

PUBLIC BUILDING COMMISSION OF MCLEAN COUNTY, ILLINOIS

FINANCIAL STATEMENTS, SUPPLEMENTARY INFORMATION

and

INDEPENDENT AUDITOR'S REPORT

September 30, 2015

PUBLIC BUILDING COMMISSION OF MCLEAN COUNTY, ILLINOIS

September 30, 2015

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Public Building Commission
of McLean County, Illinois
Bloomington, Illinois

We have audited the accompanying financial statements of the Public Building Commission of McLean County, Illinois (Commission), a component unit of McLean County, Illinois, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Public Building Commission of McLean County, Illinois as of September 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 5 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, who 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 an opinion on the financial statements as a whole. The schedule of insurance policies on page 21 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of insurance policies 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 schedule of insurance policies is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Sulaski & Webb

Sulaski and Webb
Certified Public Accountants
Bloomington, Illinois

May 26, 2016

Management's Discussion and Analysis

Management of the Public Building Commission of McLean County, Illinois (the "Commission") provides the following narrative overview and analysis of the Commission's financial performance during the years ended September 30, 2015 and 2014. Please read it in conjunction with the Commission's financial statements, which follow this section.

Introduction

The Management's Discussion and Analysis is an element of the reporting model adopted by the Governmental Accounting Standards Board.

The Commission's basic financial statements for the years ended September 30, 2015 and 2014, have been prepared using proprietary fund (enterprise fund) accounting that uses the same basis of accounting as private-sector business enterprises. The financial statements reflect that the Commission is operated under one fund.

Overview

The Commission was created in 1967 pursuant to Illinois Legislation as an independent governmental unit responsible for building and renovating public buildings and facilities for local government branches and agencies. The Commission's organizing and client agencies include the City of Bloomington and the County of McLean.

The Commission's operating mission is to contract to build functional, accessible and attractive public purpose facilities and to provide cost-efficient project management to its clients. The Commission's nine member Board of Commissioners provides oversight and direction for the Commission's activities from land acquisition through the stages of project planning, design and construction. The financial statements address the overall financial position and results of these activities and operations.

Basic Financial Statements

The Commission reports on an economic resources measurement focus and an accrual basis of accounting. Revenue is recognized when earned, which generally occurs as project construction expenses are incurred, and expenses are recognized when incurred. The Commission's basic financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows. Notes to the basic financial statements are also included.

The Statement of Net Position presents information on the assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, with the difference reported as total net position. This statement provides an indication of the assets available to the Commission for project construction, debt service and administrative operation. The Commission anticipates that assets for project development will fluctuate over time based on the capital programs of its client agencies.

Assets for project development are provided to the Commission directly by the client agencies or from Commission-issued long-term revenue bonds, which are supported by lease agreements with client agencies. The Commission does not capitalize facilities it builds for client agencies as the ownership of the facilities is transferred back to the client agencies upon completion of the projects or upon expiration of the facility leases between the Commission and client agencies.

The Statement of Revenues, Expenses and Changes in Net Position reports the operating revenues and expenses and other revenue and expenses of the Commission for the year with the difference reported as the increase or decrease in net position for the year. This statement provides an indication of the project development expenses and administrative operating expenses.

Project revenues are recognized to the extent of current project expenditures. Future principal and interest on bonds issued by the Commission are to be covered by future lease rental payments from its client agencies.

The Commission does not have authority to levy and collect taxes and relies on fees for project development services provided to client agencies and fixed lease administrative fees to fund its operation. The Commission is limited to providing its services to only governments and agencies. Therefore, the Commission anticipates fluctuations in its operating revenues based on the volume of activity requested by client agencies. The Commission anticipates it will continue to serve a significant role in assisting client agencies in the development of new and enhanced public facilities.

The Statement of Cash Flows reports cash and cash equivalent activity for the year resulting from operating activities, capital and related financing activities, and investing activities.

The Notes to the basic financial statements provide required disclosures and other information that are essential to a full understanding of the financial statements.

Financial Information

The assets plus deferred outflows of resources of the Commission exceeded liabilities plus deferred inflows of resources by \$8.5 million for 2015 and by \$8.8 million for 2014. The Commission's net position decreased by \$0.2 million for the year ended September 30, 2015 and increased \$0.4 million for the year ended September 30, 2014. Operating revenues were \$3.6 million for 2015 and \$3.6 million for 2014. Operating expenses were \$3.1 million for 2015 and \$2.9 million for 2014.

Summary of Condensed Financial Information follows:

| | <u>9/30/2015</u> | <u>9/30/2014</u> |
|-----------------------------------|---------------------|---------------------|
| Current assets | \$ 53,657,904 | \$ 9,445,401 |
| Long-term assets | 7,262,377 | 8,974,002 |
| Deferred outflows of resources | 1,693,846 | - |
| Current liabilities | 2,408,077 | 2,557,276 |
| Long-term liabilities | 48,595,000 | 6,763,845 |
| Deferred inflows of resources | <u>3,048,663</u> | <u>325,082</u> |
| Total restricted net position | <u>\$ 8,562,387</u> | <u>\$ 8,773,200</u> |
| Operating revenues | \$ 3,668,700 | \$ 3,653,646 |
| Operating expenses | 3,166,616 | 2,889,304 |
| Other income (expenses) | <u>(712,897)</u> | <u>(333,154)</u> |
| Change in restricted net position | <u>\$ (210,813)</u> | <u>\$ 431,188</u> |

Long-Term Debt

As of September 30, 2015, the Commission had \$50.3 million in debt outstanding versus \$8.7 million as of September 30, 2014. This change results from the Commission issuing \$46.3 million in bonds for the construction/expansion of the County jail.

Special Items

In August 2015, the McLean County, Illinois deeded buildings to the Commission. In April 2016, the Commission and McLean County adopted a Memorandum of Lease which clarified that the lease between the County and the Commission calls for the title to all properties to revert back to McLean County at the conclusion of the lease.

Other Items

No construction was undertaken in the year ended September 30, 2015.

Requests For Information

This financial report is designed to provide the reader with a general overview of the Commission's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Chairman of the Public Building Commission of McLean County, Illinois, c/o Mr. Thomas Novosad, 308 E. Washington Street, Bloomington, Illinois 61701.

PUBLIC BUILDING COMMISSION OF MCLEAN COUNTY, ILLINOIS

STATEMENT OF NET POSITION
September 30, 2015

ASSETS

CURRENT ASSETS

| | |
|--|-------------------|
| Cash and cash equivalents | \$ 7,346,339 |
| Receivable for 2015 Series Bond proceeds | 46,293,565 |
| Current portion of note receivable | <u>18,000</u> |
| Total current assets | <u>53,657,904</u> |

INVESTMENTS

| | |
|---------------------------|------------------|
| Money market mutual funds | <u>2,192,377</u> |
| Total investments | <u>2,192,377</u> |

NONCURRENT ASSETS

| | |
|-------------------------------|------------------|
| Capitalized leases receivable | <u>5,070,000</u> |
| Total noncurrent assets | <u>5,070,000</u> |

| | |
|--------------|-------------------|
| TOTAL ASSETS | <u>60,920,281</u> |
|--------------|-------------------|

| | |
|--------------------------------|------------------|
| DEFERRED OUTFLOWS OF RESOURCES | <u>1,693,846</u> |
|--------------------------------|------------------|

LIABILITIES

CURRENT LIABILITIES

| | |
|--|------------------|
| Accounts payable | 256,977 |
| Accrued interest | 457,254 |
| Current portion of long-term obligations | <u>1,693,846</u> |
| Total current liabilities | <u>2,408,077</u> |

NONCURRENT LIABILITIES

| | |
|------------------------------|-------------------|
| Long-term obligations | <u>48,595,000</u> |
| Total noncurrent liabilities | <u>48,595,000</u> |

| | |
|-------------------|-------------------|
| TOTAL LIABILITIES | <u>51,003,077</u> |
|-------------------|-------------------|

DEFERRED INFLOWS OF RESOURCES

| | |
|-------------------------------------|------------------|
| Premium on bond payable | <u>3,048,663</u> |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>3,048,663</u> |

NET POSITION

| | |
|-------------------------------------|---------------------|
| Restricted - Commission's operation | <u>8,562,387</u> |
| TOTAL NET POSITION | <u>\$ 8,562,387</u> |

The accompanying notes are an integral part of these financial statements.

PUBLIC BUILDING COMMISSION OF MCLEAN COUNTY, ILLINOIS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Year Ended September 30, 2015

| | |
|---|----------------------------|
| OPERATING REVENUES | |
| Rental income | <u>\$ 3,668,700</u> |
| Total operating revenue | <u>3,668,700</u> |
| OPERATING EXPENSES | |
| Maintenance and operations | 2,999,735 |
| Administrative expense | <u>166,881</u> |
| Total operating expenses | <u>3,166,616</u> |
| Operating income (loss) | <u>502,084</u> |
| NONOPERATING REVENUES (EXPENSES) | |
| Investment income | 2,369 |
| Interest expense | <u>(715,266)</u> |
| Total nonoperating revenues (expenses) | <u>(712,897)</u> |
| SPECIAL ITEMS | |
| Capital assets transferred from McLean County | 49,013,605 |
| Capital assets transferred to McLean County | <u>(49,013,605)</u> |
| DECREASE IN NET POSITION | (210,813) |
| NET POSITION - Beginning of year | <u>8,773,200</u> |
| NET POSITION - End of year | <u><u>\$ 8,562,387</u></u> |

The accompanying notes are an integral part of these financial statements.

PUBLIC BUILDING COMMISSION OF MCLEAN COUNTY, ILLINOIS

STATEMENT OF CASH FLOWS
Year Ended September 30, 2015

| | |
|--|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Received for lease payments | \$ 4,452,328 |
| Received for projects | 1,150,015 |
| Payments for construction, maintenance, and administration | <u>(3,138,618)</u> |
| Net cash provided by operating activities | <u>2,463,725</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | |
| Principal paid on long-term obligations | (1,933,642) |
| Interest paid on long-term obligations | <u>(697,650)</u> |
| Net cash used by financing activities | <u>(2,631,292)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Received on note receivable | 18,000 |
| Purchase of investments | (220) |
| Investment income | <u>2,369</u> |
| Net cash used by investing activities | <u>20,149</u> |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (147,418) |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | <u>7,493,757</u> |
| CASH AND CASH EQUIVALENTS - END OF YEAR | <u>\$ 7,346,339</u> |
| RECONCILIATION OF OPERATING INCOME TO NET CASH USED IN OPERATING ACTIVITIES: | |
| Operating income (loss) | \$ 502,084 |
| Adjustments to reconcile: | |
| Changes in assets and liabilities: | |
| Increase in deferred outflows - lease receivable | (1,693,846) |
| Decrease in capitalized leases receivable | 3,627,489 |
| Increase in accounts payable | <u>27,998</u> |
| Net cash provided by operating activities | <u>\$ 2,463,725</u> |

The accompanying notes are an integral part of these financial statements.

PUBLIC BUILDING COMMISSION OF MCLEAN COUNTY, ILLINOIS

NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Authorizing Legislation

The Public Building Commission of McLean County, Illinois (the "Commission") is a municipal corporation and body politic created on September 12, 1967, under the provisions of the Public Building Commission Act of the Illinois Revised Statutes (the "Act"). The Commission is authorized and empowered to construct, acquire, or enlarge public improvements, buildings, and facilities to be made available for use by governmental agencies and to issue bonds which are payable solely from the revenues to be derived from the operation, management, and use of the buildings or other facilities by the Commission or pledged revenues. The Commission has no stockholders or equity holders, and all revenues of the projects shall be paid to the Treasurer of the Commission to be applied in accordance with the provisions of the respective bond resolutions and intergovernmental agreements.

The Act provides authority for the Commission to obtain permanent financing through the issuance of revenue bonds secured by leases with local governments or other users of facilities constructed or acquired by the Commission. The Act also provides authority for the Commission to obtain interim financing by issuing interim notes following the selection of an area or site for a requested project. The Commission has specific authority to accept donations, contributions, capital grants, or gifts.

The members of the Commission are appointed as follows:

| | |
|---|-----------------|
| McLean County Board | 5 members |
| Bloomington-Normal Airport Authority | 1 member |
| Bloomington-Normal Water Reclamation District | 1 member |
| City of Bloomington, McLean County | 1 member |
| Board of Education, School District #87 | <u>1 member</u> |
| Total | 9 members |

The term of office of a Commissioner is five years with the term of one Commissioner expiring the first year, and the terms of two Commissioners expiring each year for four years thereafter, at which time the same procedure is repeated.

The accounting and reporting policies of the Commission conform to generally accepted accounting principles as applicable to governmental units in the United States of America. Following is a description of the more significant of these policies.

Financial Reporting Entity

The Commission's financial statements include the accounts of all Commission operations. The criteria for including organizations as component units within the Commission's reporting entity, as set forth in Section 2100 of Governmental Accounting Standards Board's (GASB), *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

PUBLIC BUILDING COMMISSION OF MCLEAN COUNTY, ILLINOIS

NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2015

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Reporting Entity (Continued)

- The organization is legally separate (can sue and be sued in their own name)
- The Commission holds the corporate powers of the organization
- The Commission appoints a voting majority of the organization's board
- The Commission is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the Commission
- There is fiscal dependence by the organization on the Commission

Based on the aforementioned criteria, the Public Building Commission of McLean County, Illinois has no component units. The Commission is, however, a component unit of McLean County, Illinois.

Basis of Presentation

The accounts of the Commission are organized on the basis of Fund Accounting. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. The Commission maintains the following fund type:

Proprietary Fund – The Commission's operations are accounted for in a single Enterprise Fund. Enterprise funds account for those operations financed and operated in a manner similar to private business enterprises. Under this method of accounting, an economic resources measurement focus and the accrual basis of accounting is used. Revenue is recognized when earned and expenses are recognized when incurred. The financial statements include a statement of net position; a statement of revenues, expenses, and changes in net position; and a statement of cash flows.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Commission is funded from bond financed projects and reimbursement projects and payments from lessees. Operating expenses include construction costs, maintenance expenses, and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Cash and Cash Equivalents

The Commission presents a statement which classifies cash receipts and payments according to whether they stem from operating, noncapital financing, capital and related financing, or investing activities. Cash and cash equivalents include cash on hand. The Commission considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

PUBLIC BUILDING COMMISSION OF MCLEAN COUNTY, ILLINOIS

NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2015

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments may include certificates of deposit, money market accounts, and governmental securities. Investments are recorded at cost, which approximates market value. Earned interest is recognized at maturity or when the account is credited. The Commission's intent is to hold all investments to maturity.

Fixed Assets

General fixed assets are not capitalized in the fund, instead, capital acquisition and construction costs are reflected as expenditures. All fixed assets owned by the Commission are leased to others through capital leases. Therefore, there are no assets to report in the statement of net position. See also Note 8.

Capitalized Leases Receivable

Capital leases receivable, discounted at the effective interest rate of each bond issue, are reflected as assets. The corresponding revenue bonds and related administrative and other period charges are reflected as liabilities. The current portion of leases receivable at September 30, 2015, is \$0. See also Note 7.

Long-Term Debt

Long-term debt is recognized as a liability. The total outstanding debt balance is classified as current and noncurrent liabilities based upon whether the amount is payable within a one-year period.

Debt Issuance Costs

Debt issuance costs, except any portion related to prepaid insurance costs, are recognized as an expense in the period incurred.

Project Revenue

The Commission receives funding for bond financed projects and reimbursement projects. Project revenue is recognized as the construction costs for the projects are incurred. Amounts received but unspent as of the end of the year are included in deferred project revenue. Fees for project development services are recognized upon completion of a project.

Rental Income

Annual lease rental payments are due from McLean County and the City of Bloomington in two installments for each calendar year. For the year ended September 30, 2015, all payments from McLean County and the City of Bloomington were received by the Commission prior to the end of its fiscal year. Therefore, there is no receivable recorded at September 30, 2015. Rental income is recognized in the year the related administrative expenses and debt service are incurred. Rental income includes amounts pledged under the lease agreements to cover all interest expense payments of the Commission's debt. See also Note 7.

PUBLIC BUILDING COMMISSION OF MCLEAN COUNTY, ILLINOIS

NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2015

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

Net position is considered to be restricted under the enabling legislation that established the limited specific purpose of the Commission.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, and the 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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. Due to the timing of the lease payments received, the Commission reported \$1,693,846 of deferred outflows of resources at September 30, 2015.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element 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 premiums on the Series 2010, Series 2013, and Series 2015 bonds are deferred and recognized as an inflow of resources over the amortization period of each bond, respectively. The Commission reported \$3,048,663 of deferred inflows of resources at September 30, 2015.

New Accounting Standards

In fiscal year 2015, the Commission implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. The Commission implemented these standards during the current year; however, they did not have a material impact on the financial statements.

PUBLIC BUILDING COMMISSION OF MCLEAN COUNTY, ILLINOIS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2015

2. CASH DEPOSITS AND INVESTMENTS

Investments are authorized by the Public Funds Investment Act and the Commission's investment policy. The Commission's investments are limited to various instruments by its investment policy, restricted to one or more of the following:

- a. Bonds, notes, certificates of indebtedness, Treasury bills or other securities now or hereafter issued, which are guaranteed by the full faith and credit of the United States of America as to principal and interest;
- b. Bonds, notes, debentures or other similar obligations of the United States of America includes (i) Federal Land Banks, Federal Intermediate Credit Banks, Federal Farm Credits Banks, (ii) Federal Home Loan Banks and Federal Home Loan Mortgage Corporations and the Federal Home Loan Corporation; and (iii) any other agency created by an act of Congress;
- c. Interest bearing savings accounts, interest bearing certificates of deposit or interest bearing time deposits or any other investments constituting direct obligations of any bank as defined by the Illinois Banking Act;
- d. Money market mutual funds registered under the Investments Company Act of 1940 provided that the portfolio of any such money market mutual fund is limited to obligations described in subparagraphs a and b immediately above and to agreements to repurchase such obligations; and
- e. Repurchase agreements of government securities having the meaning set out in the Government Securities Act of 1986 subject to the provisions of said Act and the regulations issued there under these Government Securities shall be purchased through banks.

The Commission's Investment Policy contains the following stated objectives:

- Safety – The security of monies whether on hand or invested, shall be the primary concern of the Treasurer of the Commission in selecting depositories or investments.
- Liquidity – The investment portfolio shall remain sufficiently liquid to meet all operating requirements, which might be reasonably anticipated.
- Return – The Commission Treasurer shall seek to attain a market average or better rate of return throughout budgetary and economic cycles, taking into account risk, constraints, cash flow and legal restrictions on investment.

Depository Considerations – The Commission Treasurer shall give preference to depositories located within McLean County provided that the objectives set forth above are met; and further provided that such investments comply with all other conditions and limitations of this Investment Policy.

PUBLIC BUILDING COMMISSION OF MCLEAN COUNTY, ILLINOIS

NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2015

CASH DEPOSITS AND INVESTMENTS (Continued)

At September 30, 2015, the carrying amount of the Commission's cash deposits was \$7,345,939 and the bank balances totaled \$8,324,120. Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. The Commission does not have a deposit policy for custodial credit risk. As of September 30, 2015, \$7,775,538 of the Commission's bank balance of \$8,324,120 was exposed to custodial credit risk as follows:

| | |
|--|----------------------------|
| Uninsured and uncollateralized | \$ 1,576,592 |
| Uninsured and collateral held by pledging bank's trust department not in the Commission's name | <u>6,198,946</u> |
| Total | <u><u>\$ 7,775,538</u></u> |

Credit Risk – As of September 30, 2015, Moody's and S&P rated the Commission's investments in money market mutual funds Aaa-mf and AAAM, respectively.

Concentrations of Credit Risk – As of September 30, 2015, 100% of the Commission's total investments were in money market mutual funds.

At September 30, 2015, the Commission's investment balances were as follows:

| | <u>Carrying Amount</u> | <u>Maturities Less Than 1 Year</u> |
|---------------------------|----------------------------|--|
| Money Market mutual funds | <u>\$ 2,192,377</u> | <u>\$ 2,192,377</u> |
| Total | <u><u>\$ 2,192,377</u></u> | <u><u>\$ 2,192,377</u></u> |

3. DUE FROM OTHER GOVERNMENTS

As of September 30, 2015, there were no amounts due from other governments.

4. NOTE RECEIVABLE

During the year ended September 30, 2011, the Commission advanced McLean County the sum of \$90,000 for improvements on the Courthouse Building. The County is repaying this amount in five annual installments of \$18,000 beginning January 1, 2012. The note receivable is recorded separately on the financial statements. The current portion of the note receivable is \$18,000.

PUBLIC BUILDING COMMISSION OF MCLEAN COUNTY, ILLINOIS

NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2015

5. OTHER RECEIVABLES

On September 21, 2015, The Commission entered into a Bond Purchase Agreement for \$43,525,000. See Note 6, Long-Term Obligations for additional information regarding the bond obligation. The Commission received \$46,293,565 on October 6, 2015 (representing the \$43,525,000 aggregate principal amount of the bonds plus original issue premium of \$2,768,565).

6. LONG-TERM OBLIGATIONS

Following is a summary of the changes to the long-term obligations of the Commission for the year ended September 30, 2015.

| | Balance October 1, 2014 | Additions | Reductions | Balance September 30, 2015 |
|-------------------------|-------------------------------|----------------------|---------------------|----------------------------------|
| Revenue bonds | \$ 8,697,489 | \$ 43,525,000 | \$ 1,933,643 | \$ 50,288,846 |
| Total bonds outstanding | 8,697,489 | <u>\$ 43,525,000</u> | <u>\$ 1,933,643</u> | 50,288,846 |
| Less current portion | <u>(1,933,644)</u> | | | <u>(1,693,846)</u> |
| Noncurrent portion | <u>\$ 6,763,845</u> | | | <u>\$ 48,595,000</u> |

The revenue bonds payable as of September 30, 2015, are as follows:

\$9,553,284 Public Building Revenue Bonds, Series 2006, due in annual installments of \$828,846 to \$1,413,774, and annual interest due November 1, with an interest rate of 4.10% to 4.35%. The final bonds are due November 1, 2015.

\$ 828,846

Annual debt service requirements for the revenue bonds as of September 30, 2015 are as follows:

| Year Ending September 30, | Principal | Interest | Total |
|------------------------------|----------------|----------------|------------------|
| 2016 | <u>828,846</u> | <u>406,154</u> | <u>1,235,000</u> |
| | <u>828,846</u> | <u>406,154</u> | <u>1,235,000</u> |

PUBLIC BUILDING COMMISSION OF MCLEAN COUNTY, ILLINOIS

NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2015

LONG-TERM OBLIGATIONS (Continued)

\$7,125,000 Public Building Revenue Refunding Bonds, Series 2010, due in annual installments of \$625,000 to \$845,000, and semi-annual interest due May 1 and November 1, with an interest rate of 2.00% to 4.00%. The final bonds are due November 1, 2020. \$ 4,570,000

Annual debt service requirements for the revenue bonds as of September 30, 2015 are as follows:

| Year Ending September 30, | Principal | Interest | Total |
|------------------------------|------------------|----------------|------------------|
| 2016 | 685,000 | 158,175 | 843,175 |
| 2017 | 715,000 | 130,550 | 845,550 |
| 2018 | 740,000 | 101,825 | 841,825 |
| 2019 | 775,000 | 72,087 | 847,087 |
| 2020 | 810,000 | 41,250 | 851,250 |
| 2021 | 845,000 | 12,675 | 857,675 |
| | <u>4,570,000</u> | <u>516,562</u> | <u>5,086,562</u> |

\$1,550,000 Public Building Revenue Refunding Bonds, Series 2013, due in annual installments of \$180,000 to \$210,000, and semi-annual interest due May 1 and November 1, with an interest rate of 2.25% to 2.50%. The final bonds are due November 1, 2021. \$ 1,365,000

Annual debt service requirements for the revenue bonds as of September 30, 2015 are as follows:

| Year Ending September 30, | Principal | Interest | Total |
|------------------------------|------------------|----------------|------------------|
| 2016 | 180,000 | 31,770 | 211,770 |
| 2017 | 185,000 | 27,208 | 212,208 |
| 2018 | 190,000 | 22,520 | 212,520 |
| 2019 | 195,000 | 17,707 | 212,707 |
| 2020 | 200,000 | 12,770 | 212,770 |
| 2021 | 205,000 | 7,707 | 212,707 |
| 2022 | 210,000 | 2,573 | 212,573 |
| | <u>1,365,000</u> | <u>122,255</u> | <u>1,487,255</u> |

PUBLIC BUILDING COMMISSION OF MCLEAN COUNTY, ILLINOIS

NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2015

LONG-TERM OBLIGATIONS (Continued)

\$43,525,000 Public Building Revenue Bonds, Series 2015, due in annual installments of \$800,000 to \$4,070,000, and semi-annual interest due June 1 and December 1, with an interest rate of 2.00% to 5.00%. The final bonds are due December 1, 2034.

\$ 43,525,000

Annual debt service requirements for the revenue bonds as of September 30, 2015 are as follows:

| Year Ending September 30, | Principal | Interest | Total |
|------------------------------|-------------------|-------------------|-------------------|
| 2016 | - | 1,289,106 | 1,289,106 |
| 2017 | 800,000 | 1,962,800 | 2,762,800 |
| 2018 | 875,000 | 1,942,050 | 2,817,050 |
| 2019 | 950,000 | 1,914,300 | 2,864,300 |
| 2020 | 1,035,000 | 1,869,425 | 2,904,425 |
| 2021 | 1,135,000 | 1,815,175 | 2,950,175 |
| 2022 | 1,560,000 | 1,747,800 | 3,307,800 |
| 2023 | 1,800,000 | 1,663,800 | 3,463,800 |
| 2024 | 1,950,000 | 1,570,050 | 3,520,050 |
| 2025 | 2,100,000 | 1,468,800 | 3,568,800 |
| 2026 | 2,265,000 | 1,359,675 | 3,624,675 |
| 2027 | 2,435,000 | 1,242,175 | 3,677,175 |
| 2028 | 2,615,000 | 1,115,925 | 3,730,925 |
| 2029 | 2,800,000 | 980,550 | 3,780,550 |
| 2030 | 3,010,000 | 835,300 | 3,845,300 |
| 2031 | 3,225,000 | 679,425 | 3,904,425 |
| 2032 | 3,430,000 | 530,200 | 3,960,200 |
| 2033 | 3,630,000 | 389,000 | 4,019,000 |
| 2034 | 3,840,000 | 239,600 | 4,079,600 |
| 2035 | 4,070,000 | 81,400 | 4,151,400 |
| | <u>43,525,000</u> | <u>24,696,556</u> | <u>68,221,556</u> |

PUBLIC BUILDING COMMISSION OF MCLEAN COUNTY, ILLINOIS

NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2015

LONG-TERM OBLIGATIONS (Continued)

The total of principal and interest due on long-term obligations during the next five years and in subsequent five-year periods are as follows:

| <u>Year Ending September 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------------|-------------------|-------------------|-------------------|
| 2016 | 1,693,846 | 1,885,205 | 3,579,051 |
| 2017 | 1,700,000 | 2,120,558 | 3,820,558 |
| 2018 | 1,805,000 | 2,066,395 | 3,871,395 |
| 2019 | 1,920,000 | 2,004,094 | 3,924,094 |
| 2020 | 2,045,000 | 1,923,445 | 3,968,445 |
| 2021-2025 | 9,805,000 | 8,288,580 | 18,093,580 |
| 2026-2030 | 13,125,000 | 5,533,625 | 18,658,625 |
| 2031-2035 | 18,195,000 | 1,919,625 | 20,114,625 |
| | <u>50,288,846</u> | <u>25,741,527</u> | <u>76,030,373</u> |

As provided by the bond resolutions, the bonds are secured by liens on the revenues derived from leases for the facilities but not by mortgages on the facilities. Under the lease agreements, the lessees are obligated to levy taxes to pay rentals which, together with any other rentals, fees, and charges for use of space in the facilities, will produce revenues at all times sufficient to pay the principal of and the interest on the bonds and maintain the accounts created by the bond resolutions. Title to the properties under such lease agreements will be conveyed to the lessee upon certification by the Secretary and Treasurer of the Commission that all principal, interest, premium, administrative, and other expenses with respect to such revenue bond issue have been paid in full.

7. LEASE AGREEMENTS

The Commission leases the Law & Justice Center to the County of McLean, Illinois. The lease called for an annual payment of \$1,685,000 for each year from 2008 to 2014 and a payment of \$1,370,000 for 2015, payable on November 1 of that year. The final payment of \$1,370,000 was received by the Commission on September 30, 2015.

The lease required the Commission to pay operations and maintenance expenditures of the County relative to the Law & Justice Center. The County reimburses the Commission for these expenditures. For the fiscal year ended September 30, 2015, the Commission paid \$2,070,489 and was reimbursed \$2,150,438 during the year.

PUBLIC BUILDING COMMISSION OF MCLEAN COUNTY, ILLINOIS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2015

LEASE AGREEMENTS (Continued)

The Commission leases the City/County Office building to the City of Bloomington, Illinois and the County of McLean, Illinois. The lease calls for annual payments ranging from \$114,500 to \$719,509 from the City of Bloomington and \$114,500 to \$429,176 from the County of McLean for each year from 2010 to 2022, inclusive, payable on October 1, of each year. The lease was amended on November 1, 2013 in conjunction with the refunding of the Series 2004 bonds. The amended lease calls for annual payments ranging from \$12,300 to \$719,509 from the City of Bloomington and \$12,300 to \$429,176 from the County of McLean for each year from 2014 to 2022, inclusive, payable on October 1, of each year. This lease amendment caused a decrease in the total lease receivable of \$214,321. For the fiscal year ended September 30, 2015, the Commission paid \$761,090 and was reimbursed \$765,244 during the year.

On December 3, 2002, the Public Building Commission adopted a resolution for the Courthouse Building and land to be deeded to the Public Building Commission. McLean County then entered into a lease agreement with the Public Building Commission for rent equivalent to the projected operating expenses commencing January 1, 2003. The arrangement for operation and maintenance expenses is renewed annually.

In conjunction with the issuance of the Series 2015 bonds (see Note 6), on July 30, 2015, the Commission entered into an Amended and Restated Lease Agreement with the County of McLean, Illinois and the City of Bloomington, Illinois. This amended lease agreement not only combines all the above leases into this one lease, but it also incorporates all the operations and maintenance costs into the lease. Subsequent amendments were made to the lease in October 2015 and January 2016. The Amendment to the Amended and Restated Lease Agreement calls for annual payments ranging from \$535,876 to \$1,135,284 from the City of Bloomington and \$10,000,000 from the County of McLean for each year from 2016 to 2034, inclusive, payable on November 1 of each year. The \$10,000,000 annual payments from McLean County exceed its anticipated debt service and operation and maintenance obligations to the Commission, but were levied in order to meet unanticipated costs. The Commission and McLean County will agree on an annual lease payment sufficient to pay McLean County's obligations, and an annual amendment to the lease will be enacted to reflect the new amount each year. The January 2016 amendment noted above adjusted McLean County's 2016 payment amount to \$4,483,889. McLean County has estimated their future payments, and the difference between that amount and the \$10,000,000 annual payment is reflected as an adjustment in the schedule of future minimum lease payments below. The portion of the lease attributable to the operations and maintenance of the buildings will be recorded as current revenue in each year and not as part of the capitalized lease. In addition, a portion of the \$10,000,000 annual payment is intended to repay the 2015 Revenue Bonds, the proceeds of which will be used for an expansion and remodeling project for the McLean County Jail. These amounts are reflected in the schedules below.

PUBLIC BUILDING COMMISSION OF MCLEAN COUNTY, ILLINOIS

NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2015

LEASE AGREEMENTS (Continued)

The following is a summary of the net investment in leases as of September 30, 2015:

| | <u>McLean County</u> | <u>City of Bloomington</u> | <u>Total</u> |
|--|--------------------------|--------------------------------|---------------------|
| Total minimum lease payments to be received | \$ 184,483,889 | \$ 12,747,969 | \$ 197,231,858 |
| Less: Amount estimated for operations & maintenance and interest | (49,091,952) | (9,647,969) | (58,739,921) |
| Less: Amounts for repayment of jail project | (68,687,422) | - | (68,687,422) |
| Less: Estimated annual adjustment | <u>(64,734,515)</u> | <u>-</u> | <u>(64,734,515)</u> |
| Net investment in leases | <u>\$ 1,970,000</u> | <u>\$ 3,100,000</u> | <u>\$ 5,070,000</u> |

The future minimum lease payment receivables as of September 30, 2015, are as follows:

| <u>Year(s) Ending</u> | <u>Principal</u> | <u>Interest & O&M</u> | <u>Total Rent Payments</u> |
|--------------------------------|---------------------|-----------------------------------|--------------------------------|
| 2016 | \$ - | \$ - | \$ - |
| 2017 | 1,700,000 | 3,919,173 | 5,619,173 |
| 2018 | 1,805,000 | 4,943,661 | 6,748,661 |
| 2019 | 1,920,000 | 4,929,149 | 6,849,149 |
| 2020 | 2,045,000 | 4,893,705 | 6,938,705 |
| 2021-2025 | 9,805,000 | 23,620,050 | 33,425,050 |
| 2026-2030 | 13,125,000 | 21,971,010 | 35,096,010 |
| 2031-2035 | <u>18,195,000</u> | <u>19,625,595</u> | <u>37,820,595</u> |
| Total | \$ 48,595,000 | \$ 83,902,343 | \$ 132,497,343 |
| Less: Amounts for jail project | <u>(43,525,000)</u> | <u>(25,162,422)</u> | <u>(68,687,422)</u> |
| | <u>\$ 5,070,000</u> | <u>\$ 58,739,921</u> | <u>\$ 63,809,921</u> |

PUBLIC BUILDING COMMISSION OF MCLEAN COUNTY, ILLINOIS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2015

8. SPECIAL ITEMS

Special items are significant transactions or other events within the control of management that are either unusual in nature or infrequent in occurrence. The following transactions have been reported as special items.

In August 2015, the County of McLean, Illinois deeded all the properties for which it had fee simple title to the Commission. In addition, the new lease agreement entered into during the fiscal year ended September 30, 2015 did not specifically state that title would revert back to the lessees at the conclusion of the lease. Therefore, the value of these assets was transferred from the County's financial statements to the Commission's.

In April 2016, a memorandum to the amended and restated lease was agreed to by all involved parties to specifically state that title to all the properties shall be conveyed to the lessees upon termination of the lease. Therefore, the assets were transferred from the Commission back to the County. These transactions are reported in the Statement of Revenues, Expenses, and Changes in Net Position.

9. CONTINGENCIES

The Commission is a defendant in a lawsuit filed by an individual's estate following an alleged incident in the Law and Justice Center. The Commission has retained an attorney to aggressively defend against this lawsuit. As the Commission is not contractually responsible for the operation and maintenance of the facility, the Commission has very limited liability in this matter.

On November 28, 2014, the Commission filed a self-reporting questionnaire to the Securities and Exchange Commission (the "SEC") pursuant to the Municipalities Continuing Disclosure Cooperation Initiative (the "MCDC Initiative"). The MCDC Initiative concerns the continuing disclosure requirements of the issuers and legal obligors of bonds. The self-reporting questionnaire related to the Commission's Official Statement for the Public Building Revenue Refunding Bonds, Series 2010. The Commission filed the foregoing self-reporting questionnaire after its underwriter disclosed on October 9, 2014 that they had done the same.

The Commission ultimately does not know whether the SEC will take any action against it as a result of filing the foregoing self-reporting questionnaire. Should action be taken, there will be no civil penalty. Rather, the Commission will consent to the SEC's standardized settlement terms. Standard settlement terms include consenting to an entry of a cease and desist order with no admission of fault, cooperating with any subsequent SEC investigation relating to the MCDC Initiative, establishing continuing disclosure compliance policies/procedures and training of personnel within 180 days of the cease and desist order, complying with existing continuing disclosure promises and correcting any past failures, disclosing settlement terms in a "clear and conspicuous fashion" in any offering document within five years of the cease and desist order, and providing the SEC with certification of compliance by the Commission with the requirements of the cease and desist order within one year of receiving the order.

All continuing disclosures have since been filed and the legal obligors have further informed the Commission that they are currently in compliance with continuing disclosure requirements.

PUBLIC BUILDING COMMISSION OF MCLEAN COUNTY, ILLINOIS

NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2015

10. SUBSEQUENT EVENTS

The Commission has evaluated events occurring subsequent to September 30, 2015 as to their potential impact to the financial statements through May 26, 2016, which is the date the financial statements were available to be issued.

OTHER SUPPLEMENTARY INFORMATION

PUBLIC BUILDING COMMISSION OF MCLEAN COUNTY, ILLINOIS

SCHEDULE OF INSURANCE POLICIES
September 30, 2015

| <u>Name of Insurer</u> | <u>Type of Coverage</u> | <u>Expiration Date</u> | <u>Premium Amount</u> |
|--|--|------------------------|-----------------------|
| Columbia Insurance Group through R.W. Gipson Agency, Inc. | <u>Commercial General Liability:</u> 102 & 104 West Front Street, 115 E. Washington, and 200 N. Main Street \$1 million each occurrence limit \$2 million general aggregate limit \$2 million products/completed operations \$1 million personal and advertising injury \$100,000 limit for damage to premises rented \$5,000 limit for any one person medical expense | 6/18/2016 | \$ 22,299 |
| | <u>Business Auto Coverage:</u> \$1 million hired/nonowned liability coverage | 6/18/2016 | 250 |
| | <u>Terrorism Coverage:</u> \$1 million limit for liability coverage (terrorism event) | 6/18/2016 | 322 |
| | | | |
| Torus Specialty Insurance Company through R.W. Gipson Agency, Inc. | <u>Commercial Umbrella Liability:</u> \$5 million each occurrence limit \$5 million aggregate limit Coverage in Excess of General Liability: \$1 million each occurrence limit \$2 million annual aggregate limit \$2 million products/completed operations | 6/18/2016 | 4,941 |
| Darwin National Insurance Company through R.W. Gipson Agency, Inc. | <u>Public Officials Liability:</u> \$1 million each occurrence limit \$1 million aggregate limit \$1 million third party liability claim \$50,000 - 100,000 defense expenses each occurrence \$25,000 crisis management limit | 8/12/2016 | 3,666 |
| Chubb Group of Insurance Companies through Arthur J Gallagher RMS, Inc. | <u>Commercial Property:</u> Law & Justice Center, A. Lincoln Parking Deck, Government Building, and Old Courthouse: \$75 million aggregate limit \$75 million each occurrence limit | 3/1/2016 | 59,193 |
| RLI Insurance Company through Capen Frank Proctor & Bowles, Inc. | <u>Treasurer's Public Official Bond:</u> \$1 million on Treasurer | 12/2/2015 | 1,105 |
| | \$100,000 on each of the other commissioners | 1/11/2016 | 1,750 |

NOTE: In addition to the foregoing, the Public Building Commission is an additional insured on the General Liability and Excess Coverage policies carried by McLean County, Illinois.