

STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE

Financial Audit

For the Year Ended June 30, 2008

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

STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE

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STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE

AGENCY OFFICIALS

Secretary of State	Honorable Jesse White
Deputy Secretary of State and Chief of Staff	Thomas N. Benigno
Chief Auditor (acting)	Stell Mallios (April 1, 2007 through December 3, 2007)
Chief Auditor	Nancy Bowyer (December 3, 2007 through current)
General Counsel	Irene Lyons
Inspector General	Jim Burns
Accounting Revenue, Director	Carl Forn
Budget and Fiscal Management, Director	Carol Lampard

Secretary of State offices are located throughout the State of Illinois. Secretary of State financial records are processed and maintained at the Howlett Building, Springfield, Illinois 62756. Executive offices of the Secretary of State are located at Room 213, Capitol Building, Springfield, Illinois, 62756 and Suite 5-400, 100 W. Randolph, Chicago, Illinois 60601.

FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying financial statements of the State of Illinois, Office of the Secretary of State was performed by Sleeper, Disbrow, Morrison, Tarro & Lively, LLC.

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

SUMMARY OF FINDINGS

The auditors identified matters involving the Office's internal control over financial reporting that they considered to be significant deficiencies. The significant deficiencies are described in the accompanying Schedule of Findings on pages 49-50 of this report, as finding 08-1, financial reporting weaknesses. The auditors also consider finding 08-1 to be a material weakness.

EXIT CONFERENCE

or

The finding and recommendation was discussed with Office personnel, and an exit conference was waived by the Office.

The response to the recommendation was provided by Carol Lampard in correspondence dated May 7, 2009.

SLEEPER, DISBROW, MORRISON, TARRO & LIVELY, LLC

ROBERT A. DISBROW, C.P.A.
THOMAS K. LEACH, C.P.A.
WAYNE K. LIVELY, C.P.A.
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INDEPENDENT AUDITORS' REPORT

Honorable William G. Holland
Auditor General
State of Illinois

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, Office of the Secretary of State, as of and for the year ended June 30, 2008, which collectively comprise the Office of the Secretary of State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of Illinois, Office of the Secretary of State's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the financial statements of the State of Illinois, Office of the Secretary of State 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, Office of the Secretary of State. They do not purport to, and do not, present fairly the financial position of the State of Illinois as of June 30, 2008, and its changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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, Office of the Secretary of State, as of June 30, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 13 to the financial statements, the financial statements have been restated as of July 1, 2007 for prior year errors in reporting license and fees revenue.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 14, 2009 on our consideration of the State of Illinois, Office of the Secretary of State's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The State of Illinois, Office of the Secretary of State has not presented a management's discussion and analysis and budgetary comparison information for any of its funds that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Illinois, Office of the Secretary of State's basic financial statements. The combining General Fund, Road Fund and nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining General Fund, Road Fund and nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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, and Office management, and is not intended to be and should not be used by anyone other than these specified parties.

Sleeper, Disbrow, Morrison, Tarro & Lively, LLC

Decatur, Illinois
May 14, 2009

State of Illinois
Office of the Secretary of State
Statement of Net Assets and Governmental Funds Balance Sheet
June 30, 2008 (Expressed in Thousands)

	General Fund	Road Fund	State Construction Account 0902	Other Nonmajor Funds	Total Governmental Funds	Adjustments	Statement of Net Assets
ASSETS							
Unexpended appropriations	\$ 5,620	\$ 10,283	\$ -	\$ 940	\$ 16,823	\$ -	\$ 16,823
Cash equity with State Treasurer	36,005	54,769	71,074	57,680	219,528	-	219,528
Cash and cash equivalents	-	83	-	11	94	-	94
Taxes receivable, net	3,301	-	-	-	3,301	-	3,301
Intergovernmental receivables, net	-	-	-	1,409	1,409	-	1,409
Other receivables, net	2,557	5,538	3,257	31	11,383	-	11,383
Due from other Office funds	54	-	-	-	54	(54)	-
Due from other State funds	-	-	-	27	27	-	27
Due from State of Illinois component units	-	-	-	12	12	-	12
Inventories	-	-	-	6,283	6,283	-	6,283
Prepaid expenses	-	-	-	-	-	6,458	6,458
Capital assets not being depreciated	-	-	-	-	-	6,679	6,679
Capital assets being depreciated, net	-	-	-	-	-	201,838	201,838
Total assets	\$ 47,537	\$ 70,653	\$ 74,331	\$ 66,393	\$ 258,914	214,921	473,835
LIABILITIES							
Accounts payable and accrued liabilities	\$ 4,541	\$ 8,586	\$ -	\$ 5,827	\$ 18,954	-	18,954
Intergovernmental payables	2,061	1,204	-	2,454	5,719	-	5,719
Due to other State fiduciary funds	1,256	281	-	148	1,685	-	1,685
Due to other Office funds	-	-	-	54	54	(54)	-
Due to other State funds	97	138	-	2,449	2,449	-	2,449
Due to State of Illinois component units	76	30	-	94	200	-	200
Unavailable revenue	-	-	-	324	324	(324)	-
Unearned revenue	-	9,897	5,737	77	15,711	-	15,711
Long-term obligations:							
Due within one year	-	-	-	-	-	2,097	2,097
Due subsequent to one year	-	-	-	-	-	19,730	19,730
Total liabilities	8,031	20,136	5,737	11,192	45,066	21,449	66,545
FUND BALANCES/NET ASSETS							
Reserved for:							
Encumbrances	797	18	-	673	1,488	(1,488)	-
Inventories	-	-	-	6,283	6,283	(6,283)	-
Unreserved:							
General fund	38,709	-	-	-	38,709	(38,709)	-
Special revenue funds	-	50,499	68,594	48,245	167,338	(182,972)	(15,634)
Invested in capital assets, net of related debt	-	-	-	-	-	208,517	208,517
Unrestricted net assets	-	-	-	-	-	214,407	214,407
Total fund balances/net assets	39,506	50,517	68,594	55,201	213,818	\$ 193,472	\$ 407,290
Total liabilities and fund balances	\$ 47,537	\$ 70,653	\$ 74,331	\$ 66,393	\$ 258,914		

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

State of Illinois
Office of the Secretary of State
Reconciliation of Governmental Funds Balance Sheet
to Statement of Net Assets
June 30, 2008
(Expressed in Thousands)

Total fund balances-governmental funds	\$ 213,818
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	208,517
Prepaid expenses for governmental activities are current uses of financial resources for funds.	6,458
Revenues in the Statement of Activities that do not provide current financial resources are deferred in the funds.	324
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 absences	<u>(21,827)</u>
Net assets of governmental activities	<u><u>\$ 407,290</u></u>

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

State of Illinois

Office of the Secretary of State

Statement of Activities and Governmental Revenues,

Expenditures, and Changes in Fund Balances

For the Year Ended June 30, 2008 (Expressed in Thousands)

	General Fund	Road Fund	State Construction Account 0902	Other Nonmajor Funds	Total Governmental Funds	Adjustments	Statement of Activities
Expenditures/expenses:							
General government	\$ 162,747	\$ 127,550	\$ -	\$ 71,049	\$ 361,346	\$ 15,339	\$ 376,685
Debt service - principal	4	3	-	-	7	(7)	-
Capital outlays	308	-	-	3,355	3,663	(3,675)	(12)
Total expenditures/expenses	163,059	127,553	-	74,404	365,016	11,657	376,673
Program revenues:							
Charges for services:							
Licenses and fees	243,187	827,345	490,660	80,555	1,641,747	-	1,641,747
Other	18	-	-	1,881	1,899	-	1,899
Total charges for services	243,205	827,345	490,660	82,436	1,643,646	-	1,643,646
Operating grant revenue:							
Federal	-	-	-	7,504	7,504	(85)	7,419
Other	-	-	-	20	20	-	20
Total operating grant revenue	-	-	-	7,524	7,524	(85)	7,439
Net program revenues	80,146	699,792	490,660	15,556	1,286,154	(11,742)	1,274,412
General revenues:							
Interest and investment income	-	-	-	495	495	-	495
Other taxes	224,657	-	-	431	225,088	-	225,088
Other	102	42	-	2,112	2,256	-	2,256
Total general revenues	224,759	42	-	3,038	227,839	-	227,839
Other sources (uses):							
Appropriations from State resources	149,554	130,500	-	6,293	280,347	-	280,347
Lapsed appropriations	(763)	(830)	-	(79)	(1,672)	-	(1,672)
Receipts collected and transmitted to State Treasury	(470,582)	(932,935)	(504,113)	(18,866)	(1,826,496)	-	(1,826,496)
Capital transfers from other State agencies	-	-	-	-	-	9,490	9,490
Amount of SAMS transfers-in	(93)	-	-	-	(93)	-	(93)
Amount of SAMS transfers-out	20,904	-	-	-	20,904	-	20,904
Transfers-in	54	-	-	12,477	12,531	(12,454)	77
Transfers-out	(3,000)	-	-	(9,454)	(12,454)	12,454	-
Total other sources (uses)	(309,926)	(703,265)	(504,113)	(9,629)	(1,526,933)	9,490	(1,517,443)
Change in fund balance/net assets	(5,021)	(3,431)	(13,453)	8,965	(12,940)	(2,252)	(15,192)
Fund balance/net assets, July 1, 2007, as restated	44,527	53,948	82,047	45,820	226,342	196,140	422,482
Increase (decrease) for changes in inventories	-	-	-	416	416	(416)	-
Fund balance/net assets, June 30, 2008	\$ 39,506	\$ 50,517	\$ 68,594	\$ 55,201	\$ 213,818	\$ 193,472	\$ 407,290

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

State of Illinois
Office of the Secretary of State
Reconciliation of Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to Statement of Activities
For the Year Ended June 30, 2008
(Expressed in Thousands)

Net change in fund balances	\$ (12,940)
Change in inventories	416
	\$ (12,524)

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 depreciation in the current period exceeded capital outlays. (10,813)

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 7

Some capital assets were transferred in from other State agencies and therefore, were received at no cost. 9,490

Proceeds from sales of capital assets are reported in the governmental funds. However, in the Statement of Activities, the book value of capital assets which are sold or scrapped are also reported. This is the book value of capital assets which were sold or scrapped. (291)

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. (85)

Prepaid expenses in the Statement of Activities are not reported as expenses in governmental funds. This amount represents the decrease in prepaid expenses over the prior year. (544)

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:

Increase in compensated absences obligation	(432)
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Change in net assets of governmental activities	\$ (15,192)
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The accompanying notes to the financial statements are an integral part of this statement.

State of Illinois
Office of the Secretary of State
Statement of Fiduciary Net Assets
June 30, 2008 (Expressed in Thousands)

	<u>Agency Funds</u>
ASSETS	
Cash equity with State Treasurer	\$ 5,231
Cash and cash equivalents	53
Investments	1,660
Other receivables, net	19
Total assets	<u>\$ 6,963</u>
LIABILITIES	
Other liabilities	\$ 6,963
Total liabilities	<u>\$ 6,963</u>

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

**STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE**

Notes to Financial Statements

June 30, 2008

(1) Organization

The Office of the Secretary of State (the Office) 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 Office operates under a budget approved by the General Assembly in which resources primarily from the Road Fund and General Revenue Fund are appropriated for the use of the Office. Activities of the Office 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 Office and all other cash received are under the custody and control of the State Treasurer, with the exception of the Go-Back Fund, a fiduciary fund, and the Special Advance Fund, a subaccount of the Road Fund, which are both locally held funds, and various petty cash funds, which are under the direct control of the Office.

The Office has a broad range of responsibilities for the maintenance of official records of the acts of the General Assembly and of the Executive Branch as provided by law as well as to perform other duties as may be prescribed by law, including administration of the Illinois Vehicle Code. The Office is organized into twenty-five departments under three broad operating divisions to carry out its responsibilities. The operating divisions of the Office are the Executive, General and Administrative, and Motor Vehicle divisions.

(2) Summary of Significant Accounting Policies

The financial statements of the Office 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.

(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 Office has no component units and is not a component unit of any other entity. However, because the Office is not legally separate from the State of Illinois, the financial statements of the Office are included in the financial statements of the State of Illinois. The State of Illinois' Comprehensive Annual Financial Report may be obtained by writing to the State Comptroller's Office, Division of Financial Reporting, 325 West Adams Street, Springfield, Illinois, 62704-1871.

STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE

Notes to Financial Statements

June 30, 2008

(b) Basis of Presentation

The financial statements of the State of Illinois, Office of the Secretary of State, 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 Office. They do not purport to, and do not, present fairly the financial position of the State of Illinois as of June 30, 2008 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 Office, which consist only of governmental activities, are reported under the general government function in the State of Illinois' Comprehensive Annual Financial Report. For reporting purposes, the Office has combined the fund and government-wide financial statements using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column. A brief description of the Office's government-wide and fund financial statements is as follows:

Government-wide Statements. The government-wide statement of net assets and statement of activities report the overall financial activity of the Office, excluding fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities of the Office. The financial activities of the Office consist only of governmental activities, which are primarily supported by taxes, charges for services, and other nonexchange transactions.

The statement of net assets presents the assets and liabilities of the Office's governmental activities with the difference being reported as net assets. 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 function of the Office'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 Office's funds, including fiduciary funds. Separate statements for each fund category - governmental and fiduciary - are presented. The emphasis on fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The Office administers the following major governmental funds (or portions thereof in the case of shared funds - see note 2(d)) of the State:

General - 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

**STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE**

Notes to Financial Statements

June 30, 2008

services which are administered by the Office and accounted for in the general fund include, among others, the operations of various Executive and General and Administrative departments throughout the Office. Certain resources obtained from federal grants and used to support general governmental activities are accounted for in the General Fund consistent with applicable legal requirements. The Office's portion of the General Fund is composed of two primary sub-accounts (General Revenue and Common School) and two secondary sub-accounts (Live and Learn and Corporate Franchise Tax Refund).

Road – This fund accounts for the activities of the State highway programs including highway maintenance and construction, traffic control and safety, and administering motor vehicle laws and regulations. Funding sources include federal aid, State motor fuel taxes and various license and fee charges. The Office's portion of the Road Fund is composed of a primary sub-account (Road) and a secondary sub-account (Special Advance).

State Construction Account – This fund accounts for the construction, reconstruction, and maintenance of the State maintained highway system. Funding sources include a portion of motor vehicle registration fees, weight taxes, and transfers from the Motor Fuel Tax Fund.

Additionally, the Office administers the following fund types:

Governmental Funds:

Special Revenue – These funds account for resources obtained from specific revenue sources that are legally restricted to expenditures for specified purposes. Special revenue funds account for, among other things, federal grant programs, taxes levied with statutorily defined distributions and other resources restricted as to purpose.

Debt Service – These funds account for governmental resources obtained and accumulated to pay interest and principal on general long-term debt (other than capital leases, workers' compensation and unfunded retirement costs).

Capital Projects – These funds account for resources obtained and used for the acquisition or construction of major capital facilities. Such resources are derived principally from proceeds of general and special obligation bond issues and certificates of participation.

Fiduciary Funds:

Agency – These funds account for the following activities in which the Office acts in the capacity of an agent and distributes any revenue collected to other governmental units or designated beneficiaries: collection of registration fees from truckers of other states and disbursement of funds to other states under reciprocity agreements; collection of deposits from uninsured motorists as proof of financial responsibility and reimbursement of those funds in the absence of a court judgment; and the repayment of fees collected by the Office in excess of the required fees.

**STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE**

Notes to Financial Statements

June 30, 2008

(c) *Measurement Focus and Basis of Accounting*

The government-wide and fiduciary fund 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 Office gives (or receives) value without directly receiving (or giving) equal value in exchange, include corporate taxes and 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, principal and interest on formal debt issues, claims and judgments, and compensated absences are recorded only when payment is due. 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 corporate taxes and certain fees. All other revenue sources including licenses, fines, and certain fees, are considered to be measurable and available only when cash is received.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

(d) *Shared Fund Presentation*

The financial statement presentation for the General Revenue Account and Common School Account of the General Fund and the Road Fund, Motor Fuel Tax Fund, Drivers Education Fund, General Obligation Bond Retirement and Interest Fund, Capital Development Fund, Build Illinois Bond Fund, State College and University Trust Fund, Alternative Fuels Fund, Off Highway Vehicle Trails Fund, State Parking Facility Maintenance Fund, Cycle Rider Safety Training Fund, Vehicle Inspection Fund, and State Construction Account Fund represents only the portion of the shared fund that can be directly attributed to the operations of the Office. Financial statements for total fund operations of the shared State funds are presented in the State of Illinois' Comprehensive Annual Financial Report.

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 Office's portion of shared funds:

**STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE**

Notes to Financial Statements

June 30, 2008

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 re-appropriated to the subsequent fiscal year.

Appropriations from State Resources

This "other financing source" account represents the final legally adopted appropriation according to SAMS records.

Reappropriations 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 re-appropriations to subsequent years according to SAMS records.

Receipts Collected and Transmitted to State Treasury

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

Amount of SAMS Transfers-In

This "other financing use" account represents cash transfers made by the Office of the Comptroller in accordance with statutory provisions to the corresponding fund during the fiscal year per SAMS records in which the Office did not make a deposit into the State Treasury.

Amount of SAMS Transfers-Out

This "other financing source" account represents cash transfers made by the Office of the Comptroller in accordance with statutory provision from the corresponding fund during the fiscal year per SAMS records in which a legally adopted appropriation was not charged.

(e) Eliminations

Eliminations have been made in the government-wide statement of net assets to minimize the "grossing-up" effect on assets and liabilities within the governmental activities column of the Office. 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 assets. Amounts reported in the governmental funds balance sheet as receivable from or payable to fiduciary funds have been included in the government-wide

**STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE**

Notes to Financial Statements

June 30, 2008

statement of net assets as receivable from and payable to external parties, rather than as internal balances.

(f) 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 of cash on hand and cash in banks for locally held funds.

(g) Inventories

Inventories, consisting primarily of license plates, are valued at cost, principally on the first-in, first-out (FIFO) method. The cost of inventories is recognized as expenditures when purchased. Significant inventories balances in governmental funds are reported on the balance sheet.

(h) Interfund Transactions

The Office has the following types of interfund transactions between Office 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 fund balance sheets or the government-wide statements of net assets.

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 Office also has activity with various component units of the State of Illinois for professional services received and payments of State and Federal programs.

(i) Capital Assets

Capital assets, which include property, plant, and equipment, are reported at cost or estimated historical cost based on appraisals. Contributed assets are reported at estimated fair value at the time received. Capital assets are depreciated using the straight-line method.

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Capitalization thresholds and the estimated useful lives are as follows:

Capital Asset Category	Capitalization Threshold	Estimated Useful Life (in Years)
Land	\$100,000	N/A
Land Improvements	25,000	N/A
Site Improvements	25,000	5-20
Buildings	100,000	30-75
Building Improvements	25,000	10-25
Equipment	5,000	3-10
Works of Art, Historical Treasures	5,000	N/A

(j) *Compensated Absences*

The liability for compensated absences reported in the government-wide statement of net assets consists of unpaid, accumulated vacation and sick leave balances for Office 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 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% 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) *Fund Balances*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties as to use for specific purposes. Designations of fund balances represent tentative State plans that are subject to change.

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(l) Net Assets

In the government-wide statement of net assets, equity is displayed in three 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.

Restricted – This consists of net assets that are 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 State's policy to use restricted resources first, then unrestricted resources when they are needed.

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

(m) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(n) Future Adoption of GASB Statements

Effective for the year ending June 30, 2009 the Office will adopt GASB Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations, which establishes standards for accounting and financial reporting for pollution remediation obligations which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The Office has not yet determined the impact of the Office's financial statements as a result of adopting this statement.

(3) Deposits

(a) Deposits

The State Treasurer is the custodian of the State's deposits and investments for funds maintained in the State Treasury. The Office independently manages deposits and investments maintained outside the State Treasury.

Deposits in the custody of the State Treasurer 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 Office does not own individual securities. Detail on the nature of these deposits and investments is available within the State of Illinois' Comprehensive Annual Financial Report.

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Deposits for locally-held funds of governmental activities had a carrying amount and a bank balance of \$19 thousand at June 30, 2008, respectively. Deposits of locally-held funds of fiduciary funds had a carrying amount and a bank balance of \$1.613 million and \$1.610 million at June 30, 2008, respectively.

Cash on hand totaled \$75 thousand at June 30, 2008.

(b) Investments

As of June 30, 2008, the Office had the following investments outside of the State Treasury:

<i>Fiduciary Funds</i>	<u>Fair Value (Thousands)</u>	<u>Weighted Average Maturity (Years)</u>
U.S. Treasury Notes	\$ 100	2.88

On the fiduciary statement of net assets, the Office has an additional amount of \$1.560 million in certificates of deposit which are recorded as investments since their maturity dates were greater than 90 days at the time of purchase.

Interest Rate Risk: The Office does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

(4) Taxes Receivable

Taxes receivable (amounts expressed in thousands) at June 30, 2008 are as follows:

	<u>General Fund</u>
Taxes receivables:	
Other	\$ <u>3,301</u>

(5) Interfund Balances and Activity

(a) Balances Due to/from Other Funds

The following balances (amounts expressed in thousands) at June 30, 2008 represent amounts due from other Office and State funds.

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June 30, 2008

Fund	Due from		Description/Purpose
	Other Office Funds	Other State Funds	
General	\$ 54	\$ -	Due from other State funds for transfers of excess balances.
Nonmajor governmental funds	-	27	Due from other State funds for reimbursements of expenditures incurred and refunds of grants.
	<u>\$ 54</u>	<u>\$ 27</u>	

The following balances (amounts expressed in thousands) at June 30, 2008 represent amounts due to other Office and State of Illinois funds.

Fund	Due to			Description/Purpose
	Other Office Funds	Other State Funds	Other State Fiduciary Funds	
General	\$ -	\$ 97	\$ 1,256	Due to other State funds for purchases of services and to other State fiduciary funds for payment of retirement costs.
Road	-	138	281	Due to other State funds for purchases of services and to other State fiduciary funds for payment of retirement costs.
Nonmajor governmental funds	54	2,214	148	Due to other Office Funds for transfers of excess balances; to other State funds for statutorily required transfers, unspent grant proceeds, and purchases of services; and to other State fiduciary funds for payment of retirement costs.
	<u>\$ 54</u>	<u>\$ 2,449</u>	<u>\$ 1,685</u>	

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(b) Transfers to/from Other Funds

Interfund transfers in (amounts expressed in thousands) for the year ended June 30, 2008, were as follows:

<u>Fund</u>	<u>Transfers in from</u>		<u>Description/Purpose</u>
	<u>Other Department Funds</u>	<u>Other State Funds</u>	
General	\$ 54	\$ -	Transfer from other Office funds of excess balances.
Nonmajor governmental funds	12,400	77	Transfer from other Office funds and other State funds pursuant to State statute.
	<u>\$ 12,454</u>	<u>\$ 77</u>	

Interfund transfers out (amounts expressed in thousands) for the year ended June 30, 2008, were as follows:

<u>Fund</u>	<u>Transfers out to</u>		<u>Description/Purpose</u>
	<u>Other Department Funds</u>		
General	\$ 3,000		Transfer to other Office funds pursuant to State statute.
Nonmajor governmental funds		9,454	Transfer to other Office funds pursuant to State statute.
		<u>\$ 12,454</u>	

(c) Balances due from/to State of Illinois Component Units

The University of Illinois owes the Office's nonmajor governmental funds \$12 thousand at June 30, 2008 for unspent grant proceeds.

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The following balances (amounts expressed in thousands) at June 30, 2008 represent amounts due to State of Illinois Component Units for reimbursement of expenses incurred.

<u>Component Unit</u>	<u>Due to</u>		<u>Nonmajor Governmental Funds</u>
	<u>General Fund</u>	<u>Road Fund</u>	
Illinois Toll Highway Authority	\$ 1	\$ -	\$ -
Western Illinois University	-	-	19
Illinois State University	-	-	10
University of Illinois	75	30	65
	<u>\$ 76</u>	<u>\$ 30</u>	<u>\$ 94</u>

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June 30, 2008

(6) Capital Assets

Capital asset activity (amounts expressed in thousands) for the year ended June 30, 2008 was as follows:

	<u>Balance June 30, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Net Transfers</u>	<u>Balance June 30, 2008</u>
Governmental activities:					
Capital assets not being depreciated:					
Land and land improvements	\$ 6,579	\$ -	\$ -	\$ -	\$ 6,579
Historical treasures & works of art	100	-	-	-	100
Total capital assets not being depreciated	<u>6,679</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,679</u>
Capital assets being depreciated:					
Buildings and building improvements	397,858	259	-	9,490	407,607
Equipment	41,914	3,416	1,542	15	43,803
Capital leases - equipment	49	-	49	-	-
Total capital assets being depreciated	<u>439,821</u>	<u>3,675</u>	<u>1,591</u>	<u>9,505</u>	<u>451,410</u>
Less accumulated depreciation:					
Buildings and building improvements	199,887	12,648	-	-	212,535
Equipment	36,439	1,834	1,251	15	37,037
Capital leases - equipment	43	6	49	-	-
Total accumulated depreciation	<u>236,369</u>	<u>14,488</u>	<u>1,300</u>	<u>15</u>	<u>249,572</u>
Total capital assets being depreciated, net	<u>203,452</u>	<u>(10,813)</u>	<u>291</u>	<u>9,490</u>	<u>201,838</u>
Governmental activity capital assets, net	<u>\$ 210,131</u>	<u>\$(10,813)</u>	<u>\$ 291</u>	<u>\$ 9,490</u>	<u>\$ 208,517</u>

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Notes to Financial Statements

June 30, 2008

Depreciation expense for governmental activities (amounts expressed in thousands) for the year ended June 30, 2008 was charged as follows:

General government \$ 14,488

(7) Changes in Long-Term Obligations

Changes in long-term obligations (amounts expressed in thousands) for the year ended June 30, 2008 were as follows:

	<u>Balance</u> <u>July 1,</u> <u>2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30,</u> <u>2008</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Governmental activities:					
Compensated absences	\$ 21,395	\$ 14,456	\$ 14,024	\$21,827	\$ 2,097
Capital lease obligations	<u>7</u>	<u>-</u>	<u>7</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>\$ 21,402</u>	<u>\$ 14,456</u>	<u>\$ 14,031</u>	<u>\$21,827</u>	<u>\$ 2,097</u>

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

(8) Pension Plan

Substantially all of the Office'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 pension trust fund in the State of Illinois reporting entity. The SERS is a single-employer defined benefit public employee retirement system (PERS) in which State employees participate, except those covered by the State Universities, Teachers', General Assembly, and Judges' Retirement Systems. The financial position and results of operations of the SERS for fiscal year 2008 are included in the State of Illinois' Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2008. The SERS issues a separate CAFR that may be obtained by writing to the SERS, 2101 South Veterans Parkway, Springfield, Illinois, 62794-9255.

A summary of SERS 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 SERS' CAFR. Also included is a discussion of employer and employee obligations to contribute and the authority under which those obligations are established.

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June 30, 2008

The Office pays employer retirement contributions based upon an actuarially determined percentage of their payrolls. For fiscal year 2008, the employer contribution rate was 16.561%. Effective for pay periods beginning after December 31, 1991, the State opted to pay the employee portion of retirement for most State agencies (including the Office) with employees covered by the State Employees' and Teachers' Retirement Systems. However, effective with the fiscal year 2004 budget, the State opted to stop paying the portion or a part of the portion of retirement for many State agencies (including the Office) for certain classes of employees covered by the State Employees' and Teachers' Retirement Systems. The pickup, when applicable, is subject to sufficient annual appropriations and those employees covered may vary across employee groups and State agencies.

(9) Post-employment Benefits

The State provides health, dental, vision, and life insurance benefits for retirees and their dependents in a program administered by the Department of Healthcare and Family Services along with 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 and dependents 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 who retired prior to January 1, 1998, and who are vested in the State Employee's Retirement System do not contribute towards health, dental, and vision benefits. For annuitants who retired on or after January 1, 1998, the annuitant's contribution amount is reduced five percent for each year of credited service with the State allowing those annuitants with twenty or more years of credited service to not have to contribute towards health, dental, and vision benefits. 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 an expenditure by the State in the Illinois Comprehensive Annual Financial Report. 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 Healthcare and Family Services. A copy of the financial statements of the Department of Healthcare and Family Services may be obtained by writing to the Department of Healthcare and Family Services, 201 South Grand Ave., Springfield, Illinois, 62763-3838.

(10) Fund Deficits

The Library Services Fund and the State Library Fund, nonmajor governmental funds, had deficit fund balances (amounts expressed in thousands) of \$13 and \$1 respectively, at June 30, 2008. These deficits will be eliminated by future recognition of earned but unavailable revenues and future revenues of the Office, respectively.

**STATE OF ILLINOIS
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Notes to Financial Statements

June 30, 2008

(11) Risk Management

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

The Office's risk management activities for workers' compensation, self-insurance and unemployment insurance 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 Office; and accordingly, have not been reported in the Office's financial statements for the year ended June 30, 2008.

(12) Commitments and Contingencies

(a) Operating leases

The Office leases certain office facilities and equipment under the terms of noncancelable operating lease agreements that require the Office to make minimum lease payments plus pay a pro rata share of certain operating costs. Rent expense under operating leases was \$13.475 million for the year ended June 30, 2008.

The following is a schedule of future minimum lease payments under the operating lease (amounts expressed in thousands):

<u>Year ending June 30,</u>	<u>Amount</u>
2009	\$ 8,238
2010	6,159
2011	5,154
2012	4,330
2013	3,434
2014-2018	<u>5,607</u>
	\$ <u>32,922</u>

(b) Federal Funding

The Office receives federal grants which are subject to review and audit by federal grantor agencies. Certain costs could be questioned as not being an eligible expenditure under the terms of the grants. At June 30, 2008, there were no material questioned costs that have not been resolved with the federal awarding agencies. However, questioned costs could still be identified during audits to be conducted in the future. Management of the Office believes there will be no material adjustments to the federal grants and, accordingly, has not recorded a provision for possible repayment.

**STATE OF ILLINOIS
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June 30, 2008

(c) *Litigation*

The Office 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 matters is not expected to have any material adverse effect on the financial position or results of operations of the Office.

(13) *Restatement*

The Office has restated the fund balances of the Road Fund and the State Construction Account as of June 30, 2007, by \$28.815 and \$5.248 million, respectively, for license and fee revenues recognized in advance of the benefit period.

**State of Illinois
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**Combining Schedule of Accounts
General Fund**

June 30, 2008 (Expressed in Thousands)

	General Revenue 0001	Live and Learn 0026	Corporate Franchise Tax Refund 0380	Common School 0412	Eliminations	Total
ASSETS						
Unexpended appropriations	\$ 5,620	\$ -	\$ -	\$ -	\$ -	5,620
Cash equity with State Treasurer	30,270	2,585	3,123	27	-	36,005
Taxes receivable, net	3,301	-	-	-	-	3,301
Other receivables, net	2,557	-	-	-	-	2,557
Due from other Office funds	54	-	-	-	-	54
Total assets	\$ 41,802	\$ 2,585	\$ 3,123	\$ 27	\$ -	\$ 47,537
LIABILITIES						
Accounts payable and accrued liabilities	\$ 2,963	\$ 828	\$ 750	\$ -	\$ -	4,541
Intergovernmental payables	440	1,621	-	-	-	2,061
Due to other State fiduciary funds	1,255	1	-	-	-	1,256
Due to other Office funds	-	-	-	-	-	-
Due to other State funds	95	2	-	-	-	97
Due to State of Illinois component units	76	-	-	-	-	76
Total liabilities	4,829	2,452	750	-	-	8,031
FUND BALANCES (DEFICITS)						
Reserved for:						
Encumbrances	791	6	-	-	-	797
Unreserved, undesignated	36,182	127	2,373	27	-	38,709
Total fund balances (deficits)	36,973	133	2,373	27	-	39,506
Total liabilities and fund balances (deficits)	\$ 41,802	\$ 2,585	\$ 3,123	\$ 27	\$ -	\$ 47,537

State of Illinois

Office of the Secretary of State

Combining Schedule of Revenues,
Expenditures and Changes in Fund Balance -
General Fund

For the Year Ended June 30, 2008 (Expressed in Thousands)

	General Revenue 0001	Live and Learn 0026	Corporate Franchise Tax Refund 0380	Common School 0412	Eliminations	Total
REVENUES						
Licenses and fees	\$ 242,784	\$ -	\$ -	\$ 403	\$ -	\$ 243,187
Other charges for services	18	-	-	-	-	18
Other taxes	221,836	-	2,821	-	-	224,657
Other revenue	102	-	-	-	-	102
Total revenues	464,740	-	2,821	403	-	467,964
EXPENDITURES						
General government	141,626	21,121	-	-	-	162,747
Debt service - principal	4	-	-	-	-	4
Capital outlays	308	-	-	-	-	308
Total expenditures	141,938	21,121	-	-	-	163,059
Excess (deficiency) of revenues over (under) expenditures	322,802	(21,121)	2,821	403	-	304,905
OTHER SOURCES (USES) OF FINANCIAL RESOURCES						
Appropriations from State resources	143,554	-	-	-	-	143,554
Lapsed appropriations	(763)	-	-	-	-	(763)
Receipts collected and transmitted to State Treasury	(470,178)	-	-	(404)	-	(470,582)
Amount of SAMS Transfers-in	(93)	-	-	-	-	(93)
Amount of SAMS Transfers-out	20,904	-	-	-	-	20,904
Transfers-in	(2,487)	20,904	-	-	(18,363)	54
Transfers-out	(20,904)	-	(459)	-	18,363	(3,000)
Net other sources (uses) of financial resources	(329,967)	20,904	(459)	(404)	-	(309,926)
Net change in fund balances	(7,165)	(217)	2,362	(1)	-	(5,021)
Fund balances (deficits), July 1, 2007	44,138	350	11	28	-	44,527
FUND BALANCES (DEFICITS), JUNE 30, 2008	\$ 36,973	\$ 133	\$ 2,373	\$ 27	\$ -	\$ 39,506

**State of Illinois
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**Combining Schedule of Accounts -
Road Fund**

June 30, 2008 (Expressed in Thousands)

	Road 0011	Special Advance 1198	Eliminations	Total
ASSETS				
Unexpended appropriations	\$ 10,263	\$ -	\$ -	10,263
Cash equity with State Treasurer	54,769	-	-	54,769
Cash and cash equivalents	75	8	-	83
Other receivables, net	5,538	-	-	5,538
Due from other Office funds	-	7	(7)	-
Total assets	\$ 70,645	\$ 15	\$ (7)	70,653
LIABILITIES				
Accounts payable and accrued liabilities	\$ 8,586	\$ -	\$ -	8,586
Intergovernmental payables	1,204	-	-	1,204
Due to other State fiduciary funds	281	-	-	281
Due to other Office funds	7	-	(7)	-
Due to other State funds	138	-	-	138
Due to State of Illinois component units	30	-	-	30
Unearned revenue	9,897	-	-	9,897
Total liabilities	20,143	-	(7)	20,136
FUND BALANCES (DEFICITS)				
Reserved for encumbrances	18	-	-	18
Unreserved, undesignated	50,484	15	-	50,499
Total fund balances (deficits)	50,502	15	-	50,517
Total liabilities and fund balances (deficits)	\$ 70,645	\$ 15	(7)	70,653

State of Illinois
Office of the Secretary of State
Combining Schedule of Revenues,
Expenditures and Changes in Fund Balance -
Road Fund

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Road 0011	Special Advance 1198	Total
REVENUES			
Licenses and fees	827,345	-	827,345
Other	42	-	42
Total revenues	827,387	-	827,387
EXPENDITURES			
General government	127,550	-	127,550
Debt service - principal	3	-	3
Total expenditures	127,553	-	127,553
Excess (deficiency) of revenues over (under) expenditures	699,834	-	699,834
OTHER SOURCES (USES) OF FINANCIAL RESOURCES			
Appropriations from State resources	130,500	-	130,500
Lapsed appropriations	(830)	-	(830)
Receipts collected and transmitted to State Treasury	(832,935)	-	(832,935)
Net other sources (uses) of financial resources	(703,265)	-	(703,265)
Net change in fund balances	(3,431)	-	(3,431)
Fund balances (deficits), July 1, 2007, as restated	53,933	15	53,948
FUND BALANCES (DEFICITS), JUNE 30, 2008	\$ 50,502	\$ 15	\$ 50,517

State of Illinois
Office of the Secretary of State
Combining Balance Sheet -
Non-major Governmental Funds
 June 30, 2008 (Expressed in Thousands)

		Special Revenue									
		Motor Fuel Tax 0012	Drivers Education 0031	Lobbyist Registration Administration 0044	Accessible Electronic Information Services 0106	CDLIS/AAMVA Net Trust 0109	Registered Limited Liability Partnership 0167	Secretary of State Federal Projects 0176	Secretary of State Special License Plate 0185		
ASSETS											
Unexpended appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash equity with State Treasurer	-	980	560	77	508	300	67	2,821			
Cash and cash equivalents	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental receivables, net	-	-	-	-	311	-	-	-	-	-	-
Other receivables, net	-	12	-	-	-	-	-	-	-	-	-
Due from other Office funds	-	-	-	-	-	-	-	-	-	-	-
Due from other State funds	-	-	-	-	-	-	-	-	-	-	2
Due from State of Illinois component units	-	-	-	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-	-	-	2,784
Total assets	\$ -	\$ 992	\$ 560	\$ 77	\$ 819	\$ 300	\$ 67	\$ 5,607			
LIABILITIES											
Accounts payable and accrued liabilities	\$ -	\$ -	21	-	\$ -	333	3	\$ -	\$ -	\$ -	623
Intergovernmental payables	-	-	1	-	-	-	-	-	-	-	2
Due to other State fiduciary funds	-	-	-	-	-	-	1	-	-	-	4
Due to other Office funds	-	-	-	-	-	-	54	-	-	-	-
Due to other State funds	-	-	4	-	-	-	3	-	-	-	18
Due to State of Illinois component units	-	-	-	-	-	-	-	-	-	-	-
Unavailable revenue	-	-	-	-	311	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-	-	-	-	52	-
Total liabilities	-	-	26	-	644	61	52	647			
FUND BALANCES (DEFICITS)											
Reserved for encumbrances	-	-	-	-	7	-	-	-	-	-	92
Reserved for inventories	-	-	-	-	-	-	-	-	-	-	2,784
Unreserved, undesignated	-	992	534	77	168	239	15	2,084			
Total fund balances	-	992	534	77	175	239	15	4,960			
Total liabilities and fund balances (deficits)	\$ -	\$ 992	\$ 560	\$ 77	\$ 819	\$ 300	\$ 67	\$ 5,607			

State of Illinois
Office of the Secretary of State
Combining Balance Sheet -
Non-major Governmental Funds
 June 30, 2008 (Expressed in Thousands)

	Special Revenue							Department of Business Services
	Securities Investors Education 0292	Interagency Grant 0295	Family Financial Responsibility 0322	Motor Vehicle Review Board 0323	Securities Audit and Enforcement 0362	Special Operations 0363	Secretary of State Evidence 0374	
ASSETS								
Unexpended appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash equity with State Treasurer	2,546	555	18	159	9,256	1,098		
Cash and cash equivalents	-	-	-	-	-	-	-	-
Intergovernmental receivables, net	-	-	-	-	-	-	-	-
Other receivables, net	-	-	-	-	17	-	-	-
Due from other Office funds	-	-	-	-	-	-	-	-
Due from other State funds	-	6	-	-	-	-	-	-
Due from State of Illinois component units	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-
Total assets	\$ 2,546	\$ 561	\$ 18	\$ 159	\$ 9,273	\$ 1,098	\$ -	\$ -
LIABILITIES								
Accounts payable and accrued liabilities	\$ 3	\$ 39	\$ -	\$ 30	\$ 694	\$ 161	\$ -	\$ -
Intergovernmental payables	-	2	-	1	16	7	-	-
Due to other State fiduciary funds	-	6	-	2	40	17	-	-
Due to other Office funds	-	-	-	-	-	-	-	-
Due to other State funds	2	397	-	6	105	59	-	-
Due to State of Illinois component units	-	-	-	-	-	-	-	-
Unavailable revenue	-	-	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-	-	-
Total liabilities	5	444	-	39	855	244	-	-
FUND BALANCES (DEFICITS)								
Reserved for encumbrances	71	-	-	-	80	-	-	-
Reserved for inventories	-	-	-	-	-	-	-	-
Unreserved, undesignated	2,470	117	18	120	8,338	854	-	-
Total fund balances	2,541	117	18	120	8,418	854	-	-
Total liabilities and fund balances (deficits)	\$ 2,546	\$ 561	\$ 18	\$ 159	\$ 9,273	\$ 1,098	\$ -	\$ -

State of Illinois
Office of the Secretary of State
Combining Balance Sheet -
Non-major Governmental Funds
 June 30, 2008 (Expressed in Thousands)

	Special Revenue							Secretary of State 0480
	State College and University Trust 0417	Alternative Fuels 0422	Charitable Trust Stabilization 0435	Professional Illinois Golfers Association Junior Golf 0463	Agriculture in the Classroom 0466	Library Services 0470	State Library 0471	
ASSETS								
Unexpended appropriations	\$ -	\$ 44	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash equity with State Treasurer	25	553	1,018	3	4	107	2	12,400
Cash and cash equivalents	-	-	-	-	-	-	-	-
Intergovernmental receivables, net	-	-	-	-	-	1,098	-	-
Other receivables, net	-	-	2	-	-	-	-	-
Due from other Office funds	-	-	-	-	-	-	-	-
Due from other State funds	-	-	-	-	-	-	-	-
Due from State of Illinois component units	-	-	-	-	-	12	-	-
Inventories	-	-	-	-	-	-	-	-
Total assets	\$ 25	\$ 597	\$ 1,020	\$ 3	\$ 4	\$ 1,217	\$ 2	\$ 12,400
LIABILITIES								
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 373	\$ 3	\$ -
Intergovernmental payables	-	35	-	-	-	750	-	-
Due to other State fiduciary funds	-	-	-	-	-	-	-	-
Due to other Office funds	-	-	-	-	-	-	-	-
Due to other State funds	-	-	1,000	-	-	-	-	-
Due to State of Illinois component units	-	-	-	-	-	94	-	-
Unavailable revenue	-	-	-	-	-	13	-	-
Unearned revenue	-	-	-	-	-	-	-	-
Total liabilities	-	35	1,000	-	-	1,230	3	-
FUND BALANCES (DEFICITS)								
Reserved for encumbrances	-	9	-	-	-	-	-	-
Reserved for inventories	-	-	-	-	-	-	-	-
Unreserved, undesignated	25	553	20	3	4	(13)	(1)	12,400
Total fund balances	25	562	20	3	4	(13)	(1)	12,400
Total liabilities and fund balances (deficits)	\$ 25	\$ 597	\$ 1,020	\$ 3	\$ 4	\$ 1,217	\$ 2	\$ 12,400

State of Illinois
Office of the Secretary of State
Combining Balance Sheet -
Non-major Governmental Funds
June 30, 2008 (Expressed in Thousands)

												Special Revenue			
			Franchise Tax			Illinois and Off Highway			Park		Illinois				
Secretary of State Special Services 0483	and License Fee Amnesty Administration 0490	Master Mason 0508	Michigan Canal 0570	Trails Vehicle 0574	Hellenic Trust 0584	District Youth Program 0585	Route 66 Heritage Project 0594								

\$	-	-	-	-	-	-	-	-	-	-	-	-
	10,090	431	18	62	40	33	13	83				
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	19	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
\$	10,109	\$ 431	\$ 18	\$ 62	\$ 40	\$ 33	\$ 13	\$ 83				

ASSETS

Unexpended appropriations	
Cash equity with State Treasurer	
Cash and cash equivalents	
Intergovernmental receivables, net	
Other receivables, net	
Due from other Office funds	
Due from other State funds	
Due from State of Illinois component units	
Inventories	
Total assets	

\$	1,615	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
	422		-		-		-		-		-		-
	49		-		-		-		-		-		-
	-		-		-		-		-		-		-
	474		-		-		-		-		-		-
	-		-		-		-		-		-		-
	-		-		-		-		-		-		-
	-		-		-		-		-		-		-
	-		-		-		-		-		-		-
	2,560		-		-		-		-		-		-

LIABILITIES

Accounts payable and accrued liabilities	
Intergovernmental payables	
Due to other State fiduciary funds	
Due to other Office funds	
Due to other State funds	
Due to State of Illinois component units	
Unavailable revenue	
Unearned revenue	
Total liabilities	

	204		-		-		-		-		-		-
	-		-		-		-		-		-		-
	7,345		431		62		40		33		13		83
	7,549		431		62		40		33		13		83
\$	10,109	\$	431	\$	18	\$	62	\$	40	\$	33	\$	13

FUND BALANCES (DEFICITS)

Reserved for encumbrances	
Reserved for inventories	
Unreserved, undesignated	
Total fund balances	
Total liabilities and fund balances (deficits)	

State of Illinois
Office of the Secretary of State
Combining Balance Sheet -
Non-major Governmental Funds
 June 30, 2008 (Expressed in Thousands)

	Special Revenue						
	Police Memorial Committee 0598	Mammogram 0599	Motor Vehicle License Plate 0622	Organ Donor Awareness 0716	Secretary of State DUJ Administration 0732	Chicago and Northeast Illinois District Council of Carpenters 0756	Secretary of State DUJ 0758
ASSETS							
Unexpended appropriations	-	-	-	-	-	-	-
Cash equity with State Treasurer	90	24	10,412	78	1,412	-	56
Cash and cash equivalents	-	-	-	-	-	-	-
Intergovernmental receivables, net	-	-	-	-	-	-	-
Other receivables, net	-	-	-	-	-	-	-
Due from other Office funds	-	-	-	-	-	-	-
Due from other State funds	-	-	-	-	-	-	-
Due from State of Illinois component units	-	-	-	-	-	-	-
Inventories	-	-	3,499	-	-	-	-
Total assets	\$ 90	\$ 24	\$ 13,911	\$ 78	\$ 1,412	\$ -	\$ 56
LIABILITIES							
Accounts payable and accrued liabilities	-	-	1,122	-	62	-	-
Intergovernmental payables	-	-	1,010	-	1	-	-
Due to other State fiduciary funds	-	-	17	-	2	-	-
Due to other Office funds	-	-	-	-	-	-	-
Due to other State funds	-	-	101	-	20	-	-
Due to State of Illinois component units	-	-	-	-	-	-	-
Unavailable revenue	-	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-	-
Total liabilities	-	-	\$ 2,250	-	\$ 85	-	-
FUND BALANCES (DEFICITS)							
Reserved for encumbrances	-	-	127	-	-	-	-
Reserved for inventories	-	-	3,499	-	-	-	-
Unreserved, undesignated	90	24	8,035	78	1,327	-	56
Total fund balances	\$ 90	\$ 24	\$ 11,661	\$ 78	\$ 1,327	\$ -	\$ 56
Total liabilities and fund balances (deficits)	\$ 90	\$ 24	\$ 13,911	\$ 78	\$ 1,412	\$ -	\$ 56

State of Illinois
Office of the Secretary of State
Combining Balance Sheet -
Non-major Governmental Funds
 June 30, 2008 (Expressed in Thousands)

	Special Revenue						
	Secretary of State Police Services 0759	Marine Corps Scholarship 0760	State Parking Facility Maintenance 0782	Cycle Rider Safety Training 0863	Secretary of State Grant 0948	Vehicle Inspection 0963	Secretary of State Antique Vehicle Show 1390
ASSETS							
Unexpended appropriations	\$ -	\$ -	\$ 33	\$ -	\$ -	\$ 222	\$ -
Cash equity with State Treasurer	7	48	-	462	1,264	-	-
Cash and cash equivalents	-	-	-	-	-	-	11
Intergovernmental receivables, net	-	-	-	-	-	-	-
Other receivables, net	-	-	-	-	-	-	-
Due from other Office funds	-	-	-	-	-	-	-
Due from other State funds	-	-	-	-	-	-	-
Due from State of Illinois component units	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-
Total assets	7	48	33	462	1,264	222	11
	\$	\$	\$	\$	\$	\$	\$
LIABILITIES							
Accounts payable and accrued liabilities	5	-	-	-	-	99	-
Intergovernmental payables	-	-	-	-	200	7	-
Due to other State fiduciary funds	-	-	-	-	-	10	-
Due to other Office funds	-	-	-	-	-	-	-
Due to other State funds	-	-	-	-	-	25	-
Due to State of Illinois component units	-	-	-	-	-	-	-
Unavailable revenue	-	-	-	-	-	-	-
Unearned revenue	-	-	-	-	25	-	-
Total liabilities	5	-	-	-	225	141	-
	\$	\$	\$	\$	\$	\$	\$
FUND BALANCES (DEFICITS)							
Reserved for encumbrances	2	-	-	-	-	81	-
Reserved for inventories	-	-	-	-	-	-	-
Unreserved, undesignated	-	48	33	462	1,039	-	11
Total fund balances	2	48	33	462	1,039	81	11
	\$	\$	\$	\$	\$	\$	\$
Total liabilities and fund balances (deficits)	7	48	33	462	1,264	222	11
	\$	\$	\$	\$	\$	\$	\$

State of Illinois
Office of the Secretary of State
Combining Balance Sheet -
Non-major Governmental Funds
 June 30, 2008 (Expressed in Thousands)

	Capital Projects 0141	Debt Service General Obligation Bond Retirement and Interest 0101	Total
ASSETS			
Unexpended appropriations	641	-	940
Cash equity with State Treasurer	-	-	57,680
Cash and cash equivalents	-	-	11
Intergovernmental receivables, net	-	-	1,409
Other receivables, net	-	-	31
Due from other Office funds	-	-	-
Due from other State funds	-	-	27
Due from State of Illinois component units	-	-	12
Inventories	-	-	6,283
Total assets	641	0	66,393
LIABILITIES			
Accounts payable and accrued liabilities	641	-	5,827
Intergovernmental payables	-	-	2,454
Due to other State fiduciary funds	-	-	148
Due to other Office funds	-	-	54
Due to other State funds	-	-	2,214
Due to State of Illinois component units	-	-	94
Unavailable revenue	-	-	324
Unearned revenue	-	-	77
Total liabilities	641	0	11,192
FUND BALANCES (DEFICITS)			
Reserved for encumbrances	-	-	673
Reserved for inventories	-	-	6,283
Unreserved, undesignated	-	-	48,245
Total fund balances	0	0	55,201
Total liabilities and fund balances (deficits)	641	0	66,393

State of Illinois

Office of the Secretary of State

Combining Statement of Revenues,
Expenditures and Changes in Fund Balance -
Non-major Governmental Funds

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Special Revenue									
	Motor Fuel Tax Fund 0012	Drivers Education 0031	Lobbyist Registration Administration 0044	Accessible Electronic Information Services 0106	CDLIS/ AAMVA Net Trust 0109	Registered Limited Liability Partnership 0167	Secretary of State Federal Projects 0176	Secretary of State Special License Plate 0185		
REVENUES										
Other taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal government License and fees	-	-	-	-	427	-	-	16	-	-
Interest and other investment income	-	12,000	590	-	721	430	90	5,066	-	-
Other charges for services	-	-	-	-	-	-	-	-	-	-
Other revenues	-	-	30	-	-	-	-	-	-	-
Other operating grants	-	-	-	-	-	-	-	-	-	-
Total revenues	-	12,000	620	-	1,148	430	106	5,066	-	-
EXPENDITURES										
General government	1,200	-	454	50	1,052	121	110	5,855	-	-
Capital outlays	-	-	-	-	441	-	-	-	-	-
Total expenditures	1,200	-	454	50	1,493	121	110	5,855	-	-
Excess (deficiency) of revenues over (under) expenditures	(1,200)	12,000	166	(50)	(345)	309	(4)	(789)	-	-
OTHER SOURCES (USES) OF FINANCIAL RESOURCES										
Appropriations from State resources	1,200	-	-	-	-	-	-	-	-	-
Lapsed appropriations	-	-	-	-	-	-	-	-	-	-
Receipts collected and transmitted to State Treasury	-	(12,148)	-	-	-	-	-	-	-	-
Transfers-in	-	-	-	77	-	-	-	-	-	-
Transfers-out	-	-	(100)	-	-	(129)	-	-	-	-
Net other sources (uses) of financial resources	1,200	(12,148)	(100)	77	-	(129)	-	-	-	-
Net change in fund balances	-	(148)	66	27	(345)	180	(4)	(789)	-	-
Fund balances (deficits), July 1, 2007	-	1,140	468	50	520	59	19	5,667	-	-
Increase (decrease) for changes in inventories	-	-	-	-	-	-	-	82	-	-
FUND BALANCES (DEFICITS), JUNE 30, 2008	\$ -	\$ 992	\$ 534	\$ 77	\$ 175	\$ 239	\$ 15	\$ 4,960	\$ -	\$ -

State of Illinois

Office of the Secretary of State

Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Non-major Governmental Funds

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Special Revenue										
	Securities Investors Education 0292	Interagency Grant 0295	Family Financial Responsibility 0322	Motor Vehicle Review Board 0323	Securities Audit and Enforcement 0362	Department of Business Services Special Operations 0363	Secretary of State Evidence 0374				
REVENUES											
Other taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Federal government license and fees	-	195	-	-	-	-	-	-	-	-	-
Interest and other investment income	-	-	1	287	9,206	7,772	-	-	-	-	-
Other charges for services	1,866	-	-	-	493	-	-	-	-	-	-
Other revenues	-	-	-	-	1,343	-	-	-	-	-	2
Other operating grants	-	-	-	-	-	-	-	-	-	-	-
Total revenues	1,866	195	1	287	11,042	7,772	-	-	-	-	2
EXPENDITURES											
General government	185	79	-	459	9,222	4,585	-	-	-	-	3
Capital outlays	-	179	-	-	79	-	-	-	-	-	-
Total expenditures	185	258	-	459	9,301	4,585	-	-	-	-	3
Excess (deficiency) of revenues over (under) expenditures	1,681	(63)	1	(172)	1,741	3,187	-	-	-	-	(1)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES											
Appropriations from State resources	-	-	-	-	-	-	-	-	-	-	-
Lapsed appropriations	-	-	-	-	-	-	-	-	-	-	-
Receipts collected and transmitted to State Treasury	-	-	-	-	-	-	-	-	-	-	-
Transfers-in	-	-	-	-	-	-	-	-	-	-	-
Transfers-out	(500)	-	-	-	(5,725)	(3,000)	-	-	-	-	-
Net other sources (uses) of financial resources	(500)	-	-	-	(5,725)	(3,000)	-	-	-	-	-
Net change in fund balances	1,181	(63)	1	(172)	(3,984)	187	-	-	-	-	(1)
Fund balances (deficits), July 1, 2007	1,360	180	17	292	12,402	667	-	-	-	-	1
Increase (decrease) for changes in inventories	-	-	-	-	-	-	-	-	-	-	-
FUND BALANCES (DEFICITS), JUNE 30, 2008	\$ 2,541	\$ 117	\$ 18	\$ 120	\$ 8,418	\$ 854	\$ -	\$ -	\$ -	\$ -	-

State of Illinois

Office of the Secretary of State

Combining Statement of Revenues,
Expenditures and Changes in Fund Balance -
Non-major Governmental Funds

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Special Revenue									
	State College and University Trust 0417	Alternative Fuels 0422	Charitable Trust Stabilization 0435	Professional Golfers Association Junior Golf 0463	Agriculture in the Classroom 0466	Library Services 0470	State Library 0471	Secretary of State Identification and Theft Prevention 0480		
REVENUES										
Other taxes	-	-	-	-	-	-	-	-	-	-
Federal government	-	-	-	-	-	-	-	-	-	-
License and fees	242	1,756	18	3	4	-	6,668	-	-	-
Interest and other investment income	-	-	2	-	-	-	-	-	-	-
Other charges for services	-	-	-	-	-	-	-	1	-	-
Other revenues	-	-	-	-	-	-	-	3	-	-
Other operating grants	-	-	-	-	-	-	-	-	-	-
Total revenues	242	1,756	20	3	4	6,668	4	-	-	-
EXPENDITURES										
General government	-	282	-	-	-	6,485	1	-	-	-
Capital outlays	-	-	-	-	-	86	11	-	-	-
Total expenditures	-	282	-	-	-	6,571	12	-	-	-
Excess (deficiency) of revenues over (under) expenditures	242	1,474	20	3	4	97	(8)	-	-	-
OTHER SOURCES (USES) OF FINANCIAL RESOURCES										
Appropriations from State resources	-	225	-	-	-	-	-	-	-	-
Lapsed appropriations	-	(2)	-	-	-	-	-	-	-	-
Receipts collected and transmitted to State Treasury	(245)	(1,757)	-	-	-	-	-	-	-	-
Transfers-in	-	-	-	-	-	-	-	-	12,400	-
Transfers-out	-	-	-	-	-	-	-	-	-	-
Net other sources (uses) of financial resources	(245)	(1,534)	-	-	-	-	-	-	12,400	-
Net change in fund balances	(3)	(60)	20	3	4	97	(8)	-	12,400	-
Fund balances (deficits), July 1, 2007	28	622	-	-	-	(110)	7	-	-	-
Increase (decrease) for changes in inventories	-	-	-	-	-	-	-	-	-	-
FUND BALANCES (DEFICITS), JUNE 30, 2008	\$ 25	\$ 562	\$ 20	\$ 3	\$ 4	\$ (13)	\$ (1)	\$ 12,400		

State of Illinois

Office of the Secretary of State

Combining Statement of Revenues,
Expenditures and Changes in Fund Balance -
Non-major Governmental Funds

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Special Revenue									
	Secretary of State Special Services 0483	Franchise Tax and License Fee Amnesty Administration 0490	Master Mason 0508	Illinois and Michigan Canal 0570	Off Highway Vehicle Trails 0574	Pan Hellenic Trust 0584	Park District Youth Program 0585	Illinois Route 66 Heritage Project 0594		
REVENUES										
Other taxes	\$ -	\$ 431	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
Federal government License and fees	198	-	-	-	-	-	-	-		
Interest and other investment income	24,166	-	43	9	423	27	21	85		
Other charges for services	-	-	-	-	-	-	-	-		
Other revenues	-	-	-	-	-	-	-	-		
Other operating grants	-	-	-	-	-	-	-	-		
Total revenues	24,364	431	43	9	423	27	21	85		
EXPENDITURES										
General government	22,334	-	40	-	-	28	15	50		
Capital outlays	1,728	-	-	-	-	-	-	-		
Total expenditures	24,062	-	40	-	-	28	15	50		
Excess (deficiency) of revenues over (under) expenditures	302	431	3	9	423	(1)	6	35		
OTHER SOURCES (USES) OF FINANCIAL RESOURCES										
Appropriations from State resources	-	-	-	-	-	-	-	-		
Lapsed appropriations	-	-	-	-	-	-	-	-		
Receipts collected and transmitted to State Treasury	-	-	-	-	(419)	-	-	-		
Transfers-in	-	-	-	-	-	-	-	-		
Transfers-out	-	-	-	-	-	-	-	-		
Net other sources (uses) of financial resources	-	-	-	-	(419)	-	-	-		
Net change in fund balances	302	431	3	9	4	(1)	6	35		
Fund balances (deficits), July 1, 2007	7,247	-	15	53	36	34	7	48		
Increase (decrease) for changes in inventories	-	-	-	-	-	-	-	-		
FUND BALANCES (DEFICITS), JUNE 30, 2008	\$ 7,549	\$ 431	\$ 18	\$ 62	\$ 40	\$ 33	\$ 13	\$ 83		

State of Illinois

Office of the Secretary of State

Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Non-major Governmental Funds

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Special Revenue						
	Police Memorial Committee 0598	Mammogram 0599	Motor Vehicle License Plate 0622	Organ Donor Awareness 0716	Secretary of State DJJ Administration 0732	Chicago and Northeast Illinois District Council of Carpenters 0756	Secretary of State DJJ State DUI 0758
REVENUES							
Other taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal government license and fees	112	109	11,222	155	1,568	-	-
Interest and other investment income	-	-	-	-	-	-	-
Other charges for services	-	-	-	-	-	-	14
Other revenues	-	-	-	-	-	-	-
Other operating grants	-	-	-	-	-	-	-
Total revenues	112	109	11,222	155	1,568	-	14
EXPENDITURES							
General government	80	100	11,957	125	1,338	-	6
Capital outlays	-	-	562	-	-	-	-
Total expenditures	80	100	12,519	125	1,338	-	6
Excess (deficiency) of revenues over (under) expenditures	32	9	(1,297)	30	230	-	8
OTHER SOURCES (USES) OF FINANCIAL RESOURCES							
Appropriations from State resources	-	-	-	-	-	-	-
Lapsed appropriations	-	-	-	-	-	-	-
Receipts collected and transmitted to State Treasury	-	-	-	-	-	-	-
Transfers-in	-	-	-	-	-	-	-
Transfers-out	-	-	-	-	-	-	-
Net other sources (uses) of financial resources	-	-	-	-	-	-	-
Net change in fund balances	32	9	(1,297)	30	230	-	8
Fund balances (deficits), July 1, 2007	58	15	12,624	48	1,097	-	48
Increase (decrease) for changes in inventories	-	-	334	-	-	-	-
FUND BALANCES (DEFICITS), JUNE 30, 2008	\$ 90	\$ 24	\$ 11,661	\$ 78	\$ 1,327	\$ -	\$ 56

State of Illinois
Office of the Secretary of State
Combining Statement of Revenues,
Expenditures and Changes in Fund Balance -
Non-major Governmental Funds
For the Year Ended June 30, 2008 (Expressed in Thousands)

	Special Revenue						
	Secretary of State Police Services 0759	Marine Corps Scholarship 0760	State Parking Facility Maintenance 0782	Cycle Rider Safety Training 0863	Secretary of State Grant 0948	Vehicle Inspection 0963	Secretary of State Antique Vehicle Show 1390
REVENUES							
Other taxes	-	-	-	-	-	-	-
Federal government license and fees	45	55	(16)	4,319	-	-	19
Interest and other investment income	-	-	-	-	-	-	-
Other charges for services	-	-	-	-	734	-	-
Other revenues	-	-	-	-	20	-	-
Other operating grants	-	-	-	-	-	-	-
Total revenues	45	55	(16)	4,319	754	-	19
EXPENDITURES							
General government	54	40	7	-	220	3,562	20
Capital outlays	-	-	-	-	-	10	-
Total expenditures	54	40	7	-	220	3,572	20
Excess (deficiency) of revenues over (under) expenditures	(9)	15	(23)	4,319	534	(3,572)	(1)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES							
Appropriations from State resources	-	-	40	-	-	3,728	-
Lapsed appropriations	-	-	-	-	-	(74)	-
Receipts collected and transmitted to State Treasury	-	-	(2)	(4,288)	-	-	-
Transfers-in	-	-	-	-	-	-	-
Transfers-out	-	-	-	-	-	-	-
Net other sources (uses) of financial resources	-	-	38	(4,288)	-	3,654	-
Net change in fund balances	(9)	15	15	31	534	82	(1)
Fund balances (deficits), July 1, 2007	11	33	18	431	505	(1)	12
Increase (decrease) for changes in inventories	-	-	-	-	-	-	-
FUND BALANCES (DEFICITS), JUNE 30, 2008	2	48	33	462	1,039	81	11

State of Illinois

Office of the Secretary of State

Combining Statement of Revenues,
Expenditures and Changes in Fund Balance -
Non-major Governmental Funds

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Capital Projects 0141	Debt Service General Obligation Bond Retirement and Interest 0101	Total
REVENUES			
Other taxes	-	\$ -	\$ 431
Federal government	-	-	7,504
License and fees	-	7	80,555
Interest and other investment income	-	-	495
Other charges for services	-	-	1,881
Other revenues	-	-	2,112
Other operating grants	-	-	20
Total revenues	-	7	92,998
EXPENDITURES			
General government	930	-	71,049
Capital outlays	259	-	3,355
Total expenditures	1,189	-	74,404
Excess (deficiency) of revenues over (under) expenditures	(1,189)	7	18,594
OTHER SOURCES (USES) OF FINANCIAL RESOURCES			
Appropriations from State resources	1,100	-	6,293
Lapsed appropriations	(9)	-	(79)
Receipts collected and transmitted to State Treasury	-	(7)	(18,866)
Transfers-in	-	-	12,477
Transfers-out	-	-	(9,454)
Net other sources (uses) of financial resources	1,097	(7)	(9,629)
Net change in fund balances	(92)	-	8,965
Fund balances (deficits), July 1, 2007	92	-	45,820
Increase (decrease) for changes in inventories	-	-	416
FUND BALANCES (DEFICITS), JUNE 30, 2008	\$ -	\$ -	\$ 55,201

State of Illinois
Office of the Secretary of State

**Combining Statement of Fiduciary Net Assets -
Agency Funds**

June 30, 2008 (Expressed in Thousands)

	Safety Responsibility 0436	International Registration Plan 0890	Go-Back 1110	Safekeeping 1344	Total
ASSETS					
Cash equity with State Treasurer	\$ 1,643	\$ 3,588	\$ -	\$ -	\$ 5,231
Cash and cash equivalents	-	-	-	53	53
Investments	-	-	-	1,660	1,660
Other receivables, net	-	19	-	-	19
Total assets	\$ 1,643	\$ 3,607	\$ -	\$ 1,713	\$ 6,963
LIABILITIES					
Other liabilities	\$ 1,643	\$ 3,607	\$ -	\$ 1,713	\$ 6,963
Total liabilities	\$ 1,643	\$ 3,607	\$ -	\$ 1,713	\$ 6,963

State of Illinois
Office of the Secretary of State
Combining Statement of Changes in Assets and Liabilities -
Agency Funds

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Balance at June 30, 2007	Additions	Deletions	Balance at June 30, 2008
Safety Responsibility (0436)				
ASSETS				
Cash equity with State Treasurer	\$ 1,631	\$ 897	\$ 885	\$ 1,643
Due from other Office funds	45	-	45	-
Total assets	\$ 1,676	\$ 897	\$ 930	\$ 1,643
LIABILITIES				
Other liabilities	\$ 1,676	\$ 852	\$ 885	\$ 1,643
Total liabilities	\$ 1,676	\$ 852	\$ 885	\$ 1,643
International Registration Plan (0890)				
ASSETS				
Cash equity with State Treasurer	\$ 1,324	\$ 160,569	\$ 158,305	\$ 3,588
Other receivables, net	20	19	20	19
Due from other Office funds	1,177	-	1,177	-
Total assets	\$ 2,521	\$ 160,588	\$ 159,502	\$ 3,607
LIABILITIES				
Other liabilities	\$ 2,521	\$ 160,588	\$ 159,502	\$ 3,607
Total liabilities	\$ 2,521	\$ 160,588	\$ 159,502	\$ 3,607
Go-Back (1110)				
ASSETS				
Cash and cash equivalents	\$ -	\$ 118	\$ 118	\$ -
Total assets	\$ -	\$ 118	\$ 118	\$ -
LIABILITIES				
Other liabilities	\$ -	\$ 118	\$ 118	\$ -
Total liabilities	\$ -	\$ 118	\$ 118	\$ -
Safekeeping (1344)				
ASSETS				
Cash and cash equivalents	\$ 147	\$ 24	\$ 118	\$ 53
Investments	2,079	1,799	2,218	1,660
Total assets	\$ 2,226	\$ 1,823	\$ 2,336	\$ 1,713
LIABILITIES				
Other liabilities	\$ 2,226	\$ 1,823	\$ 2,336	\$ 1,713
Total liabilities	\$ 2,226	\$ 1,823	\$ 2,336	\$ 1,713
Total - All Agency Funds				
ASSETS				
Cash equity with State Treasurer	\$ 2,955	\$ 161,466	\$ 159,190	\$ 5,231
Cash and cash equivalents	147	142	236	53
Investments	2,079	1,799	2,218	1,660
Other receivables, net	20	19	20	19
Due from other Office funds	1,222	-	1,222	-
Total assets	\$ 6,423	\$ 163,426	\$ 162,886	\$ 6,963
LIABILITIES				
Other liabilities	\$ 6,423	\$ 163,381	\$ 162,841	\$ 6,963
Total liabilities	\$ 6,423	\$ 163,381	\$ 162,841	\$ 6,963

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

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the State of Illinois, Office of the Secretary of State, as of and for the year ended June 30, 2008, which collectively comprise State of Illinois, Office of the Secretary of State's basic financial statements and have issued our report thereon dated May 14, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the State of Illinois, Office of the Secretary of State's internal control over financial reporting as a basis for designing our auditing procedures 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, Office of the Secretary of State's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois, Office of the Secretary of State's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting (08-1).

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we consider the significant deficiency referenced above as item 08-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Illinois, Office of the Secretary of State's financial statements are free of 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*.

The State of Illinois, Office of the Secretary of State's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the State of Illinois, Office of the Secretary of State's response and, accordingly, we express no opinion on it.

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

Sleeper, Disbrow, Morrison, Tarro & Lively, LLC

Decatur, Illinois
May 14, 2009

STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE

SCHEDULE OF FINDINGS
Year Ended June 30, 2008

08-1. FINDING (Financial Reporting Weaknesses)

The Office of the Secretary of State (Office) did not have adequate controls in place to ensure the Office's annual financial statements were prepared in accordance with generally accepted accounting principles (GAAP).

The Office's financial statements were adjusted for the following reporting errors:

- An adjustment identified by management was made to restate accounts receivable as of July 1, 2007 to eliminate the prior year accrual of license fees revenue totaling \$19.813 million for license renewals for which payment had not been received by June 30, 2007.
- An adjustment identified by our audit was made to restate prior year receipts totaling \$14.25 million for license renewal fees received prior to June 30, 2007 for renewal periods beginning on or after July 1, 2007. These receipts were originally reported as revenue for FY07 but should have been reported as a deferred revenue liability, as the revenue had not yet been earned. Also, an auditor adjustment of \$15.634 million was required as of June 30, 2008 to adjust revenues and report the deferred revenue liability for license renewal fees received but not yet earned.

Under accounting principles set forth in the *Codification of Governmental Accounting and Financial Reporting Standards* (GASB Cod. Sec. 1600), revenue for licenses is not accrued, or recognized, until cash is received and the license period for which payment is made begins. Cash received prior to the commencement of the license period should be reported as deferred/unearned revenue.

The Fiscal Control and Internal Auditing Act (Act) (30 ILCS 10/3001) requires State agencies to establish and maintain a system of internal fiscal and administrative controls, which shall provide assurance that revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources. Good internal control procedures require adequate management oversight and review of accounting policies and procedures as well as an overall review of financial reporting for accuracy and compliance with generally accepted accounting principles.

Office personnel stated that, prior to the restatements referenced above, the method of accounting for license fees revenue had been consistently applied in prior years and they were previously unaware that it was not consistent with governmental accounting and financial reporting standards.

Deficiencies in internal controls allowed errors in financial information to go undetected by management in the normal course of performing their assigned functions. Failure to implement appropriate internal control procedures over financial reporting could lead to future misstatements of the Office's financial statements. Because the information reported in the Office's financial statements is also reported in the comprehensive annual financial report (CAFR) of the State of Illinois, errors in the Office's financial information could also lead to misstatements in the State's CAFR. (Finding Code No. 08-1)

RECOMMENDATION

We recommend the Office continue in its efforts to implement internal control procedures to assess the risk of material misstatements of the Office's financial statements and to identify such misstatements during the financial statement preparation process.

AGENCY RESPONSE

Agree. The Secretary of State's Office believes that the internal control procedures over financial reporting were improved in FY08, as evidenced by its identification of the need for a restatement of the prior license fees accrual noted above. In addition, the Office will continue to review its internal controls over financial reporting to identify ways to strengthen controls.

STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE

PRIOR FINDINGS NOT REPEATED
Year Ended June 30, 2008

A **FINDING** (Inadequate Review of Accounting Estimates)

The Office of the Secretary of State did not have adequate reviews of estimations of building and building improvement lives in the preparation of the Office's financial statements.

The Office reviewed and made corrections to estimated useful lives of building and building improvements in its preparation of the Office's June 30, 2007 financial statements. For the year ended June 30, 2008, the Office did not identify any similar corrections to accounting estimates, nor did our audit disclose any such errors. (Finding Code No. 07-1)