906
NET POSITION		
Net position, beginning of year	42,161,075	34,858,682
Prior period adjustment	-	(79,513)
Net position, beginning of year, as restated	42,161,075	34,779,169
Net position, end of year	\$ 54,465,271	\$ 42,161,075

See accompanying notes to basic financial statements.

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

	Year Ended June 30, 2016	Year Ended June 30, 2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Grant revenue received	\$ 17,158	\$ 87,426
Insurance reimbursements	306,404	-
Payments received from tenants	5,122,001	5,049,203
Payments to suppliers	(2,857,733)	(2,587,437)
Payments to employees	(1,489,393)	(1,849,703)
Net cash provided by operating activities	1,098,437	699,489
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Payments on line of credit, net	-	(1,200,000)
Net cash used in noncapital financing activities	-	(1,200,000)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Payments on loan from other State agency	(816,332)	(710,267)
Purchase of capital assets	(1,397,120)	(4,823,362)
Principal paid on capital debt and leases	(4,542)	(4,495)
Proceeds from the sale of capital assets	15,912,374	-
Proceeds from capital grants	2,486,691	6,294,880
Interest paid on capital debt and leases	(1,843,735)	(1,804,790)
Net cash provided by (used in) capital financing activities	14,337,336	(1,048,034)
CASH FLOWS FROM INVESTING ACTIVITIES		
Collections on notes receivable	215,700	270,373
Interest income on investments	-	587
Purchase of investments	(13,513,968)	-
Net cash provided by (used in) investing activities	(13,298,268)	270,960
Net increase (decrease) in cash and cash equivalents	2,137,505	(1,277,585)
Cash and cash equivalents, beginning of year	113,270	1,390,855
Cash and cash equivalents, end of year	\$ 2,250,775	\$ 113,270
RECONCILIATION OF OF CASH AND CASH EQUIVALENTS ABOVE, TO STATEMENT OF NET POSITION		
Cash and cash equivalents	\$ 2,219,174	\$ 113,270
Cash and cash equivalents, restricted	31,601	-
Net cash and equivalents	\$ 2,250,775	\$ 113,270
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 1,195,419	\$ (1,027,962)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Non-cash expenses included in operating income:		
Depreciation	1,321,038	1,332,970
Changes in assets and liabilities:		
Accounts receivable	92,013	(142,018)
Grants receivable	17,158	(90,274)
Other assets - current portion	(12,246)	-
Other assets - long-term portion	12,580	(366)
Deferred pension payments	515,403	(164,598)
Accounts payable and accrued expenses	(1,296,713)	766,704
Unearned revenue	(67,439)	(256,312)
Security deposits	(181,658)	171,417
Compensated absences	3,006	(23,577)
Net pension liability	(500,124)	133,505
Net cash provided by operating activities	\$ 1,098,437	\$ 699,489
NON-CASH ITEMS		
Capital grant revenue applied to loan from other State agency	\$ -	\$ 865,973
Non-cash payments received on notes receivable	\$ 583,673	\$ 2,045,986
Non-cash payments made on certificates of participation	\$ (583,673)	\$ (2,045,986)

See accompanying notes to basic financial statements.

**Illinois Medical District Commission
(Component Unit of the State of Illinois)
Notes to Basic Financial Statements
Year Ended June 30, 2016**

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 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 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 (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 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 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; 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.

**Illinois Medical District Commission
(Component Unit of the State of Illinois)
Notes to Basic Financial Statements
Year Ended June 30, 2016**

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 2016, 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 include investment income, gain on the sale of capital assets, and other non-operating income. Non-operating expenses include interest expense and other non-operating expenses.

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 escrow investments consist of funds held at Chicago Title and Trust. These amounts have been classified as restricted assets to be used for the payment of bond debt.

The restricted cash and cash equivalents relate to amounts to be used for grant purposes.

**Illinois Medical District Commission
(Component Unit of the State of Illinois)
Notes to Basic Financial Statements
Year Ended June 30, 2016**

NOTE 2 – SIGNIFICANT ACCOUNTING PRINCIPLES AND POLICIES (Continued)

E. Accounts, Grants, 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. Grants receivable include amounts due from the State of Illinois related to various grants. 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:

<u>Capital Asset Category</u>	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
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 amounts due to other state agencies and certificates of participation, are reported as liabilities in the statements of net position. Bond issuance costs are expensed at the time they are incurred.

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 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, and the net difference between projected and actual earnings on investments within the pension plan.

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 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 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.

**Illinois Medical District Commission
(Component Unit of the State of Illinois)
Notes to Basic Financial Statements
Year Ended June 30, 2016**

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 liability or asset for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For the purpose of measuring the net pension liability or asset, deferred outflows 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.

**Illinois Medical District Commission
(Component Unit of the State of Illinois)
Notes to Basic Financial Statements
Year Ended June 30, 2016**

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 presented below and the financial statement captions shown on the Statement of Net Position for the year ended June 30, 2016 is as follows:

Carrying amount of deposits	\$ 2,250,775
Carrying amount of escrow investments	13,513,968
	<u>\$ 15,764,743</u>
Cash and cash equivalents, current	\$ 2,219,174
Cash and cash equivalents, restricted for grants	31,601
Escrow investments, noncurrent restricted	13,513,968
	<u>\$ 15,764,743</u>

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, 2016, 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 \$2,250,775 at June 30, 2016, while the bank balance was \$2,311,414 at June 30, 2016. 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, 2016, the Commission had no deposits that were uninsured or uncollateralized. The Commission, therefore, has no custodial credit risk related to its deposits.

Investments

As of June 30, 2016, the Commission held \$13,513,968 in a restricted account at Chicago Title and Trust for the purpose of bond payments.

Custodial Credit Risk

For an investment, 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 Commission's \$13,513,968 in restricted escrow investments is held by the investment's counterparty, not in the name of the Commission.

**Illinois Medical District Commission
(Component Unit of the State of Illinois)
Notes to Basic Financial Statements
Year Ended June 30, 2016**

Interest Rate Risk

In order to limit interest rate risk, the Commission adheres to the State of Illinois Public Funds Investment Act (30 ILCS 235/1 et seq.).

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.

	<u>Accounts Receivable</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net</u>
Rents and related fees	\$347,369	\$ (43,099)	\$304,270

Rents and related fees above include several receivables that are over 360 days past due. The Commission has exhausted all means of collection against former tenants with balances past due.

Interest receivable includes interest due from the University of Illinois of \$93,796 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 notes receivable as of June 30, 2016 was \$25,558,900.

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, 2016 was \$604,447.

**Illinois Medical District Commission
(Component Unit of the State of Illinois)
Notes to Basic Financial Statements
Year Ended June 30, 2016**

NOTE 5 – CAPITAL ASSETS

Capital assets activities for the year ended June 30, 2016 are as follows:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Cost:				
Land and land improvements	\$ 42,873,546	\$ -	\$2,977,867	\$39,895,679
Site improvements	2,915,244	-	-	2,915,244
Buildings and building improvements	28,138,264	-	484,145	27,654,119
Construction in progress	5,430,191	1,394,120	-	6,824,311
Equipment	116,498	-	21,580	94,918
Total	<u>79,473,743</u>	<u>1,394,120</u>	<u>3,483,592</u>	<u>77,384,271</u>
Less accumulated depreciation:				
Site improvements	898,914	116,302	-	1,015,216
Buildings and building improvements	11,431,886	1,200,569	325,225	12,307,230
Equipment	104,813	4,167	21,580	87,400
Total	<u>12,435,613</u>	<u>1,321,038</u>	<u>346,805</u>	<u>13,409,846</u>
Capital assets, net	<u>\$ 67,038,130</u>	<u>\$ 73,082</u>	<u>\$3,136,787</u>	<u>\$63,974,425</u>

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

Interest Payable

Interest payable includes interest due to the Illinois Finance Authority (IFA) of \$603,003 and interest payable on certificates of participation of \$93,795.

Illinois Medical District Commission
(Component Unit of the State of Illinois)
Notes to Basic Financial Statements
Year Ended June 30, 2016

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

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. The security for the loan agreement includes all cash and investments in the trust accounts related to the revenue bonds held on behalf of the IFA (including a Debt Service Reserve Fund discussed on the next page), the revenues from the acquired and built properties, pledged revenues from additional property owned by the Commission, and the moral obligation of the State of Illinois.

Changes in debt payable to the IFA were as follows:

	Balance July 1, 2015	Increase / (Decrease)	Balance June 30, 2016	Due Within One Year
Due to IFA	\$29,307,156	(\$ 973,235)	\$ 28,333,921	\$1,460,000

Certain cash and investment trust accounts held by a trustee on behalf of the IFA, totaling \$6,552,002, have been netted against the balance payable to the IFA of \$34,885,000 in the Commission's basic financial statements. These funds are under the control of trustee for the benefit of the bond holders. A reconciliation of amounts payable to the IFA is shown in the debt service schedule below.

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

Future principal and interest requirements on the loan at June 30, 2016 are as follows (in thousands):

Year ending June 30	Principal	Interest	Total
2017	1,460	1,773	3,233
2018	1,530	1,699	3,229
2019	1,605	1,621	3,226
2020	1,690	1,537	3,227
2021-2025	9,845	6,234	16,079
2026-2030	12,700	3,306	16,006
2031-2032	6,055	320	6,375
Total	34,885	16,490	51,375
Less amounts held in trust	6,551	-	6,551
Amount due to IFA	<u>\$ 28,334</u>	<u>\$ 16,490</u>	<u>\$ 44,824</u>

**Illinois Medical District Commission
(Component Unit of the State of Illinois)
Notes to Basic Financial Statements
Year Ended June 30, 2016**

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

Debt Service Reserve Funds (DSR)

Within the provisions of the revenue bonds issued by the IFA, it is specified that funds be set aside with a trustee that will serve as a debt service reserve for the bonds. These funds are equivalent to one year's debt service (approximately \$3.3 million in total) and are to be used whenever a deficiency exists in the payment of principal and/or interest on the Series 2006 Revenue Bonds. These funds are included in the trust assets above.

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 percent to 5.25 percent with interest paid semi-annually on June 1 and December 1. The balance outstanding was \$21,890,000 as of June 30, 2016.

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

	Balance July 1, 2015	Draws	Payments	Balance June 30, 2016	Due Within One Year
Certificates of participation	\$22,770,000	\$ –	\$ 880,000	\$21,890,000	\$ 920,000

**Illinois Medical District Commission
(Component Unit of the State of Illinois)
Notes to Basic Financial Statements
Year Ended June 30, 2016**

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, 2016 are as follows (in thousands):

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	920	1,126	2,046
2018	965	1,081	2,046
2019	1,015	1,032	2,047
2020	1,065	982	2,047
2021-2025	6,185	4,050	10,235
2026-2030	7,945	2,289	10,234
2031-2032	3,795	301	4,096
Subtotal	21,890	\$ 10,861	\$ 32,751
Less current portion	920		
Total	<u>\$ 20,970</u>		

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.

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 – 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 basic financial statements of the Commission is necessary at June 30, 2016, as it is not possible to determine with any degree of probability the level of future expenditures for these matters.

**Illinois Medical District Commission
(Component Unit of the State of Illinois)
Notes to Basic Financial Statements
Year Ended June 30, 2016**

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 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.

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 ten years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3 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, or
- 1/2 of the increase in the Consumer Price Index of the original pension amount

**Illinois Medical District Commission
(Component Unit of the State of Illinois)
Notes to Basic Financial Statements
Year Ended June 30, 2016**

NOTE 9 – PENSION PLAN (Continued)

Employees Covered by Benefit Terms

As of December 31, 2015, 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	5
Active plan members	<u>14</u>
Total	21

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 2015 was 9.91 percent. For the fiscal year ended June 30, 2016, the Commission contributed \$118,460 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 Liability

The Commission's net pension liability was measured as of December 31, 2015. The total pension liability used to calculate the net pension liability 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, 2015:

- The **Actuarial Cost Method** used was Entry Age Normal.
- The **Asset Valuation Method** used was Market Value of Assets.
- The **Inflation Rate** was assumed to be 3.5 percent.
- **Salary Increases** were expected to be 3.75 percent to 14.50 percent, including inflation.
- The **Investment Rate of Return** was assumed to be 7.50 percent.
- **Projected Retirement Age** was from the Experience-based Table of Rates, specific to the type of eligibility condition, last updated for the 2014 valuation according to an experience study from years 2011 to 2013.
- The IMRF-specific rates for **Mortality** (for non-disabled retirees) were developed from the 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-2014 (base year 2014). 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-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

**Illinois Medical District Commission
(Component Unit of the State of Illinois)
Notes to Basic Financial Statements
Year Ended June 30, 2016**

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:

<u>Asset Class</u>	<u>Portfolio Target Percentage</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	38%	7.39%
International Equity	17%	7.59%
Fixed Income	27%	3.00%
Real Estate	8%	6.00%
Alternative Investments	9%	2.75-8.15%
Cash Equivalents	<u>1%</u>	2.25%
Total	100%	

Single Discount Rate

A single discount rate of 7.50 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), 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 percent was applied to all periods of projected benefit payments to determine the total pension liability.

**Illinois Medical District Commission
(Component Unit of the State of Illinois)
Notes to Basic Financial Statements
Year Ended June 30, 2016**

NOTE 9 – PENSION PLAN (Continued)

Changes in the Net Pension Asset

	Total Pension Liability (A)	Plan Net Position (B)	Net Pension Liability (Asset) (A) - (B)
Balances at December 31, 2014	\$ 1,757,517	\$ 1,463,716	\$ 293,801
Changes for the year:			
Service Cost	157,246	-	157,246
Interest on the Total Pension Liability	135,165	-	135,165
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience of the Total Pension Liability	(735,250)	-	(735,250)
Changes of Assumptions	-	-	-
Contributions - Employer	-	106,338	(106,338)
Contributions - Employees	-	48,731	(48,731)
Net Investment Income	-	7,537	(7,537)
Benefit Payments, including Refunds of Employee Contributions	(67,881)	(67,881)	-
Other (Net Transfer)	-	(105,321)	105,321
Net Changes	(510,720)	(10,596)	(500,124)
Balances at December 31, 2015	\$ 1,246,797	\$ 1,453,120	\$ (206,323)

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 7.50 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 percent lower or 1 percent higher:

	1% Lower (6.50%)	Current (7.50%)	1% Higher (8.50%)
Net Pension Asset	\$ (149,669)	\$ (206,323)	\$ (253,729)

Illinois Medical District Commission
(Component Unit of the State of Illinois)
Notes to Basic Financial Statements
Year Ended June 30, 2016

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, 2016, the Commission recognized pension expense of \$133,739. At June 30, 2016, the Commission reported deferred outflows of 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
<i>Deferred Amounts to be Recognized in Pension Expense in Future Periods</i>		
Differences between expected and actual experience	\$ 84,558	\$ 556,921
Changes of assumptions	55,032	-
Net difference between projected and actual earnings on pension plan investments	<u>91,804</u>	<u>-</u>
Total Deferred Amounts to be recognized in pension expense in future periods	<u>231,394</u>	<u>556,921</u>
<i>Pension Contributions made subsequent to the Measurement Date</i>	<u>55,505</u>	<u>-</u>
Total Deferred Amounts Related to Pensions	\$ 286,899	\$ 556,921

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 Outflows of Resources	Net Deferred Inflows of Resources
2016	\$ (131,459)	\$ -
2017	(131,459)	-
2018	(131,459)	-
2019	21,420	-
2020	23,040	-
Thereafter	<u>24,390</u>	<u>-</u>
Total	<u>\$ (325,527)</u>	<u>\$ -</u>

**Illinois Medical District Commission
(Component Unit of the State of Illinois)
Notes to Basic Financial Statements
Year Ended June 30, 2016**

NOTE 10 – GRANT FUNDING

On February 25, 2014 the Department of Commerce and Economic Opportunity (DCEO) awarded the Commission a grant in the amount of \$250,000. The grant funds are to be used for the HVAC system that will reduce energy consumption for the new lease to the Anatomical Gift Association of Illinois (AGA) at the building located at 2235 W 13th Street, Chicago, Illinois.

In fiscal year 2016 there were no additional Illinois grant funds.

NOTE 11 – 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 \$152,008 has been recognized as revenue in fiscal year 2016 and the remaining portion is part of the unearned revenue in the Statement of Net Position. Future amortization of the tenant improvements at June 30, 2016 are as follows:

<u>Year Ended</u>	<u>Tenant Improvement Revenue Recognized</u>
6/30/2017	152,008
6/30/2018	<u>46,584</u>
	\$ <u>198,592</u>

NOTE 12 – SUBSEQUENT EVENTS

Effective September 1, 2016 the Commission entered into a mortgage loan commitment with Signature Bank, Chicago, Illinois. At inception, the mortgage payable was \$12,000,000 at 4.13 percent interest for five years with a balloon payment in November, 2021. Specific Commission properties are collateralized. Proceeds of this loan will be used for bond payments related to the debt payable to the IFA as described in Note 6.

**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, 2015 and 2014

	2015	2014
Total Pension Liability		
Service Cost	\$ 157,246	\$ 140,414
Interest on the Total Pension Liability	135,165	105,043
Changes of Benefit Terms	-	-
Differences Between Expected and Actual Experience of the		
Total pension Liability	(735,250)	112,472
Changes of Assumptions	-	73,198
Benefit Payments, including Refunds of Employee Contributions	(67,881)	(7,945)
Net Change in Total Pension Liability	(510,720)	423,182
Total Pension Liability - Beginning	1,757,517	1,334,335
Total Pension Liability - Ending (A)	\$ 1,246,797	\$ 1,757,517
Plan Fiduciary Net Position		
Contributions - Employer	\$ 106,338	\$ 164,465
Contributions - Employees	48,731	65,435
Net Investment Income	7,537	78,386
Benefit Payments, including Refunds of Employee Contributions	(67,881)	(7,945)
Other (Net Transfers)	(105,321)	(10,664)
Net Change in Plan Fiduciary Net Position	(10,596)	289,677
Plan Fiduciary Net Position - Beginning	1,463,716	1,174,039
Plan Fiduciary Net Position - Ending (B)	\$ 1,453,120	\$ 1,463,716
Net Pension Liability (Asset) - Ending (A) - (B)	\$ (206,323)	\$ 293,801
Plan Fiduciary Net Position as a Percentage of the Total		
Pension Liability	116.55%	83.28%
Covered Valuation Payroll	1,073,036	1,454,154
Net Pension Liability as a Percentage of Covered		
Valuation Payroll	-19.23%	20.20%

Note to Schedule:

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

**Illinois Medical District Commission
(Component Unit of the State of Illinois)
Schedule of Employer Contributions
For the last Nine 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
					Covered Valuation Payroll
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%
2007	75,285	75,285	0	589,547	12.77%

Note to Schedule:

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

**Illinois Medical District Commission
(Component Unit of the State of Illinois)
Schedule of Employer Contributions (continued)
Calendar Years Ended December 31, 2015 and 2014**

Notes to Schedule:

Summary of Actuarial Methods and Assumptions Used in the Calculation of the 2015 Contribution Rate*

Valuation Date:

Notes Actuarially determined contribution rates are calculated as of December 31 each year, which are 12 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine 2015 Contribution Rates:

<i>Actuarial Cost Method:</i>	Aggregate entry age = normal
<i>Amortization Method:</i>	Level percentage of payroll, closed
<i>Remaining Amortization Period:</i>	28-year closed period
<i>Asset Valuation Method:</i>	5-year smoothed market; 20 percent corridor
<i>Wage Growth:</i>	4 percent
<i>Price Inflation:</i>	3 percent, approximate; No explicit price inflation assumption is used in this valuation.
<i>Salary Increases:</i>	4.40 percent to 16.00 percent, including inflation
<i>Investment Rate of Return:</i>	7.50 percent
<i>Retirement Age:</i>	Experience-based table of rates that are specific to the type of eligibility condition; last updated for the 2011 valuation pursuant to an experience study of the period 2008 to 2010.
<i>Mortality:</i>	RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA. For men, 120 percent of the table rates were used. For women, 92 percent of the table rates were used. For disabled lives, the mortality rates are the rates applicable to non-disabled lives set forward 10 years.

Other Information:

Notes: There were no benefit changes during the year.

* Based on valuation assumptions used in the December 31, 2013, actuarial valuation; note two-year lag between valuation and rate setting.

OTHER SUPPLEMENTARY INFORMATION

**Illinois Medical District Commission
(A Component Unit of the State of Illinois)
Schedule of Capital Assets of the Pledged Revenue Properties
For the Year Ended June 30, 2016**

COST

Land and land improvements	\$ 15,585,995
Site improvements	1,655,617
Building and building improvements	15,776,233
Construction in progress	6,338,557
Equipment	7,300
<i>Total cost</i>	<u>39,363,702</u>

ACCUMULATED DEPRECIATION

Land and land improvements	
Site improvements	456,048
Building and building improvements	5,525,323
Construction in progress	0
Equipment	2,798
<i>Total accumulated depreciation</i>	<u>5,984,169</u>

<i>Capital assets, net</i>	<u><u>\$ 33,379,533</u></u>
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CAPITAL ASSETS, NET BY PLEDGED REVENUE PROJECT

1350 South Leavitt Street Project	\$ 2,870,170
Guest House Project/1910 West Harrison Street	1,532,699
ASCP Buildings Project	10,949,431
District Development Commercial/Retail Project	6,256,884
District Development Vertiport Project	5,431,792
AGA Building Project	6,338,557
	<u><u>\$ 33,379,533</u></u>

**Illinois Medical District Commission
(A Component Unit of the State of Illinois)
Reconciliation of Due to Other State Agency
For the Year Ended June 30, 2016**

REMAINING PRINCIPAL BALANCE

Series 2006A bonds	\$ 6,095,000
Series 2006B bonds	28,790,000
	<u>34,885,000</u>

LESS CASH AND INVESTMENTS HELD IN TRUST

Revenue fund	234,629
Bond fund - 2006A	318,889
Bond fund - 2006B	1,500,840
Debt service reserve fund - 2006A	564,780
Debt service reserve fund - 2006B	2,784,914
Operation reserve fund	500,123
Replacement reserve fund	325,018
Commission fund	259,447
Special Account	62,442
Total cash and investments held in trust for the IFA	<u>6,551,082</u>
Balance at end of period	<u><u>\$ 28,333,918</u></u>

SUMMARY OF TRUST ACCOUNT ACTIVITY

Balance at beginning of period	\$ 29,307,156
Principal payments made from trust accounts	1,395,000
Reduction of outstanding principal balance	(1,395,000)
Interest payments made from trust accounts	1,843,540
Rents transferred to the Trustee by the Commission	(3,199,025)
Operating reimbursements from trust accounts	535,650
Administrative and legal fees paid to the Trustee	3,500
Earnings on investments held by the Trustee	(156,903)
Balance at end of period	<u><u>\$ 28,333,918</u></u>

BALANCE PER COMBINING SCHEDULE OF NET ASSETS

Current portion	\$ 1,460,000
Long-term portion	26,873,918
	<u><u>\$ 28,333,918</u></u>

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

**FINANCIAL STATEMENTS OF THE
PLEDGED REVENUE PROPERTIES FUND
JUNE 30, 2016**

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

**FINANCIAL STATEMENTS OF THE
PLEDGED REVENUE PROPERTIES FUND
JUNE 30, 2016**

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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 the Illinois Medical District Commission - Pledged Revenue Properties Fund of the Illinois Medical District Commission as of and for the year ended June 30, 2016, and the related notes to the financial statements.

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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Pledged Revenue Properties Fund of the Illinois Medical District Commission as of June 30, 2016, and the changes in its financial position and cash flows 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

Emphasis of Matter

We draw attention to Note 2, which explains that these financial statements present only the Pledged Revenue Properties Fund and do not purport to, and do not, present fairly the financial position of the Illinois Medical District Commission as of June 30, 2016, the changes in its financial position, and the changes in its cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as identified in the table of contents, 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 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.

Plant & Moran, PLLC

March 8, 2017

Illinois Medical District Commission Pledged Revenue Properties Fund Management's Discussion and Analysis

This section of the Pledged Revenue Properties Fund's financial report presents our discussion and analysis of the Pledged Revenue Properties Fund's financial performance during the fiscal years that ended on June 30, 2016 and 2015. Please read it in conjunction with the Pledged Revenue Properties Fund's financial statements, which follow this section.

Financial Highlights

- The Pledged Revenue Properties Fund's total net position increased to \$18,244,043. This year's increase of \$13,964,391 is almost entirely attributable to the sale of assets by the Illinois Medical District Commission (the "Commission"). The proceeds of the sale were \$13,513,968; they were transferred to the Pledged Properties for future debt service.
- During fiscal year 2016, the Pledged Revenue Properties Fund's operating expenses were \$1,389,134, a decrease of \$321,391 over fiscal year 2015's operating expenses. The fiscal year 2016 expense reduction is attributed to decreases in legal, consulting, utility and repairs and maintenance expenses.
- During fiscal year 2016, the Pledged Revenue Properties Fund's operating revenues were \$3,481,996, an increase of \$483,251 over fiscal year 2015.
- In fiscal year 2016, non-operating capital grants ceased entirely; in 2015, these grants were \$7,659,381. This significant change doesn't have an operational impact on the Pledged Revenue Properties Fund.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements of the Pledged Revenue Properties Fund 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 Pledged Revenue Properties Fund's assets and liabilities and provides information about the amounts and investments in assets and the obligations to Pledged Revenue Properties Fund creditors. It also provides a basis of assessing the liquidity and financial flexibility of the Pledged Revenue Properties Fund. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial health of the Pledged Revenue Properties Fund 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 Pledged Revenue Properties Fund'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 Pledged Revenue Properties Fund's financial position as of June 30, 2015 and 2016:

	2015	2016
Other assets	\$ 2,029,199	\$ 14,418,767
Capital assets	<u>33,148,131</u>	<u>33,379,533</u>
Total assets	<u>35,177,330</u>	<u>47,798,300</u>
Current liabilities	2,985,522	2,680,336
Long-term liabilities	<u>27,912,156</u>	<u>26,873,921</u>
Total liabilities	<u>30,897,678</u>	<u>29,554,257</u>
Net position		
Net investment in capital assets	3,840,975	5,045,614
Restricted	-	13,513,968
Unrestricted	<u>438,677</u>	<u>(315,539)</u>
Total net position	<u>\$ 4,279,652</u>	<u>\$ 18,244,043</u>

The difference in other assets is attributable to an increase in non-current cash and investments of \$13,513,968. The significant increase is the result of selling non-pledged real estate, the proceeds were transferred to Pledged Properties. These funds will be used to pay down debt in fiscal year 2017.

In 2016, current liabilities declined by \$305,186; this is primarily the result of a reduction of accounts payable. Long-term liabilities declined as a result of scheduled payments throughout the year.

The increase in restricted net position relates to the proceeds from the sale of certain properties noted above, which are restricted for the purpose of debt service based on the escrow agreement.

The following table presents condensed information about the Pledged Revenue Properties Fund's revenue and expenses for the years ended June 30, 2015 and 2016:

	2015	2016
Operating revenue	\$ 2,998,745	\$ 3,481,996
Operating expenses, other than depreciation	967,336	641,760
Depreciation and amortization	<u>743,189</u>	<u>747,374</u>
Operating income	1,288,220	2,092,862
Interest expense	(1,730,959)	(1,663,236)
Capital grants	7,659,381	-
Transfers	<u>298,047</u>	<u>13,534,765</u>
Increase in net position	<u>\$ 7,514,689</u>	<u>\$ 13,964,391</u>

Rental revenue increased 5.5 percent and certain non-recurring revenue contributed 10.6 percent to operating revenue. Operating expenses other than depreciation decreased by \$325,576, which is a 33.7 percent reduction. Expense categories that experienced declines were legal, consulting, utility and repairs and maintenance.

Net Transfers of non-pledged assets totaled \$13,534,765; the majority of this transfer was the proceeds of the sale of an asset totaling \$13,513,968. There were no capital grants in fiscal year 2016.

Budgetary Highlights

The 2016 actual results in comparison to the original budget were favorable. The Pledged Revenue Properties Fund's amended 2016 budget called for budgetary income of \$2,219,660. The Pledged Revenue Properties Fund ended the 2016 fiscal year with budgetary income of \$2,840,236. This improvement is the result of implementing significant cost controls. This is a credit to the Commission board's diligent efforts to keep costs low and within planned limits. Total revenue was very close to the original budget projections.

Capital Asset and Debt Administration

At the end of 2016, the Pledged Revenue Properties Fund had invested \$33,379,533 in capital assets, including land, buildings, and equipment (see Note 6 to the financial statements). This is a decrease of 0.7 percent over last year.

At year end the Pledged Revenue Properties Fund had \$28,333,921 in bonds outstanding, a net decrease of 3.3 percent over last year. More detailed information about the Pledged Revenue Properties Fund's long-term liabilities is presented in Note 7 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

As a result of selling certain assets in fiscal year 2017, the Pledged Revenue Properties Fund projects that revenue will decrease in fiscal year 2017. The Commission anticipates that the proceeds of these transactions will be used to reduce the debt of the Pledged Revenue Properties Fund. This, in turn, will reduce interest expense. Cost controls continue to be in effect, and we believe we will meet our budgetary goals in fiscal 2017.

Contacting the Commission's Management

This financial report is intended to provide the Pledged Revenue Properties Fund's users with a general overview of the Pledged Revenue Properties Fund'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.

Illinois Medical District Commission
Pledged Revenue Properties Fund
Statement of Net Position
As of June 30, 2016

	Pledged Revenue
ASSETS	
<i>Current assets:</i>	
Cash and cash equivalents	\$ 855,281
Accounts receivable, net	40,615
<i>Total current assets</i>	<u>895,896</u>
<i>Noncurrent assets:</i>	
Cash and investments, restricted	13,513,968
Capital assets - net	33,379,533
Other assets	8,903
<i>Total noncurrent assets</i>	<u>46,902,404</u>
<i>Total assets</i>	<u>47,798,300</u>
LIABILITIES	
<i>Current liabilities:</i>	
Accounts payable and accrued expenses	202,184
Unearned revenue	404,249
Interest payable	603,003
Security deposits	10,900
Due to other State agency	1,460,000
<i>Total current liabilities</i>	<u>2,680,336</u>
<i>Noncurrent liabilities:</i>	
Due to other State agency	26,873,921
<i>Total noncurrent liabilities</i>	<u>26,873,921</u>
<i>Total liabilities</i>	<u>29,554,257</u>
NET POSITION	
Net investment in capital assets	5,045,614
Restricted for:	
Debt service	13,513,968
Unrestricted	<u>(315,539)</u>
TOTAL NET POSITION	<u><u>\$ 18,244,043</u></u>

See accompanying notes to financial statements - Pledge Revenue Properties Fund.

**Illinois Medical District Commission
Pledged Revenue Properties Fund
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2016**

	Pledged Revenue
OPERATING REVENUES	
Rental income	\$ 3,162,365
Other operating revenues	319,631
<i>Total operating revenues</i>	3,481,996
OPERATING EXPENSES	
Property management and development:	
Capital outlay	15,150
Consulting services	30,210
Insurance	49,849
Legal and professional fees	80,786
Office expense	70
Other	30,390
Rental expense	9,552
Repairs and maintenance	131,979
Salaries, wages, and related expenses	124,209
Small tools and equipment	2,621
Supplies	10,101
Telecommunications	12,565
Utilities	144,278
Subtotal Property Management and Development	641,760
Depreciation expense	747,374
<i>Total operating expenses</i>	1,389,134
<i>Operating income</i>	2,092,862
NONOPERATING EXPENSES	
Interest expense	(1,663,236)
<i>Net nonoperating expenses</i>	(1,663,236)
<i>Income before transfers</i>	429,626
Transfers - from Non-Pledged fund	13,534,765
<i>Increase in Net Position</i>	13,964,391
NET POSITION	
Net position, beginning of year	4,279,652
Net position, end of year	\$ 18,244,043

See accompanying notes to financial statements - Pledged Revenue Properties Fund.

**Illinois Medical District Commission
Pledged Revenue Properties Fund
Statement of Cash Flows
For the Year Ended June 30, 2016**

	Pledged Revenue
CASH FLOWS FROM OPERATING ACTIVITIES	
Insurance reimbursements	306,404
Payments received from tenants	3,205,615
Payments to suppliers	(816,342)
Payments to employees	(124,209)
Net cash and cash equivalents provided by operating activities	<u>2,571,468</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers - from Non-pledged fund	13,534,765
Net cash and cash equivalents provided by noncapital financing activities	<u>13,534,765</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Payments on loan from other State agency	(816,332)
Purchase of capital assets	(978,776)
Proceeds from capital grants	1,839,486
Interest paid on capital debt and leases	(1,843,160)
Net cash and cash equivalents used in capital financing activities	<u>(1,798,782)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(13,513,968)
Net cash and cash equivalents used in investing activities	<u>(13,513,968)</u>
Net increase in cash and cash equivalents	793,483
Cash and cash equivalents, beginning of year	61,798
Cash and cash equivalents, end of year	<u>\$ 855,281</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 2,092,862
Adjustments to reconcile operating income to net cash and cash equivalents provided by operating activities:	
Non-cash expenses included in operating income -	
Depreciation	747,374
Changes in assets and liabilities:	
Accounts receivable	81,855
Other assets - long-term portion	(3,458)
Accounts payable and accrued expenses	(295,333)
Unearned revenue	(25,374)
Security deposits	(26,458)
Net cash provided by operating activities	<u>\$ 2,571,468</u>

See accompanying notes to financial statements - Pledged Revenue Properties Fund.

**Illinois Medical District Commission
Pledged Revenue Properties Fund
Notes to Financial Statements
Year Ended June 30, 2016**

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 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 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). Also, the Commission is to provide for the orderly creation and expansion of various county and local governmental facilities, other ancillary or related facilities, medical research, and high technology parks, together with the necessary land, buildings, facilities, equipment, and personal property as permitted under the Act, and is to administer and exercise ultimate authority for the Chicago Technology Park.

NOTE 2 - FINANCIAL STATEMENTS

On January 31, 2006, the Illinois Finance Authority (IFA) issued \$40 million of revenue bonds (Series 2006) on behalf of the Illinois Medical District Commission. Concurrently, the Commission and the IFA entered into a Loan and Security Agreement, in which the IFA loaned the \$40 million to the Commission for the purpose of acquiring and developing certain properties referred to as Pledged Revenue Properties. These properties consisted of certain real estate parcels within the Illinois Medical District upon which the Commission intended to construct facilities to be used for medical and other ancillary activities.

Bond documents related to the issuance contain exhibits which describe the properties to be acquired and developed. These exhibits were amended over the years to revise the descriptions of properties to be considered as Pledged Revenue Properties. The bond documents also contain a requirement that the Commission submit, commencing with the fiscal year ended June 30, 2006, audited financial statements (balance sheet, revenue and expense statement, and statement of cash flows) related specifically to the Pledged Revenue Properties Fund. The financial statements contained herein represent the Commission's compliance with this requirement. The financial statements present only the Pledged Revenue Properties Fund and do not present fairly the financial position of the Illinois Medical District Commission as of June 30, 2016 and the changes in its financial position and cash flows.

NOTE 3 - SIGNIFICANT ACCOUNTING PRINCIPLES AND POLICIES

The accompanying basic financial statements of the Pledged Revenue Properties Fund 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).

**Illinois Medical District Commission
Pledged Revenue Properties Fund
Notes to Financial Statements
Year Ended June 30, 2016**

NOTE 3 - SIGNIFICANT ACCOUNTING PRINCIPLES AND POLICIES (Continued)

A. Financial Reporting Entity

The accompanying financial statements as listed in the table of contents include only the account balances and activity of the Pledged Revenue Properties Fund of the Commission. The entity-wide financial statements of the Commission include the account balances and the activities of the non-pledged properties. Such financial statements have been audited and issued under a separate cover. A copy of that audit can be obtained on the Commission's website at www.imdc.org.

B. Basis of Accounting

For financial reporting purposes, the Pledged Revenue Properties Fund is considered a special-purpose government fund 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 Pledged Revenue Properties Fund'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 2016, the Pledged Revenue Properties Fund did not receive an appropriation from the State of Illinois.

C. Classification of Revenues and Expenses

The Pledged Revenue Properties Fund 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 Pledged Revenue Properties Fund. 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 expenses

Non-operating expenses include interest expense.

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 escrow investments consist of funds held at Chicago Title and Trust. These amounts have been classified as restricted assets to be used for the payment of bond debt.

Illinois Medical District Commission
Pledged Revenue Properties Fund
Notes to Financial Statements
Year Ended June 30, 2016

NOTE 3 - SIGNIFICANT ACCOUNTING PRINCIPLES AND POLICIES (Continued)

E. Accounts, Grants, 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. Grants receivable include amounts due from the State of Illinois related to various grants.

Unearned revenue relates to advance payments of rent and other tenant expenses.

F. Capital Assets

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

Capitalization thresholds and estimated useful lives are as follows:

<u>Capital Asset Category</u>	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
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

H. Long-term Obligations

Long-term debt and other long-term obligations, including amounts due to other State agencies, are reported as liabilities in the statement of net position. Bond issuance costs are expensed at the time they are incurred.

I. Net Position

In the financial statements, net position 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 Pledged Revenue Properties Fund'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.

**Illinois Medical District Commission
Pledged Revenue Properties Fund
Notes to Financial Statements
Year Ended June 30, 2016**

NOTE 3 - SIGNIFICANT ACCOUNTING PRINCIPLES AND POLICIES (Continued)

J. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimate 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.

NOTE 4 - 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 presented below and the financial statement captions shown on the Statement of Net Position - Pledged Revenue Properties for the year ended June 30, 2016 is as follows:

Carrying amount of deposits	\$ 855,281
Carrying amount of escrow investments	13,513,968
	<u>\$ 14,369,249</u>
Cash and cash equivalents, current	\$ 855,281
Escrow investments, noncurrent restricted	13,513,968
	<u>\$ 14,369,249</u>

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, 2016, no Pledged Revenue Properties Fund monies were held in the State Treasury.

Deposits

The Pledged Revenue Properties Fund utilizes different bank accounts for the various activities of the Pledged Revenue Properties Fund. The book balance of such accounts was \$855,281 at June 30, 2016, which matched the bank balance.

Custodial credit risk for deposits exists when, in the event of the failure of a depository financial institution, the Pledged Revenue Properties Fund's deposits may not be recovered. As of June 30, 2016, the Pledged Revenue Properties Fund had no deposits that were uninsured or uncollateralized. The Pledged Revenue Properties Fund therefore has no custodial credit risk related to its deposits.

Investments

As of June 30, 2016, the Pledged Revenue Properties Fund held \$13,513,968 in a restricted account at Chicago Title and Trust for the purpose of bond payments.

**Illinois Medical District Commission
Pledged Revenue Properties Fund
Notes to Financial Statements
Year Ended June 30, 2016**

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Pledged Revenue Properties Fund will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Pledged Revenue Properties Fund's \$13,513,968 in restricted escrow investments is held by the investment's counterparty, not in the name of the Commission.

NOTE 5 - ACCOUNTS RECEIVABLE

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

	<u>Accounts Receivable</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net</u>
Rents and related fees	\$ 40,615	\$ 0	\$ 40,615

NOTE 6 - CAPITAL ASSETS

Capital assets activities of the Pledged Revenue Properties Fund for the year ended June 30, 2016 are as follows:

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</u>
Cost:				
Land and land improvements	\$ 15,619,935	\$ -	\$ 33,940	\$ 15,585,995
Site improvements	1,655,617	-	-	1,655,617
Buildings and building improvements	15,671,884	104,349	-	15,776,233
Construction in progress	5,430,190	908,367	-	6,338,557
Equipment	7,300	-	-	7,300
Total	<u>38,384,926</u>	<u>1,012,716</u>	<u>33,940</u>	<u>39,363,702</u>
Less accumulated depreciation:				
Site improvements	400,861	55,187	-	456,048
Buildings and building improvements	4,834,596	690,727	-	5,525,323
Equipment	1,338	1,460	-	2,798
Total	<u>5,236,795</u>	<u>747,374</u>	<u>-</u>	<u>5,984,169</u>
Capital assets - net	<u>\$ 33,148,131</u>	<u>\$ 265,342</u>	<u>\$ 33,940</u>	<u>\$ 33,379,533</u>

**Illinois Medical District Commission
Pledged Revenue Properties Fund
Notes to Financial Statements
Year Ended June 30, 2016**

NOTE 7 - SHORT-TERM AND LONG-TERM DEBT

Due to Other State Agency

On January 31, 2006, the IFA, a state agency, 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 Pledged Revenue Properties Fund of 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. The security for the loan agreement includes all cash and investments in the trust accounts related to the revenue bonds held on behalf of the IFA (including a Debt Service Reserve Fund, discussed on the next page), the revenues from the acquired and built properties, pledged revenues from additional property owned by the Commission, and the moral obligation of the State of Illinois.

Changes in debt payable to the IFA were as follows:

	Balance July 1, 2015	Decrease	Balance June 30, 2016	Due Within One Year
Due to IFA	\$29,307,156	(\$ 973,235)	\$ 28,333,921	\$1,460,000

Certain cash and investment trust accounts held by a trustee on behalf of the IFA, totaling \$6,552,002, have been netted against the balance payable to the IFA of \$34,885,000 in the Pledged Revenue Properties Fund's financial statements. These funds are under the control of trustee for the benefit of the bond holders. A reconciliation of amounts payable to the IFA is shown in the debt service schedule below.

Interest is paid on September 1 and March 1 of each year beginning in September 2006, with principal payments made on the September date only, beginning in 2010. Interest payable at June 30, 2016 includes interest due to the Illinois Finance Authority of \$603,003.

Future principal and interest requirements on the loan at June 30, 2016 are as follows (in thousands):

Year ending June 30,	Principal	Interest	Total
2017	\$ 1,460	\$ 1,773	\$ 3,233
2018	1,530	1,699	3,229
2019	1,605	1,621	3,226
2020	1,690	1,537	3,227
2021-2025	9,845	6,234	16,079
2026-2030	12,700	3,306	16,006
2031-2032	6,055	320	6,375
Total	34,885	16,490	51,375
Less amounts held in trust	6,551	-	6,551
Amount due to IFA	\$ 28,334	\$ 16,490	\$ 44,824

**Illinois Medical District Commission
Pledged Revenue Properties Fund
Notes to Financial Statements
Year Ended June 30, 2016**

NOTE 7 - SHORT-TERM AND LONG-TERM DEBT (Continued)

Debt Service Reserve Funds (DSR)

Within the provisions of the revenue bonds issued by the IFA, it is specified that funds be set aside with a trustee that will serve as a debt service reserve for the bonds. These funds are equivalent to one year's debt service (approximately \$3.3 million in total) and are to be used whenever a deficiency exists in the payment of principal and/or interest on the Series 2006 Revenue Bonds. These funds are included in the trust assets above.

Debt Service Coverage Ratio

The loan and security agreement dated January 31, 2006 requires the Pledged Revenue Properties Fund of the Commission to achieve a debt service coverage ratio of at least 1.05 for each fiscal year commencing with the fiscal year beginning on July 1, 2009. For the fiscal year ended June 30, 2016, the Pledged Revenue Properties Fund of the Commission had a debt service coverage ratio of 1.05. Included in the calculation of this ratio are voluntary contributions of \$406,335.

The debt service coverage ratio was prepared based on the definitions in the Indenture of Trust dated January 1, 2006. The debt service coverage ratio was computed by dividing revenues available for debt service over debt service on the bonds payable during the fiscal year. Revenues available for debt service are revenues less operating expenses for the period. Revenues and operating expenses are defined in the Indenture of Trust. Debt service is the regularly scheduled payments of principal of (whether at maturity or by mandatory sinking fund redemption) premium, if any, and interest due and payable on the bonds outstanding during the applicable period.

NOTE 8 - RISK MANAGEMENT

The Pledged Revenue Properties Fund of 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 relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 9 - CONTINGENCIES

The Pledged Revenue Properties Fund of the Commission is subject to various claims, legal actions, and inquiries related to compliance with environmental and other governmental laws and regulations from time to time. 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 Pledged Revenue Properties Fund of 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 Pledged Revenue Properties Fund is necessary at June 30, 2016, as it is not possible to determine with any degree of probability the level of future expenditures for these matters.

**Illinois Medical District Commission
Pledged Revenue Properties Fund
Notes to Financial Statements
Year Ended June 30, 2016**

NOTE 10 - GRANT FUNDING

On February 25, 2014, the Department of Commerce and Economic Opportunity (DCEO) awarded the Commission a grant in the amount of \$250,000. Grant funds are to be used for the HVAC system that will reduce energy consumption for the new lease to the Anatomical Gift Association of Illinois (AGA) at the building located at 2235 W 13th Street Chicago.

In fiscal year 2016, there were no additional Illinois grant funds.

NOTE 11 - 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 \$152,008 has been recognized as revenue in fiscal year 2016 within the Pledged Revenue Properties Fund and the remaining portion is part of the unearned revenue in the Pledged Revenue Properties Fund. Future amortization of the tenant improvements within the Pledged Revenue Properties Fund at June 30, 2016 are as follows:

<u>Year Ended</u>	<u>Tenant Improvement Revenue Recognized</u>
6/30/2017	\$ 152,008
6/30/2018	<u>46,584</u>
	\$ <u>198,592</u>

NOTE 12 - SUBSEQUENT EVENTS

Effective September 1, 2016, the Commission entered into a mortgage loan commitment with Signature Bank, Chicago, Illinois. At inception, the mortgage payable was \$12,000,000 at 4.13% interest for five years with a balloon payment in November, 2021. Specific Commission properties are collateralized. Proceeds of this loan will be used for bond payments related to the debt payable to the IFA as described in Note 6.



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Independent Accountant's Report

To the Board of Commissioners and
Suzet McKinney, Executive Director
Illinois Medical District Commission

We have examined the accompanying schedule of debt service coverage ratio calculation - pledged revenue properties of the Illinois Medical District Commission applicable to the 2006 revenue bonds for the year ended June 30, 2016. The Illinois Medical District Commission's management is responsible for the schedule of debt service coverage ratio calculation - pledged revenue properties. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the schedule of debt service coverage ratio calculation - pledged revenue properties and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the schedule referred to above presents fairly, in all material respects, the Illinois Medical District Commission's debt service coverage ratio calculation - pledged revenue properties for the year ended June 30, 2016, based on the criteria set forth in the notes to this schedule.

This report is intended solely for the information and use of management and the board of commissioners of the Illinois Medical District Commission and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

March 8, 2017

Illinois Medical District Commission
(A Component Unit of the State of Illinois)
Schedule of Debt Service Coverage Ratio Calculation - Pledged Revenue Properties
6/30/2016

REVENUE AVAILABLE FOR DEBT SERVICE

Net operating income of pledged revenue properties	\$	2,092,862
Add back items excluded from calculation per the indenture		
depreciation expense		747,374
Investment income on funds held by Trustee*		156,903
Trustee fees*		(3,500)
Voluntary contributions (Note 3)		406,335
Total revenue available for debt service		3,399,974

DEBT SERVICE REQUIREMENTS

Series 2006A:		
Principal payment due September 1, 2015		260,000
Interest payment due September 1, 2015		146,180
Interest payment due March 1, 2016		140,818
Series 2006B:		
Principal payment due September 1, 2015		1,135,000
Interest payment due September 1, 2015		792,856
Interest payment due March 1, 2016		763,686
Total debt service requirements	\$	3,238,540
 Debt service coverage ratio		 1.05

* Investment income on funds held in trust and trustee fees are netted against interest expense on the Commission's statement of revenue, expenses, and changes in net assets.

**Illinois Medical District Commission
(A Component Unit of the State of Illinois)
Notes to Schedule of Debt Service Coverage Ratio Calculation - Pledged Revenue
Properties
Year Ended June 30, 2016**

NOTE 1 - 2006 REVENUE BONDS

On January 31, 2006, the Illinois Finance Authority (IFA) issued \$40 million of revenue bonds (Series 2006) on behalf of the Illinois Medical District Commission (the "Commission"). Concurrently, the Commission and the IFA entered into a loan and security agreement, in which the IFA loaned the \$40 million to the Commission for the purpose of acquiring and developing certain properties referred to as pledged revenue properties. These properties consisted of certain real estate parcels within the Illinois Medical District upon which the Commission intended to construct facilities to be used for medical and other ancillary activities.

NOTE 2 - DEBT SERVICE COVERAGE RATIO

The debt service coverage ratio was prepared based on the definitions in the indenture of trust dated January 1, 2006. The debt service coverage ratio was computed by dividing revenue available for debt service over debt service on the bonds payable during the fiscal year. Revenue available for debt service means revenue less operating expenses for the period. Debt service means the regularly scheduled payments of principal of (whether at maturity or by mandatory sinking fund redemption) premium, if any, and interest due and payables on the bonds as of such period.

The loan and security agreement referred to above requires the Commission to achieve a debt service coverage ratio of at least 1.05 for each fiscal year commencing with the fiscal year beginning July 1, 2009. Further, the loan and security agreement requires the Commission to establish and charge rents, fees, and other amounts relating to the pledged revenue properties and to restrict operating and maintenance expenses relating to such properties as necessary to achieve this 1.05 debt service coverage ratio. The debt coverage ratio included in the accompanying schedule of debt service coverage ratio calculation - pledged revenue properties was prepared based on the definitions in the indenture of trust dated January 1, 2006. The indenture of trust contains definitions of revenue, revenue available for debt service, operating expenses, and debt service. Revenue available for debt service in the schedule of debt service coverage ratio calculation - pledged revenue properties includes net operating income, investment income, and voluntary contributions, which is consistent with the indenture of trust. Operating expenses include trustee fees and exclude noncash expenses such as depreciation. The debt service coverage ratio was computed by dividing revenue available for debt over debt service on the 2006 revenue bonds payable during the fiscal year. For the fiscal year ended June 30, 2016, the Commission achieved a debt service coverage ratio of 1.05.

NOTE 3 - VOLUNTARY CONTRIBUTION AND OTHER TRANSFERS

Voluntary contributions included in the schedule of debt service coverage ratio calculation - pledged revenue properties are comprised of additional funds of \$406,335 (that were derived from non-pledged revenues) which were deposited by the Commission with the Trustee.

NOTE 4 - DEBT SERVICE RESERVE FUND

Within the provisions of the 2006 revenue bonds, it is specified that funds be set aside that will serve as a debt service reserve for the bonds. These funds are equivalent to one year's debt service (approximately \$3.3 million in total) and are to be used whenever a deficiency exists in the payment of principal and/or interest on the Series 2006 revenue bonds. Such funds are on deposit with the Trustee and would be considered revenue available for debt service if used to meet future years' principal and interest payments.

Independent Accountant's Report

To the Board of Commissioners and
Suzet McKinney, Executive Director
Illinois Medical District Commission

We have examined Illinois Medical District Commission's compliance with certain covenants and reporting requirements, as they apply to the 2006 Revenue Bonds, for the year ended June 30, 2016. The applicable covenants and reporting requirements tested are included as Attachment A. Illinois Medical District Commission's management is responsible for compliance with those requirements. Our responsibility is to express an opinion on Illinois Medical District Commission's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting Illinois Medical District Commission's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Illinois Medical District Commission's compliance with specified requirements.

In our opinion, Illinois Medical District Commission complied, in all material respects, with the aforementioned covenants and reporting requirements for the year ended June 30, 2016.

This report is intended solely for the information and use of management and the board of commissioners of Illinois Medical District Commission and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

March 8, 2017

Attachment A

IMDC 2006 Revenue Bond Covenants and Reporting Requirements

Bond Document	SECTION(S)	
Intergovernmental Agreement: Article Four Covenants with Respect to the Series 2006 Bonds	Page 5	1a
Intergovernmental Agreement: Article Four Covenants with Respect to the Series 2006 Bonds	Page 5	1b
Intergovernmental Agreement: Article Four Covenants with Respect to the Series 2006 Bonds	Page 7	1a
Intergovernmental Agreement: Article Four Covenants with Respect to the Series 2006 Bonds	Page 8	1c
Loan and Security Agreement: Article V Commission Covenants and Agreements	Page 9	5.1(a)
Loan and Security Agreement: Article V Commission Covenants and Agreements	Page 10	5.1(b)
Loan and Security Agreement: Article V Commission Covenants and Agreements	Pages 10 and 11	5.1b & 5.2
Loan and Security Agreement: Article V Commission Covenants and Agreements	Page 10	5.1(c)
Loan and Security Agreement: Article V Commission Covenants and Agreements	Page 10	5.1(d)
Loan and Security Agreement: Article V Commission Covenants and Agreements	Page 10	5.1(f)
Loan and Security Agreement: Article V Commission Covenants and Agreements	Page 11	5.5
Loan and Security Agreement: Article V Commission Covenants and Agreements	Page 11	5.6
Loan and Security Agreement: Article V Commission Covenants and Agreements	Pages 10 and 12	5.9 & 5.1C
Continuing Disclosure Undertaking	Page 3	Annual Financial Information Disclosure
Continuing Disclosure Undertaking	Page 3	Material Events Disclosure
Indenture of Trust Article VI General Covenants	Page 39	Sec. 6.03
Indenture of Trust Article VI General Covenants	Page 41	Sec. 6.07
Indenture of Trust Article VI General Covenants	Page 42	Sec. 6.10b