ADELFIA LLC
CERTIFIED PUBLIC ACCOUNTANTS
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STATE OF ILLINOIS
CAPITAL DEVELOPMENT BOARD

FINANCIAL AUDIT
FOR THE YEAR ENDED JUNE 30, 2017

Performed as Special Assistant Auditors
For the Auditor General, State of Illinois

STATE OF ILLINOIS
CAPITAL DEVELOPMENT BOARD
FINANCIAL AUDIT
FOR THE YEAR ENDED JUNE 30, 2017

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STATE OF ILLINOIS
CAPITAL DEVELOPMENT BOARD
FINANCIAL AUDIT
FOR THE YEAR ENDED JUNE 30, 2017

AGENCY OFFICIALS

Executive Director	(06/07/17 to current)	Gevan Behnke (Acting)
	(07/01/16 to 06/06/17)	Jodi Golden
Deputy Director of Construction	(02/01/17 to current)	Mike Wilson
	(07/01/16 to 01/31/17)	Vacant
Deputy Director of Operations	(02/01/17 to current)	Kathryn Martin
	(07/01/16 to 01/31/17)	Mike Wilson
Assistant Deputy Director of Operations	(02/01/17 to current)	Vacant
	(07/01/16 to 01/31/17)	Kathryn Martin
Administrator of the Office of Fiscal Management	(06/07/17 to current)	Paula Sorensen (Acting)
	(07/01/16 to 06/06/17)	Gevan Behnke
Assistant Fiscal Officer	(11/16/16 to current)	Paula Sorensen
	(07/01/16 to 11/15/16)	Vacant
General Counsel		Amy Romano
Chief Internal Auditor	(06/16/17 to current)	Tracy Allen
	(11/16/16 to 06/15/17)	Vacant
	(07/01/16 to 11/15/16)	Paula Sorensen
Chief of Staff	(06/07/17 to current)	Vacant
	(07/01/16 to 06/06/17)	Jodi Golden
Information Services Administrator		Lisa Garrett

Agency Office is located at:

300 William G. Stratton Building
401 South Spring Street
Springfield, Illinois 62706

FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying financial statements of the State of Illinois, Capital Development Board (CDB) was performed by Adelfia, LLC.

Based on their audit, the auditors expressed an unmodified opinion on the Board's basic financial statements.

EXIT CONFERENCE

The CDB opted not to have an exit conference during the financial audit for the year ended June 30, 2017.

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INDEPENDENT AUDITOR'S REPORT

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Board Members
Capital Development Board

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the State of Illinois, Capital Development Board, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the State of Illinois, Capital Development Board'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 opinions 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the State of Illinois, Capital Development Board, as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2, the financial statements of the State of Illinois, Capital Development Board are intended to present the financial position and changes in financial position of only that portion of the governmental activities, each major fund, and the aggregate remaining fund information of the State that is attributable to the transactions of the State of Illinois, Capital Development Board. They do not purport to, and do not, present fairly the financial position of the State of Illinois as of June 30, 2017 and the changes in its financial position 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

Management has omitted management's discussion and analysis and budgetary comparison information for the General Revenue Fund and related pension information for its Board wide financial statements that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Illinois, Capital Development Board's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate 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 accompanying combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated December 6, 2017 on our consideration of the State of Illinois, Capital Development Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the State of Illinois, Capital Development Board's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Illinois, Capital Development Board's internal control over financial reporting and compliance.

Restricted Use of this Auditor's Report

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, the Comptroller, Board management, and Board members of the State of Illinois, Capital Development Board, and is not intended to be and should not be used by anyone other than these specified parties.

SIGNED ORIGINAL ON FILE

Chicago, Illinois
December 6, 2017

STATE OF ILLINOIS
CAPITAL DEVELOPMENT BOARD
STATEMENT OF NET POSITION
JUNE 30, 2017
(Expressed in Thousands)

	Governmental Activities
ASSETS	
Unexpended appropriations	$ 34,161
Cash equity with State Treasurer	20,138
Cash and cash equivalents	6,167
Intergovernmental receivables, net	4,511
Other receivables, net	740
Due from other State funds	15,036
Capital assets not being depreciated	135,024
Capital assets being depreciated, net	105
TOTAL ASSETS	215,882
DEFERRED OUTFLOWS OF RESOURCES - PENSIONS	21,591
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	237,473
LIABILITIES	
Accounts payable and accrued liabilities	48,735
Intergovernmental payables	855
Due to other State funds	728
Unearned revenue	1,730
Pension Liability	
Due subsequent to one year	84,851
Compensated Absences	
Due within one year	93
Due subsequent to one year	834
TOTAL LIABILITIES	137,826
DEFERRED INFLOWS OF RESOURCES - PENSIONS	6,523
TOTAL LIABLILITIES AND DEFERRED INFLOWS OF RESOURCES	144,349
NET POSITION	
Invested in capital assets, net of related debt	135,129
Unrestricted net position	(42,005)
TOTAL NET POSITION	$ 93,124

The accompanying notes to the financial statements are an integral part of this statement.

STATE OF ILLINOIS
CAPITAL DEVELOPMENT BOARD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017
(Expressed in Thousands)

		Program Revenues		
FUNCTIONS/PROGRAMS	**Expenses**	**Charges for Services**	**Capital Grants and Contributions**	**Net (Expense) Revenue**
GOVERNMENTAL ACTIVITIES				
Education	$ 139,068	$ 20,458	$ 27,354	$ (91,256)
General government	27,581	-	-	(27,581)
Total governmental activities	166,649	20,458	27,354	(118,837)
GENERAL REVENUES				
Appropriations from State Resources				913,578
Reappropriations to future year(s)				(645,525)
Lapsed appropriations				(95,591)
Net change in liabilities for reappropriated accounts				16,557
TRANSFERS				
Receipts collected and transmitted to State Treasury				(3,331)
Capital transfers to other State Agencies				(42,892)
Total general revenues and transfers				142,796
CHANGE IN NET POSITION				23,959
NET POSITION, JULY 1, 2016				69,165
NET POSITION, JUNE 30, 2017				$ 93,124

The accompanying notes to the financial statements are an integral part of this statement.

STATE OF ILLINOIS
CAPITAL DEVELOPMENT BOARD
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017
(Expressed in Thousands)

	General Fund	Nonmajor funds	Total Governmental Funds
ASSETS			
Unexpended appropriations	$ 9	$ 34,152	$ 34,161
Cash equity with State Treasurer	-	20,138	20,138
Cash and cash equivalents	-	6,167	6,167
Intergovernmental receivables, net	-	4,511	4,511
Other receivables, net	-	740	740
Due from other State funds	-	15,036	15,036
TOTAL ASSETS	$ 9	$ 80,744	$ 80,753
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued liabilities	$ -	$ 48,735	$ 48,735
Intergovernmental payables	-	855	855
Due to other State funds	9	719	728
Unearned revenue	-	1,730	1,730
Total liabilities	9	52,039	52,048
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	-	404	404
Total deferred inflows of resources	-	404	404
FUND BALANCES (DEFICITS)			
Restricted	-	11,216	11,216
Committed	-	17,109	17,109
Unassigned	-	(24)	(24)
Total fund balances	-	28,301	28,301
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 9	$ 80,744	$ 80,753

The accompanying notes to the financial statements are an integral part of this statement.

STATE OF ILLINOIS
CAPITAL DEVELOPMENT BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
JUNE 30, 2017
(Expressed in Thousands)

Total fund balances-governmental funds	$	28,301
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		135,129
Deferred outflows of resources - Pensions		21,591
Deferred inflows of resources - Pensions		(6,523)
Revenues in the Statement of Activities that do not provide current financial resources are deferred in the funds.		404
Some liabilities reported in the Statement of Net Assets do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds. These liabilities consist of:		
Compensated Absenses		(927)
Pension Liability		(84,851)
Net position of governmental activities	$	93,124

The accompanying notes to the financial statements are an integral part of this statement.

STATE OF ILLINOIS
CAPITAL DEVELOPMENT BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017
(Expressed in Thousands)

	General Fund	Nonmajor funds	Total Governmental Funds
REVENUES			
Federal capital grants	$ -	$ 27,354	$ 27,354
Licenses and fees	-	1,352	1,352
Other charges for services	-	19,109	19,109
Total revenues	-	47,815	47,815
EXPENDITURES			
Education	13,272	125,796	139,068
General government	9	21,481	21,490
Capital outlays	-	73,828	73,828
Total expenditures	13,281	221,105	234,386
DEFICENCY OF REVENUES OVER EXPENDITURES	(13,281)	(173,290)	(186,571)
OTHER SOURCES (USES)			
Appropriations from State resources	100,600	812,978	913,578
Reappropriation to future year(s)	-	(645,525)	(645,525)
Lapsed appropriations	(87,319)	(8,272)	(95,591)
Receipts collected and transmitted to State Treasury	-	(3,331)	(3,331)
Net change in liabilities for reappropriated accounts	-	16,557	16,557
Total other sources	13,281	172,407	185,688
DEFICIENCY OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	-	(883)	(883)
FUND BALANCES, JULY 1, 2016	-	29,184	29,184
FUND BALANCES, JUNE 30, 2017	$ -	$ 28,301	$ 28,301

The accompanying notes to the financial statements are an integral part of this statement.

STATE OF ILLINOIS
CAPITAL DEVELOPMENT BOARD
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017
(Expressed in Thousands)

Net change in fund balances	$	(883)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which capital outlays exceeded depreciation in the current period.		73,782
Some capital assets were transferred out to other State agencies and, therefore, were removed from fund balance without any corresponding proceeds.		(42,892)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This amount represents the increase in unavailable revenue over the prior year.		(3)
Loss from disposal of capital assets. This is the salvage value of capital assets, which were disposed of.		-
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. Below are such activities.		
Pension Expense		(6,160)
Decrease in compensated absences obligation		115
Change in net position of governmental activities	$	23,959

The accompanying notes to the financial statements are an integral part of this statement.

STATE OF ILLINOIS
CAPITAL DEVELOPMENT BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - ORGANIZATION

The Capital Development Board (CDB) is a part of the executive branch of government of the State of Illinois (State) and operates under the authority of and review by the Illinois General Assembly. The CDB operates under a budget approved by the General Assembly in which resources primarily from the Capital Development Fund and the School Construction Fund are appropriated for the use of the CDB. Activities of the CDB are subject to the authority of the Office of the Governor, the State's chief executive officer, and other departments of the executive and legislative branches of government (such as the Department of Central Management Services, the Governor's Office of Management and Budget, the State Treasurer's Office, and the State Comptroller's Office) as defined by the Illinois General Assembly. All funds appropriated to the CDB and all other cash received are under the custody and control of the State Treasurer with the exception of locally held retainage accounts as authorized by State law.

The CDB's principal statutory functions and responsibilities are:

- To build or otherwise provide capital facilities and improvements for which money has been appropriated by the General Assembly.

- To conduct continuous studies into the costs of building or otherwise providing capital facilities.

- To conduct research for improvements in choice of materials and systems and in construction methods for reducing construction costs and operating and maintenance costs of capital expenditure plans.

- To review and recommend periodic revisions in establishing building and construction codes, to promote public safety, energy efficiency and economy, including the use of solar energy, and reduce construction costs and operating and maintenance costs of capital facilities.

- To advise State agencies and units of local government, on request, on any matter related to the purpose of CDB and to assist State agencies in the preparation of their annual long-range capital expenditure plans.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the CDB have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB). To facilitate the understanding of data included in the financial statements, summarized below are the more significant accounting policies.

STATE OF ILLINOIS
CAPITAL DEVELOPMENT BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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 elected officials of the primary government are financially accountable. Financial accountability is defined as:

(1) 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

(2) Fiscal dependency on the primary government.

Based upon the required criteria, the CDB has no component units and is not a component unit of any other entity. However, because the CDB is not legally separate from the State of Illinois, the financial statements of the CDB are included in the financial statements of the State of Illinois. 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 62704-1871.

B. Basis of Presentation

The financial statements of the CDB are intended to present the financial position and the changes in financial position of only that portion of the governmental activities, each major fund of the State of Illinois, and the aggregate remaining fund information of the State of Illinois that is attributable to the transactions of the CDB. They do not purport to, and do not, present fairly the financial position of the State of Illinois as of June 30, 2017, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The financial activities of the CDB, which consist only of governmental activities, are reported under the general government and education functions in the CAFR. A brief description of the CDB's government-wide and fund financial statements is as follows:

Government-Wide Statements

The government-wide Statement of Net Position and Statement of Activities report the overall financial activity of the CDB. Eliminations have been made to minimize the double-counting of internal activities of the CDB.

The Statement of Net Position presents the assets and liabilities of the CDB's governmental activities with the difference being reported as Net Position. The assets and liabilities are presented in order of their relative liquidity by class of asset or liability with liabilities whose average maturities are greater than one year reported in two components - the amount due within one year and the amount due in more than one year.

The Statement of Activities presents a comparison between direct expenses and program revenues for the general government and education functions of the CDB's governmental activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the CDB's funds. The emphasis of fund financial statements is on major governmental fund, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The CDB administers the following major governmental fund (or portion thereof in the case of shared funds - see Note 2 (D)) of the State:

General Fund - This is the State's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The services which are administered by the CDB and accounted for in the general fund include, among others, general government and education.

The General Fund, as presented in these CDB's financial statements, is the portion of the State of Illinois General Revenue Fund financial resources obtained and used by the CDB and is included only to present the financial position and operations of the CDB in its entirety.

The General Fund type includes the following fund:

School Infrastructure Fund (568) is a shared fund that is funded through the General Revenue Fund for the purpose of paying and discharging annually the principal and interest on bonded indebtedness for the construction of school improvements under the School Construction Law. Annual surplus in the fund is to be used for scheduled payments to the School Technology Revolving Fund, costs incurred by the State Board of Education and CDB to administer the programs under the School Construction Law, and to pay for grants due under the School Construction Law.

Nonmajor funds consist of Special Revenue and Capital Projects.

Special Revenue Funds - Transactions to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes pursuant to the Capital Development Board Revolving Fund Act, the Asbestos Abatement Act, the School Infrastructure Fund Act, and the Tobacco Settlement Recovery Fund are accounted for in the special revenue fund. All the special revenue funds in the report are held in the State Treasury and, except, Fund 170 CDB Special Projects which is nonappropriated, all are appropriated. The special revenue fund type includes the following funds:

CDB Special Projects Fund (170) is a non-shared fund that accounts for the receipts of grant funds from other State agencies and is governed by the Capital Development Board Act.

CDB Revolving Fund (215) is a non-shared fund that accounts for a three (3) percent contract administration fee assessed on most CDB contracts in order to fund the internal operations of the CDB.

Asbestos Abatement Fund (224) is a shared fund that accounts for recoveries from lawsuits filed by the Attorney General for the State and CDB to use for statewide asbestos survey programs.

Capital Projects Funds - Transactions related to resources obtained and used for the acquisition or construction of major capital facilities, including those provided to political subdivisions and other public organizations, are accounted for in capital projects funds. Such resources are derived principally from proceeds of general obligation bond issues, federal grants, public school district contributions, and operating transfers from general funds of the State. All the capital projects funds in the report are held in the State Treasury with the exception of retention trust balances which are held in local bank accounts as retainage due to contractors. Capital expenditures from the capital projects funds, except Fund 617 CDB Contributory Trust Fund which is nonappropriated, are appropriated for projects extending beyond the current budget year. The capital projects fund type includes the following funds:

Capital Development Fund (141) is a shared fund that receives general obligation bond proceeds in order to build capital facilities for the State and is governed by the General Obligation Bond Act.

School Construction Fund (143) is a shared fund that receives general obligation bond proceeds in order to build elementary and secondary schools in the State and is governed by the General Obligation Bond Act.

CDB Contributory Trust Fund (617) is a non-shared fund that receives reimbursements from other State agencies for projects financed under various federal programs, public school district contributions, insurance proceeds, and settlements in order to build capital facilities in the State and is governed by the State Finance Act.

Build Illinois Bond Fund (971) is a shared fund that receives Build Illinois Bond proceeds in order to build capital facilities for State universities and local units of government in the State and is governed by the Build Illinois Bond Act.

C. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using 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. Nonexchange transactions in which the CDB gives (or receives) value without receiving (or giving) equal value in exchange include intergovernmental grants. 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.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, (1) principal and interest on formal debt issues, such as bonds and capital leases, are recorded only when payment is due and (2) compensated absences and claims and judgments are recorded when they are expected to be liquidated with expendable available financial resources. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Significant revenue sources which are susceptible to accrual include fees, charges for services, and intergovernmental grants. All other revenue sources are considered to be measurable and available when cash is received.

D. <u>Shared Fund Presentation</u>

The financial statement presentation for the General Revenue Fund, Capital Development Fund, School Construction Fund, Asbestos Abatement Fund, School Infrastructure Fund, and Build Illinois Bond Fund represents only the portion of certain shared funds that can be directly attributed to the operations of the CDB. Financial statements for total fund operations of the shared State funds are presented in the CAFR.

In presenting these financial statements, certain unique accounts are used for the presentation of shared funds. The following accounts are used in these financial statements to present the CDB's portion of shared funds:

Unexpended Appropriations

This "asset" account represents lapse period warrants issued between July and August annually in accordance with the Statewide Accounting Management System (SAMS) records plus any liabilities relating to obligations reappropriated to the subsequent fiscal year.

Appropriations from State Resources

This "other financing source" account represents the final legally adopted appropriation according to SAMS records. The amounts reported are net of any reappropriations to subsequent years and the difference between current and prior year liabilities for reappropriated accounts.

Reappropriation to Future Year(s)

This contra revenue account reduces current year appropriations by the amount of the reappropriation to reflect the State's realignment of the budgetary needs to the subsequent year and avoid double counting of a portion of the appropriation in more than one fiscal year.

Lapsed Appropriations

Lapsed appropriations are the legally adopted appropriations less net warrants issued for the 14 month period from July to August of the following year and reappropriations to subsequent years according to SAMS records. For fiscal year 2017, the lapse period was extended through September.

Receipts Collected and Transmitted to State Treasury

This "other financing use" account represents all cash receipts received during the fiscal year from SAMS records.

Net Change in Liabilities for Reappropriated Accounts

This account reflects the amount which should be added to or subtracted from the current year appropriation for shared funds to reflect the increase or decrease from prior year to current year for amounts included in obligations for reappropriated accounts which are liabilities at June 30 of the prior year and June 30 of the current year.

E. Eliminations

Eliminations have been made in the government-wide Statement of Net Position to minimize the "grossing-up" effect on assets and liabilities within the governmental activities column of the CDB. As a result, amounts reported in the governmental funds balance sheet as interdepartmental interfund receivables and payables have been eliminated in the government-wide Statement of Net Position.

F. Cash Equity with State Treasurer

Cash equity with State Treasurer consists of deposits held in the State Treasury.

G. Cash and Cash Equivalents

Cash equivalents are defined as short-term, highly liquid investments readily convertible to cash with maturities of less than 90 days at the time of purchase. Cash and cash equivalents consist principally of cash held in local bank accounts as retainage due to contractors.

H. Interfund Transactions and Transactions with State of Illinois Component Units

The CDB has the following types of interfund transactions between CDB funds and funds of other State agencies:

Services provided and used - sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds. Unpaid amounts are reported as interfund receivables and payables in the governmental funds Balance Sheet or the government-wide Statements of Net Position.

Reimbursements - repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are reported as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

Transfers - flows of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers.

The CDB also has activity with various component units of the State of Illinois for capital programs appropriated by the General Assembly.

I. Capital Assets

Capital assets, which include construction in progress and equipment, are reported at cost. Contributed assets are reported at estimated fair value at the time received. Capital assets are depreciated using the straight-line method. Construction in progress is capitalized as project costs are incurred and is transferred to the administering State agency upon substantial completion.

Capitalization thresholds and the estimated useful lives are as follows:

Capital Asset Category	*Capitalization Threshold*	*Estimated Useful Life (In Years)*
Construction in progress	$ 25,000	N/A
Equipment	5,000	3-25

J. Compensated Absences

The liability for compensated absences reported in the government-wide Statement of Net Position consists of unpaid, accumulated vacation and sick leave balances for CDB employees. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. The liability has been calculated based on the employees’ current salary level and includes salary related costs (e.g., Social Security and Medicare taxes).

Legislation that became effective January 1, 1998 capped the paid sick leave for all State Employees’ Retirement System (SERS) members at December 31, 1997. Employees continue to accrue twelve sick days per year, but will not receive monetary compensation for any additional time earned after December 31, 1997. Sick days earned between 1984 and December 31, 1997 (with a 50 percent cash value) would only be used after all days with no cash value are depleted. Any sick days earned and unused after December 31, 1997 will be converted to service time for purposes of calculating employee pension benefits.

K. Pensions

In accordance with CDB adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27,* the net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense have been recognized in the government-wide financial statements.

The net pension liability is calculated as the difference between the actuarially calculated value of the projected benefit payments attributed to past periods of service and the plans' fiduciary net position. The total pension expense is comprised of the service cost or actuarial present value of projected benefit payments attributed to the valuation year, interest on the total pension liability, plan administrative expenses, current year benefit changes, and other changes in plan fiduciary net position less employee contributions and projected earnings on plan investments. Additionally, the total pension expense includes the annual recognition of outflows and inflows of resources due to pension assets and liabilities.

For purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources, pension expense and expenditures associated with CDB's contribution requirements, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported within the separately issued plan financial statements. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with terms of the plan. Investments are reported at fair value.

L. Governmental Fund Balances

In the fund financial statements, governmental funds report fund balances in the following categories:

Nonspendable - This consists of amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact. There were no nonspendable fund balances as of June 30, 2017.

Restricted - This consists of amounts that are restricted to specific purposes, that is, when constraints placed on the use of resources are either a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation. The Capital Development Fund (141) and Build Illinois Bond Fund (971) comprise the restricted fund balances as of June 30, 2017.

Committed - This consists of amounts with self-imposed constraints or limitations that have been place at the highest level of decision making. The following funds comprise committed fund balances as of June 30, 2017: CDB Revolving Fund (215) and CDB Contributory Trust Fund (617). These funds are restricted through enabling legislations but have been subject to fund sweeps in previous years and therefore are classified as committed. These committed funds cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - This consists of net amounts that are constrained by the CDB's intent to be used for specific purposes, but that are neither restricted nor committed. There were no assigned fund balances as of June 30, 2017.

Unassigned - This consists of amounts that are available financial resources and are not designated for a specific purpose. The following fund comprises unassigned fund balances as of June 30, 2017: CDB Special Projects Fund (170).

M. Net Position

In the government-wide financial statements, equity is displayed in the components as follows:

Invested in Capital Assets, Net of Related Debt - This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The CDB has no capital related debt as of June 30, 2017.

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 CDB's policy to use restricted funds first, then unrestricted resources when they are needed. There was no restricted Net Position as of June 30, 2017.

Unrestricted - This consists of Net Position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

N. 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.

O. Adoption of Governmental Accounting Standards Board (GASB) Statements

Effective for the year ending June 30, 2017, CDB adopted GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The requirements of this Statement extend the approach to accounting and financial reporting established in Statement 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement 68 should not be considered pension plan assets. There was no significant impact on CDB's financial statements as a result of adopting this Statement.

Effective for the year ending June 30, 2017, CDB adopted GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This Statement replaces Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. This Statement establishes reporting requirements for the Plan. The scope of the Statement includes OPEB plans – defined benefit and defined contribution – administered through trusts that meet specific criteria. This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria. There was no significant impact on CDB's financial statements as a result of adopting this Statement.

Effective for the year ending June 30, 2017, CDB adopted GASB Statement No. 77, *Tax Abatement Disclosures.* This Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statements users. There was no significant impact on CDB's financial statements as a result of adopting this Statement.

Effective for the year ending June 30, 2017, CDB adopted GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). There was no significant impact on CDB's financial statements as a result of adopting this Statement.

Effective for the year ending June 30, 2017, CDB adopted GASB Statement No. 80, *Blending Requirements for Certain Component Units - an Amendment of GASB Statement No. 14*. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. There was no significant impact on CDB's financial statements as a result of adopting this Statement.

Effective for the year ending June 30, 2017, GASB Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*. Prior to this Statement, Statements 67 and 68 required presentation of covered-employee payroll, which is the payroll of employees that are provided with pensions through the pension plan, and ratios that use that measure, in schedules of required supplementary information. This Statement amends Statements 67 and 68 to instead require the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure. There was no significant impact on CDB's financial statements as a result of adopting this Statement.

P. Future Adoption of Governmental Accounting Standards Board (GASB) Pronouncements

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, will be effective for CDB with its year ending June 30, 2018. This Statement replaces Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. The Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, will be effective for CDB with its year ending June 30, 2018. This Statement requires that a government that receives pursuant to an irrevocable split-interest agreement, created through a trust, recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interest in irrevocable split-interest agreements that are administered to a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

GASB Statement No. 83, *Certain Asset Retirement Obligations*, will be effective for CDB with its year ending June 30, 2019. This Statement addresses accounting and financial reporting for certain asset retirement obligations (ARO). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability and a corresponding deferred outflow of resources. This statement requires that recognition occur when the liability is both incurred and reasonably estimable. Additionally, this statement requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. If an ARO has been incurred by a government but is not yet recognized because it is not reasonably estimable, the government is required to disclose that fact and the reasons therefore.

GASB Statement No. 84, *Fiduciary Activities*, will be effective for CDB with its year ending June 30, 2020. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The Statement redefines the fiduciary fund types focusing on the resources to be reported with in each: Pension (and other employee benefit) trust funds, Investment trust funds, Private-purpose trust funds and Custodial trust funds (previously agency funds). Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. A liability to beneficiaries will be recognized when due and payable and any other liabilities should be included in the balance of fiduciary net position.

GASB Statement No. 85, *Omnibus 2017*, will be effective for CDB with its year ending June 30, 2018. This Statement addresses a variety of topics. Specifically those topics are: blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation; treatment of goodwill and negative goodwill; classifying real estate held by insurance entities; measuring of certain types of investments; timing of the measurement of pension or OPEB liabilities and expenditures; recognizing on-behalf payments for pensions or OPEB and various other topics relating to OPEB.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, will be effective for CDB with its year ending June 30, 2018. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. The Statement objectives enhance the consistency in financial reporting of prepaid insurance related to debt that has been extinguished and increase the usefulness of information provided in the notes to the financial statements regarding the in-substance defeasance of debt.

GASB Statement No. 87, *Leases*, will be effective for CDB with its year ending June 30, 2020. This Statement will increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

Management has not determined the total impact these Statements may have on its financial statements.

NOTE 3 - DEPOSITS AND INVESTMENTS

The State Treasurer is the custodian of the State's deposit and investments for funds maintained in the State Treasury. Section 2 of the Public Funds Investment Act limits the State's investments, both inside and outside the State Treasury, to securities of the U.S. government or its agencies, short-term obligations of domestic corporations exceeding $500 million in assets that are rated in the three highest categories by at least two nationally recognized statistical ratings organizations not to exceed ten percent of the domestic corporation's outstanding obligations, money market mutual funds invested in the U.S. government and/or its agencies, and repurchase agreements securities of the U.S. government or money market mutual funds invested in the U.S. government or its agencies. The CDB independently manages cash and cash equivalents maintained outside the State Treasury that are held in trust agreements for the retention of a percentage of construction contract prices.

Cash on deposit for locally held funds has a carrying amount and bank balance of $6.167 million at June 30, 2017. Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. Prior to July 1, 2007, CDB did not have a deposit policy for custodial credit risk. Retention accounts opened subsequent to June 30, 2007 are required to be insured or fully collateralized. Of the total bank balance, $0 was exposed to custodial credit risk as uninsured with collateral held by the pledging financial institutions in the State's name, and $4.225 million was exposed to custodial credit risk as uninsured with collateral held by the pledging financial institution's trust department not in the State's name.

Deposits in the custody of the State Treasurer, or in transit, totaled $20.138 million at June 30, 2017. These deposits are pooled and invested with other State funds in accordance with the Deposit of State Moneys Act of the Illinois Compiled Statutes (15 ILCS 520/11). Funds held by the State Treasurer have not been categorized as to credit risk because the CDB does not own individual securities. Details on the nature of these deposits and investments are available within the CAFR.

NOTE 4 - INTERFUND BALANCES AND ACTIVITIES

A. <u>Due from Other State Funds</u>

The following balance (amount expressed in thousands) at June 30, 2017 represents amounts due from other CDB and State of Illinois funds:

Fund	Due From Other State Funds	Description/Purpose
Nonmajor governmental funds	$ 15,036	Due from nonmajor governmental funds for capital project grants and contracts and for short-term borrowings.

B. <u>Due to Other State Funds</u>

The following balance (amount expressed in thousands) at June 30, 2017 represents amounts due to other CDB and State of Illinois funds:

Fund	Due To Other State Funds	Description/Purpose
Nonmajor governmental funds	$ 728	Due to internal service funds of the State for purchases of services and goods, reimbursements of capital grant to outside entities and for costs incurred, and overpayment of construction costs.

NOTE 5 - LOANS RECEIVABLE

Loans receivable in the General Fund are comprised of $14,968 (amount expressed in thousands) receivable from the Illinois International Port District (Port District).

The loan agreement between the Port District and CDB requires payments to CDB based on percentages of Port District income or gross receipts, as defined in the agreement. As to the status of collections, the Port District's gross receipts, as defined by the loan agreement, have been insufficient to cause any payments to be made to CDB. While the loan agreement is not technically in default, the ultimate collectibility of the receivable is dependent upon the achievement of sufficient gross receipts levels, as defined; accordingly, CDB has reserved the entire remaining amount of the Port District receivable as uncollectible as of June 30, 2017.

Should the Port District ultimately default on this obligation, no future or present cash outlay by CDB or the State would be required as the receivables represent previous outlays.

NOTE 6 - CAPITAL ASSETS

Capital asset activities (amounts expressed in thousands) for the year ended June 30, 2017 were as follows:

	Balance July 1, 2016	Additions	Deletions	Net Transfers	Balance June 30, 2017
Governmental activities:					
Capital assets not being depreciated:					
Construction in progress	$ 104,088	$ 73,828	$ –	($42,892)	$ 135,024
Capital assets being depreciated:					
Equipment	400	–	–	–	400
Less accumulated depreciation	249	46	–	–	295
Capital assets being depreciated, net	151	(46)	–	–	105
Governmental activity capital assets, net	$ 104,239	$ 73,782	$ –	($42,892)	$ 135,129

Depreciation expense charged to governmental activities - general government totaled $46 (amount expressed in thousands) for the year.

NOTE 7 - LONG-TERM OBLIGATIONS

Changes in long-term obligations (amounts expressed in thousands) for the year ended June 30, 2017 was as follows:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017	Amount Due Within One Year
Governmental activities:					
Compensated absences	$ 1,042	$ 709	$ 824	$ 927	$ 93

Compensated absences have been liquidated by the applicable governmental funds that account for the salaries and wages of the related employees.

NOTE 8 – DEFINED BENEIT PENSION PLAN

A. Plan Description

Substantially all of CDB's full-time employees who are not eligible for participation in another State-sponsored retirement plan participate in the State Employees' Retirement System (SERS), which is a single-employer defined benefit pension trust fund in the State of Illinois reporting entity. SERS is governed by article 14 of the Illinois Pension Code (40 ILCS 5/1, et seq.). The plan consists of two tiers of contribution requirements and benefit levels based on when an employee was hired. Members who first become an employee and participate under any of the State's retirement plans on or after January 1, 2011 are members of Tier 2, while Tier 1 consists of employees hired before January 1, 2011 or those who have service credit prior to January 1, 2011. The provisions below apply to both Tier 1 and 2 members, except where noted. SERS issues a separate CAFR available at www.srs.illinois.gov or that may be obtained by writing to SERS, 2101 South Veterans Parkway, Springfield, Illinois, 62794-9255.

B. Benefit Provisions

SERS provides retirement benefits based on the member's final average compensation and the number of years of credited service that have been established. The retirement benefit formula available to general State employees is 1.67% for each year of covered service and 2.2% for each year of noncovered service. The maximum retirement annuity payable is 75% of final average compensation as calculated under the regular formula. The minimum monthly retirement annuity payable is $15.00 for each year of covered employment and $25.00 for each year of noncovered employment.

Participants in SERS under the regular formula Tier 1 and Tier 2 receive the following levels of benefits based on the respective age and years of service credits.

Regular Formula Tier 1	**Regular Formula Tier 2**
A member must have a minimum of eight years of service credit and may retire at: • Age 60, with 8 years of service credit. • Any age, when the member's age (years & whole months) plus years of service credit (years & whole months) equal 85 years (1,020 months) (Rule of 85) with eight years of credited service. • Between ages 55-60 with 25-30 years of service credit (reduced 1/2 of 1% for each month under age 60). The retirement benefit is based on final average compensation and credited service. Final average compensation is the 48 highest consecutive months of service within the last 120 months of service. Under the Rule of 85, a member is eligible for the first 3% increase on January 1 following the first full year of retirement, even if the member is not age 60. If the member retires at age 60 or older, he/she will receive a 3% pension increase every year on January 1, following the first full year of retirement. If the member retires before age 60 with a reduced retirement benefit, he/she will receive a 3% pension increase every January 1 after the member turns age 60 and has been retired at least one full year. These pension increases are not limited by the 75% maximum.	A member must have a minimum of 10 years of credited service and may retire at: • Age 67, with 10 years of credited service. • Between ages 62-67 with 10 years of credited service (reduced 1/2 of 1% for each month under age 67). The retirement benefit is based on final average compensation and credited service. For regular formula employees, final average compensation is the average of the 96 highest consecutive months of service within the last 120 months of service. The retirement benefit is calculated on a maximum salary of $106,800. This amount increases annually by 3% or one-half of the Consumer Price Index, whichever is less. If the member retires at age 67 or older, he/she will receive a pension increase of 3% or one-half of the Consumer Price Index for the preceding calendar year, whichever is less, every year on January 1, following the first full year of retirement. The calendar year 2016 rate is $111,572. If the member retires before age 67 with a reduced retirement benefit, he/she will receive a pension increase of 3% or one-half of the Consumer Price Index for the preceding calendar year, whichever is less, every January 1 after the member turns age 67 and has been retired at least one full year. These pension increases are not limited by the 75% maximum.

Additionally, the Plan provides an alternative retirement formula for State employees in high-risk jobs, such as State policemen, fire fighters, and security employees. Employees qualifying for benefits under the alternative formula may retire at an earlier age depending on membership in Tier 1 or Tier 2. The retirement formula is 2.5% for each year of covered service and 3.0%

for each year of non-covered service. The maximum retirement annuity payable is 80% of final average compensation as calculated under the alternative formula.

SERS also provides occupational and nonoccupational (including temporary) disability benefits. To be eligible for nonoccupational (including temporary) disability benefits, an employee must have at least eighteen months of credited service to the System. The nonoccupational (including temporary) disability benefit is equal to 50% of the monthly rate of compensation of the employee on the date of removal from the payroll. Occupational disability benefits are provided when the member becomes disabled as a direct result of injuries or diseases arising out of and in the course of State employment. The monthly benefit is equal to 75% of the monthly rate of compensation on the date of removal from the payroll. This benefit amount is reduced by Workers' Compensation or payments under the Occupational Diseases Act.

Occupational and nonoccupational death benefits are also available through the System. Certain nonoccupational death benefits vest after eighteen months of credited service. Occupational death benefits are provided from the date of employment.

C. <u>Contributions</u>

Contribution requirements of active employees and the State are established in accordance with Chapter 40, section 5/14-133 of the Illinois Compiled Statutes. Member contributions are based on fixed percentages of covered payroll ranging between 4.00% and 12.50%. Employee contributions are fully refundable, without interest, upon withdrawal from State employment. Tier 1 members contribute based on total annual compensation. Tier 2 members contribute based on an annual compensation rate not to exceed $107 (amount expressed in thousands) with limitations for future years increased by the lessor of 3% or one-half of the annual percentage increase in the Consumer Price Index. For 2017, this amount was $112 (amount expressed in thousands).

The State is required to make payment for the required departmental employer contributions, all allowances, annuities, any benefits granted under Chapter 40, Article 5/14 of the ILCS and all administrative expenses of the System to the extent specified in the ILCS. State law provides that the employer contribution rate be determined based upon the results of each annual actuarial valuation.

For fiscal year 2017, the required employer contributions were computed in accordance with the State's funding plan. This funding legislation provides for a systematic 50-year funding plan with an ultimate goal to achieve 90% funding of the plan's liabilities. In addition, the funding plan provided for a 15-year phase-in period to allow the State to adapt to the increased financial commitment. Since the 15-year phase-in period ended June 30, 2010, the State's contribution will remain at a level percentage of payroll for the next 35 years until the 90% funded level is achieved. For fiscal year 2017, the employer contribution rate was 44.568%. CDB's contribution amount for fiscal year 2017 was $4,749 (amount expressed in thousands).

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

At June 30, 2017, CDB reported a liability of $84,851 million for its proportionate share of the State's net pension liability for SERS on the statement of net position. The net pension liability was measured as of June 30, 2016 (current year measurement date), and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. CDB's portion of the net pension liability was based on CDB's proportion of employer contributions relative to all employer contributions made to the plan during the year ended June 30, 2016. As of the current year measurement date of June 30, 2016, CDB's proportion was .2485%, which was a decrease of .0139% from its proportion measured as of the prior year measurement date of June 30, 2015.

For the year ended June 30, 2017, CDB recognized pension expense of $10.344 million. At June 30, 2017, CDB reported deferred outflows and deferred inflows of resources related to the pension liability as of the measurement date of June 30, 2017, from the following sources (amounts expressed in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 130	$ 2,075
Changes of assumptions	13,043	-
Net difference between projected and actual investment earnings on pension plan investments	1,801	-
Changes in proportion	2,361	4,448
Department contributions subsequent to the measurement date	4,256	-
Total	$ 21,591	$ 6,523

$21,591 reported as deferred outflows of resources related to pensions resulting from CDB contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized as pension expense as follows (amounts expressed in thousands):

Year ended June 30,		
2018	$	4,197
2019	$	2,995
2020	$	2,056
2021	$	1,562
Total	$	10,810

E. Actuarial Methods and Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Mortality: 105 percent of the RP 2014 Healthy Annuitant mortality table, sex distinct, with rates projected to 2015.

Inflation: 2.75%

Investment Rate of Return: 7.00%, net of pension plan investment expense, including inflation.

Salary increases: Salary increase rates based on age related productivity and merit rates plus inflation.

Post-retirement benefit increases of 3.00%, compounded, for Tier 1 and the lessor of 3.00% or one-half of the annual increase in the Consumer Price Index for Tier 2.

Retirement Age: Experience-based table of rates specific to the type of eligibility condition. Table was last updated for the June 30, 2014, valuation pursuant to an experience study of the period July 1, 2009 to June 30, 2013.

The long-term expected real rate of return on pension plan investments was determined based on the simulated average 20-year annualized geometric return for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage. For each major asset class that is included in the pension plan's target asset allocation, calculated as of the measurement date of June 30, 2016, the best estimates of the geometric real rates of return as summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	23%	5.80%
Developed Foreign Equity	13%	6.10%
Emerging Market Equity	7%	8.50%
Private Equity	9%	7.40%
Hedge Funds	3%	3.60%
Intermediate Investment Grade Bonds	11%	1.60%
Long-term Government Bonds	3%	1.60%
TIPS	5%	1.30%
High Yield and Bank Loans	5%	4.80%
Opportunistic Debt	4%	4.80%
Emerging Market Debt	2%	4.10%
Real Estate	10%	4.50%
Infrastructure	5%	5.90%
Total	**100%**	**5.04%**

F. Discount Rate

A discount rate of 6.64% was used to measure the total pension liability as of the measurement date of June 30, 2016 as compared to a discount rate of 7.02% used to measure the total pension liability as of the prior year measurement date. The June 30, 2016 single blended discount rate was based on the expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 2.85%, based on an index of 20 year general obligation bonds with an average AA credit rating as published by the Federal Reserve. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions will be made based on the statutorily required rates under Illinois law. Based on these assumptions, the pension plan's fiduciary net position and future contributions will be sufficient to finance the benefit payments through the year 2072. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2072, and the municipal bond rate was applied to all benefit payments after that date.

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

The net pension liability for the plan was calculated using the stated discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate as shown below (amounts expressed in thousands):

	1% Decrease 5.64%	Discount Rate 6.64%	1% Increase 7.64%
Department's proportionate share of the net pension liability	$ 102,408	$ 84,851	$ 70,525

Payables to the pension plan. At June 30, 2017, CDB reported a payable of $1 to SERS for the outstanding amount of contributions to the pension plans required for the year ended June 30, 2017.

NOTE 9 - POST-EMPLOYMENT BENEFITS

The State provides health, dental, and life insurance benefits for certain retirees and their dependents in a program administered by the Department of Central Management Services. Substantially all State employees become eligible for post-employment benefits if they eventually become annuitants of one of the State sponsored pension plans. Health, dental, and vision benefits include basic benefits for annuitants under the State's self-insurance plan and insurance contracts currently in force. Annuitants may be required to contribute towards health, dental, and vision benefits with the amount based on factors such as date of retirement, years of credited service with the State, whether the annuitant is covered by Medicare and whether the annuitant has chosen a managed health care plan. Annuitants also receive life insurance coverage equal to the annual salary of the last day of employment until age 60, at which time the benefit becomes $5,000.

The total cost of the State's portion of health, dental, vision, and life insurance benefits of all members, including post-employment health, dental, vision, and life insurance benefits, is recognized as expenditure by the State in the Illinois CAFR. The State finances the costs on a pay-as-you-go basis. The total costs incurred for health, dental, vision, and life insurance benefits are not separated by department or component unit for annuitants and their dependents nor active employees and their dependents.

A summary of post-employment benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established are included as an integral part of the financial statements of the Department of Central Management Services. A copy of the financial statements of the Department of Central Management Services may be obtained by writing to the Department of Central Management Services, 715 Stratton Building, 401 South Spring Street, Springfield, Illinois, 62606-41000.

NOTE 10 - RISK MANAGEMENT

The CDB is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; workers compensation; and natural disasters. The State retains the risk of loss (i.e., self-insured).

The CDB's risk management activities for 2017 are financed through appropriations to the Illinois Department of Central Management Services and are accounted for in the general fund of the State. The claims are not considered to be a liability of the CDB and, accordingly, have not been reported in the CDB's financial statements for the year ended June 30, 2017. There have been no settlements that exceeded insurance coverage during the last three fiscal years.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

A. Operating Leases

The CDB leases equipment and office space under the terms of noncancelable operating lease agreements not extending past the end of the fiscal year, that require the CDB to make minimum lease payments plus pay a pro rata share of certain operation costs. Rent expense under operating leases was $194 (amount expressed in thousands) for the year ended June 30, 2017.

B. Construction Commitments

The CDB has outstanding construction projects for State and other facilities in which it has entered into future commitments. The amount of CDB's commitment which includes amounts related to projects for the State's component units was $173.3 million at June 30, 2017.

STATE OF ILLINOIS
CAPITAL DEVELOPMENT BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Components of Construction in Progress

Project	As of June 30, 2017 (Expressed in Thousands) Project Authorization	Expended Through June 30	Committed at June 30	Available Authorization
Chicago Veterans' Home - Cook County	$ 92,374	$ 19,226	$ 52,554	$ 20,594
Lincoln's Challenge Academy - Military Affairs Rantoul	48,999	28,676	11,305	9,018
Construct Army Aviation Support Facility-Kankakee	72,501	65,464	5,533	1,504
Others (less than $10,000)	48,959	21,658	32,337	(5,036)
Total	$ 262,833	$ 135,024	$ 101,729	$ 26,080

C. Litigation

The CDB is routinely involved in a number of legal proceedings and claims that cover a wide range of matters. In the opinion of management, the outcome of these additional matters is not expected to have a material effect on the financial position or results of operations of the CDB.

SUPPLEMENTARY INFORMATION

STATE OF ILLINOIS
CAPITAL DEVELOPMENT BOARD
COMBINING SCHEDULE OF ACCOUNTS
GENERAL FUND
JUNE 30, 2017
(Expressed in Thousands)

	General Fund 001	School Infrastructure 568	Total (Memorandum Only)
ASSETS			
Unexpended appropriations	$ -	$ 9	$ 9
TOTAL ASSETS	$ -	$ 9	$ 9
LIABILITIES			
Due to other State funds	$ -	$ 9	$ 9
Total liabilities	-	9	9
FUND BALANCES			
Restricted	-	-	-
Committed	-	-	-
Unassigned	-	-	-
Total fund balances	-	-	-
TOTAL LIABILITIES AND FUND BALANCES	$ -	$ 9	$ 9

STATE OF ILLINOIS
CAPITAL DEVELOPMENT BOARD
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017
(Expressed in Thousands)

	General Fund 001	School Infrastructure 568	Total (Memorandum Only)
REVENUES			
Total revenues	$ -	$ -	$ -
EXPENDITURES			
Education	-	13,272	13,272
General government	-	9	9
Total expenditures	-	13,281	13,281
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(13,281)	(13,281)
OTHER SOURCES (USES)			
Appropriations from State resources	-	100,600	100,600
Lapsed appropriations	-	(87,319)	(87,319)
Total other sources	-	13,281	13,281
DEFICIENCY OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	-	-	-
FUND BALANCES, JULY 1, 2016	-	-	-
FUND BALANCES, JUNE 30, 2017	$ -	$ -	$ -

STATE OF ILLINOIS
CAPITAL DEVELOPMENT BOARD
COMBINING BALANCE SHEETS
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017
(Expressed in Thousands)

	Special Revenue	Capital Projects	Total (Memorandum Only)
ASSETS			
Unexpended appropriations	$ -	$ 34,152	$ 34,152
Cash equity with State Treasurer	4,903	15,235	20,138
Cash and cash equivalents	-	6,167	6,167
Intergovernmental receivables, net	-	4,511	4,511
Other receivables, net	740	-	740
Due from other State funds	-	15,036	15,036
TOTAL ASSETS	$ 5,643	$ 75,101	$ 80,744
LIABILITIES			
Accounts payable and accrued liabilities	$ 24	$ 48,711	$ 48,735
Intergovernmental payables	-	855	855
Due to other State funds	511	208	719
Unearned revenue	-	1,730	1,730
Total liabilities	535	51,504	52,039
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	404	-	404
Total deferred inflows of resources	404	-	404
FUND BALANCES			
Restricted	-	11,216	11,216
Committed	4,728	12,381	17,109
Unassigned	(24)	-	(24)
Total fund balances	4,704	23,597	28,301
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 5,643	$ 75,101	$ 80,744

STATE OF ILLINOIS
CAPITAL DEVELOPMENT BOARD
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017
(Expressed in Thousands)

	Special Revenue	Capital Projects	Total (Memorandum Only)
REVENUES			
Federal capital grants	$ -	$ 27,354	$ 27,354
Licenses and fees	1,352	-	1,352
Other charges for services	-	19,109	19,109
Total revenues	1,352	46,463	47,815
EXPENDITURES			
Education	32	125,764	125,796
General government	43	21,438	21,481
Capital outlays	3	73,825	73,828
Total expenditures	78	221,027	221,105
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,274	(174,564)	(173,290)
OTHER SOURCES (USES)			
Appropriations from State resources	-	812,978	812,978
Reappropriation to future year(s)	-	(645,525)	(645,525)
Lapsed appropriations	-	(8,272)	(8,272)
Receipts collected and transmitted to State Treasury	-	(3,331)	(3,331)
Net change in liabilities for reappropriated accounts	-	16,557	16,557
Total other sources	-	172,407	172,407
DEFICIENCY OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	1,274	(2,157)	(883)
FUND BALANCES, JULY 1, 2016	3,430	25,754	29,184
FUND BALANCES, JUNE 30, 2017	$ 4,704	$ 23,597	$ 28,301

STATE OF ILLINOIS
CAPITAL DEVELOPMENT BOARD
COMBINING BALANCE SHEETS
SPECIAL REVENUE FUNDS
JUNE 30, 2017
(Expressed in Thousands)

	CDB Special Projects Fund 170	CDB Revolving 215	Asbestos Abatement 224	Total (Memorandum Only)
ASSETS				
Cash equity with State Treasurer	$ 511	$ 4,392	$ -	$ 4,903
Other receivables, net	-	740	-	740
TOTAL ASSETS	$ 511	$ 5,132	$ -	$ 5,643
LIABILITIES				
Accounts payable and accrued liabilities	$ 24	$ -	$ -	$ 24
Due to other State funds	511	-	-	511
Total liabilities	535	-	-	535
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	-	404	-	404
Total deferred inflows of resources	-	404	-	404
FUND BALANCES				
Committed	-	4,728	-	4,728
Unassigned	(24)	-	-	(24)
Total fund balances	(24)	4,728	-	4,704
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 511	$ 5,132	$ -	$ 5,643

STATE OF ILLINOIS
CAPITAL DEVELOPMENT BOARD
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017
(Expressed in Thousands)

	CDB Special Projects Fund 170	CDB Revolving 215	Asbestos Abatement 224	Total (Memorandum Only)
REVENUES				
Licenses and fees	$ -	$ 1,352	$ -	$ 1,352
Total revenues	-	1,352	-	1,352
EXPENDITURES				
Education	32	-	-	32
General government	-	43	-	43
Capital outlays	3	-	-	3
Total expenditures	35	43	-	78
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(35)	1,309	-	1,274
OTHER SOURCES (USES)				
Total other sources	-	-	-	-
DEFICIENCY OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(35)	1,309	-	1,274
FUND BALANCES, JULY 1, 2016	11	3,419	-	3,430
FUND BALANCES, JUNE 30, 2017	$ (24)	$ 4,728	$ -	$ 4,704

STATE OF ILLINOIS
CAPITAL DEVELOPMENT BOARD
COMBINING BALANCE SHEETS
CAPITAL PROJECTS FUNDS
JUNE 30, 2017
(Expressed in Thousands)

	Capital Development 141	School Construction 143	CDB Contributory Trust 617	Build Illinois Bond 971	Total (Memorandum Only)
ASSETS					
Unexpended appropriations	$ 33,280	$ 855	$ -	$ 17	$ 34,152
Cash equity with State Treasurer	-	-	15,235	-	15,235
Cash and cash equivalents	6,167	-	-	-	6,167
Intergovernmental receivables, net	-	-	4,511	-	4,511
Due from other State funds	10,486	-	3,814	736	15,036
TOTAL ASSETS	$ 49,933	$ 855	$ 23,560	$ 753	$ 75,101
LIABILITIES					
Accounts payable and accrued liabilities	$ 39,385	$ -	$ 9,309	$ 17	$ 48,711
Intergovernmental payables	-	855	-	-	855
Due to other State funds	68	-	140	-	208
Unearned revenue	-	-	1,730	-	1,730
Total liabilities	39,453	855	11,179	17	51,504
FUND BALANCES					
Restricted	10,480	-	-	736	11,216
Committed	-	-	12,381	-	12,381
Total fund balances	10,480	-	12,381	736	23,597
TOTAL LIABILITIES AND FUND BALANCES	$ 49,933	$ 855	$ 23,560	$ 753	$ 75,101

STATE OF ILLINOIS
CAPITAL DEVELOPMENT BOARD
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2017
(Expressed in Thousands)

	Capital Development 141	School Construction 143	CDB Contributory Trust 617	Build Illinois Bond 971	Total (Memorandum Only)
REVENUES					
Federal capital grants	$ -	$ -	$ 27,354	$ -	$ 27,354
Other charges for services	-	-	19,111	(2)	19,109
Total revenues	-	-	46,465	(2)	46,463
EXPENDITURES					
Education	52,326	58,338	19,128	(4,028)	125,764
General government	21,438	-	-	-	21,438
Capital outlays	46,485	-	27,337	3	73,825
Total expenditures	120,249	58,338	46,465	(4,025)	221,027
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(120,249)	(58,338)	-	4,023	(174,564)
OTHER SOURCES (USES)					
Appropriations from State resources	499,900	311,028	-	2,050	812,978
Reappropriation to future year(s)	(390,785)	(252,690)	-	(2,050)	(645,525)
Lapsed appropriations	(8,272)	-	-	-	(8,272)
Receipts collected and transmitted to State Treasury	(52)	-	-	(3,279)	(3,331)
Net change in liabilities for reappropriated accounts	16,567	-	-	(10)	16,557
Total other sources (uses)	117,358	58,338	-	(3,289)	172,407
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES (USES) OVER EXPENDITURES	(2,891)	-	-	734	(2,157)
FUND BALANCES, JULY 1, 2016	13,371	-	12,381	2	25,754
FUND BALANCES, JUNE 30, 2017	$ 10,480	$ -	$ 12,381	$ 736	$ 23,597

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Board Members
Capital Development Board

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the State of Illinois, Capital Development Board, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the State of Illinois, Capital Development Board's basic financial statements, and have issued our report thereon dated December 6, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the State of Illinois, Capital Development Board's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of Illinois, Capital Development Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois, Capital Development Board's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weakness may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

SIGNED ORIGINAL ON FILE

Chicago, Illinois
December 6, 2017