

STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE

FINANCIAL AUDIT

For the Year Ended June 30, 2012

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

STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE

FINANCIAL AUDIT
For the Year Ended June 30, 2012

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STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE

AGENCY OFFICIALS
For the Year Ended June 30, 2012

Secretary of State	The Honorable Jesse White
Deputy Secretary of State and Chief of Staff	Thomas N. Benigno
Director of Internal Audit (through 6/30/12)	Nancy Bowyer
Acting Director of Internal Audit (effective 7/1/12)	Stell Mallios
General Counsel	Irene Lyons
Inspector General	James B. Burns
Director of Budget and Fiscal Management (effective 7/1/12)	Jacqueline Price
Director of Accounting Revenue (through 2/29/12)	Carl Forn
Chief Deputy Director/Acting Director of Accounting Revenue (effective 3/1/12)	John Grzymiski
Chief Financial Officer	Amanda Trimmer

The Secretary of State offices are located throughout the State of Illinois. The Secretary of State financial records are processed and maintained in 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.

STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE

FINANCIAL STATEMENT REPORT
For the Year Ended June 30, 2012

Summary

The audit of the accompanying financial statements of the State of Illinois, Office of the Secretary of State was performed by Kerber, Eck, & Braeckel LLP.

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

SUMMARY OF FINDINGS

The auditors identified a matter involving the Agency's internal control over financial reporting that they considered to be a significant deficiency. The significant deficiency is described in the accompanying Schedule of Findings listed in the table of contents as finding 12-1 Failure to Identify Financial Statement Report Errors.

EXIT CONFERENCE

The Illinois Office of the Secretary of State waived an exit conference in correspondence dated December 5, 2012.

The response to the recommendation was received from Joe McDonald in correspondence dated December 19, 2012.



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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, 2012, 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, 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, 2012, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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, 2012, 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.

Other Locations

Litchfield, IL • Jacksonville, IL • Belleville, IL • Carbondale, IL • Cape Girardeau, MO • St. Louis, MO • Milwaukee, WI

In accordance with *Government Auditing Standards*, we have also issued a report dated April 8, 2013, 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 require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

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 accompanying supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The accompanying supplementary information, as listed in the table of contents, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information, as listed in the table of contents, is 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 agency management and is not intended to be and should not be used by anyone other than these specified parties.

Kuhn, Eck & Brueckel LLP

Springfield, Illinois
April 8, 2013

State of Illinois

Office of the Secretary of State

Statement of Net Assets and Governmental Funds Balance Sheet

June 30, 2012 (Expressed in Thousands)

	General Fund	Road Fund	State Construction Account	Other Nonmajor Funds	Total Governmental Funds	Adjustments	Statement of Net Assets
ASSETS							
Unexpended appropriations	\$ 20,648	\$ 73	\$ -	\$ 1	\$ 20,722	\$ -	\$ 20,722
Cash equity with State Treasurer	61,780	43,667	68,766	128,969	303,182	-	303,182
Cash and cash equivalents	88	-	-	9	97	-	97
Securities lending collateral of State Treasurer	-	-	-	7,286	7,286	-	7,286
Taxes receivable, net	2,725	-	-	-	2,725	-	2,725
Intergovernmental receivables, net	-	-	-	317	317	-	317
Other receivables, net	145	3,880	2,358	140	6,523	-	6,523
Due from other State funds	-	-	-	333	333	-	333
Due from other Office funds	6,605	-	-	-	6,605	(6,605)	-
Inventories	207	-	-	4,787	4,994	-	4,994
Prepaid expenses	-	-	-	-	-	3,759	3,759
Capital assets not being depreciated	-	-	-	-	-	6,737	6,737
Capital assets being depreciated, net	-	-	-	-	-	169,688	169,688
Total assets	\$ 92,198	\$ 47,620	\$ 71,124	\$ 141,842	\$ 352,784	173,579	526,363
LIABILITIES							
Accounts payable and accrued liabilities	\$ 14,868	\$ 73	\$ -	\$ 3,006	\$ 17,947	-	17,947
Intergovernmental payables	19,336	-	-	291	19,627	-	19,627
Due to other State fiduciary funds	214	-	-	293	507	-	507
Due to other Office funds	-	-	-	6,605	6,605	(6,605)	-
Due to other State funds	646	-	-	415	1,061	-	1,061
Due to State of Illinois component units	126	-	-	844	970	-	970
Unavailable revenue	-	-	-	1	1	(1)	-
Unearned revenue	4,063	10,462	6,023	210	20,758	-	20,758
Obligations under securities lending of State Treasurer	-	-	-	7,286	7,286	-	7,286
Long-term obligations:							
Due within one year	-	-	-	-	-	1,390	1,390
Due subsequent to one year	-	-	-	-	-	19,882	19,882
Total liabilities	39,253	10,535	6,023	18,951	74,762	14,666	89,428
FUND BALANCES/NET ASSETS							
Nonspendable:							
Inventories	207	-	-	4,787	4,994	(4,994)	-
Restricted for:							
General government	10	-	-	3,261	3,271	(3,271)	-
Committed to:							
General government	178	37,085	65,101	112,825	215,189	(215,189)	-
Assigned to:							
General government	-	-	-	996	996	(996)	-
Unassigned	52,550	-	-	1,022	53,572	(53,572)	-
Invested in capital assets, net of related debt	-	-	-	-	-	176,425	176,425
Restricted net assets	-	-	-	-	-	3,303	3,303
Unrestricted net assets	-	-	-	-	-	257,207	257,207
Total fund balances/net assets	52,945	37,085	65,101	122,891	278,022	\$ 158,913	\$ 436,935
Total liabilities and fund balances	\$ 92,198	\$ 47,620	\$ 71,124	\$ 141,842	\$ 352,784		

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, 2012
(Expressed in Thousands)

Total fund balances-governmental funds	\$	278,022
<p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p>		176,425
<p>Prepaid expenses for governmental activities are current uses of financial resources for funds.</p>		3,759
<p>Revenues in the Statement of Activities that do not provide current financial resources are deferred in the funds.</p>		1
<p>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:</p>		
Compensated absences		(21,272)
Net assets of governmental activities	\$	436,935

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, 2012 (Expressed in Thousands)

	<u>General Fund</u>	<u>Road Fund</u>	<u>State Construction Account</u>	<u>Other Nonmajor Funds</u>	<u>Total Governmental Funds</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Expenditures/expenses:							
General government	\$ 277,696	\$ -	\$ -	\$ 67,021	\$ 344,717	\$ 15,829	\$ 360,546
Capital outlays	3,246	-	-	2,002	5,248	(5,248)	-
Total expenditures/expenses	<u>280,942</u>	<u>-</u>	<u>-</u>	<u>69,023</u>	<u>349,965</u>	<u>10,581</u>	<u>360,546</u>
Program revenues:							
Charges for services:							
Licenses and fees	535,035	850,989	464,522	85,745	1,936,291	-	1,936,291
Other	152	-	-	147	299	-	299
Total charges for services	<u>535,187</u>	<u>850,989</u>	<u>464,522</u>	<u>85,892</u>	<u>1,936,590</u>	<u>-</u>	<u>1,936,590</u>
Operating grant revenue:							
Federal	7	-	-	7,441	7,448	(738)	6,710
Other	-	-	-	19	19	-	19
Total operating grant revenue	<u>7</u>	<u>-</u>	<u>-</u>	<u>7,460</u>	<u>7,467</u>	<u>(738)</u>	<u>6,729</u>
Net program revenues	<u>254,252</u>	<u>850,989</u>	<u>464,522</u>	<u>24,329</u>	<u>1,594,092</u>	<u>(11,319)</u>	<u>1,582,773</u>
General revenues:							
Interest and investment income	-	-	-	75	75	-	75
Other taxes	193,872	-	-	-	193,872	-	193,872
Other	60	-	-	7,150	7,210	-	7,210
Total general revenues	<u>193,932</u>	<u>-</u>	<u>-</u>	<u>7,225</u>	<u>201,157</u>	<u>-</u>	<u>201,157</u>
Other sources (uses):							
Appropriations from State resources	264,175	2,500	-	3,484	270,159	-	270,159
Lapsed appropriations	(3,439)	(11)	-	(822)	(4,272)	-	(4,272)
Receipts collected and transmitted to State Treasury	(727,155)	(835,625)	(465,917)	(18,743)	(2,047,440)	-	(2,047,440)
Capital transfers from other State agencies	-	-	-	-	-	6,077	6,077
Amount of SAMS transfers-in	(3,774)	-	-	-	(3,774)	-	(3,774)
Amount of SAMS transfers-out	20,904	-	-	-	20,904	-	20,904
Transfers-in	10,464	-	-	10,592	21,056	(21,001)	55
Transfers-out	(3,000)	-	-	(18,001)	(21,001)	21,001	-
Total other sources (uses)	<u>(441,825)</u>	<u>(833,136)</u>	<u>(465,917)</u>	<u>(23,490)</u>	<u>(1,764,368)</u>	<u>6,077</u>	<u>(1,758,291)</u>
Change in fund balance/net assets	6,359	17,853	(1,395)	8,064	30,881	(5,242)	25,639
Fund balance/net assets, July 1, 2011	46,586	19,232	66,496	114,832	247,146	164,150	411,296
Decrease for changes in inventories	-	-	-	(5)	(5)	5	-
Fund balance/net assets, June 30, 2012	<u>\$ 52,945</u>	<u>\$ 37,085</u>	<u>\$ 65,101</u>	<u>\$ 122,891</u>	<u>\$ 278,022</u>	<u>\$ 158,913</u>	<u>\$ 436,935</u>

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, 2012
(Expressed in Thousands)

Net change in fund balances	\$	30,881
Change in inventories		(5)
		30,876
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
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.		(10,848)
Some capital assets were transferred in from other State agencies and therefore, were received at no cost.		6,077
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 decrease in unavailable revenue over the prior year.		(738)
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.		(675)
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:		
Decrease in compensated absences obligation		947
Change in net assets of governmental activities	\$	25,639

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, 2012 (Expressed in Thousands)

	<u>Agency Funds</u>
ASSETS	
Cash equity with State Treasurer	\$ 5,440
Cash and cash equivalents	83
Investments	<u>900</u>
Total assets	<u><u>\$ 6,423</u></u>
LIABILITIES	
Other liabilities	<u>\$ 6,423</u>
Total liabilities	<u><u>\$ 6,423</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**

Notes to Financial Statements

June 30, 2012

(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 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 Secretary of State Antique Vehicle Show fund, a nonmajor special governmental fund, the Go-Back Fund and the Safekeeping Fund, fiduciary funds, and the Special Advance Fund, a subaccount of the General Revenue Fund, which are all 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.

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

Notes to Financial Statements

June 30, 2012

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.

(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, 2012, 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.

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

Notes to Financial Statements

June 30, 2012

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 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 five secondary sub-accounts (Live and Learn, Corporate Franchise Tax Refund, Capital Projects, Vehicle Inspection and Special Advance).

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.

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.

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

Notes to Financial Statements

June 30, 2012

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.

(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.

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

Notes to Financial Statements

June 30, 2012

(d) Shared Fund Presentation

The financial statement presentation for the General Revenue Account, Common School Account and Capital Projects 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, 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:

Unexpended Appropriations

This "asset" account represents lapse period warrants issued between July and December for fiscal year 2012 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 during the 18 month period from July to December 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.

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

Notes to Financial Statements

June 30, 2012

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

(f) *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.

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

Notes to Financial Statements

June 30, 2012

(g) 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.

(h) Capital Assets

Capital assets, which include property, plant, equipment and software 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 or amortized using the straight-line method.

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
Software	25,000	3-10
Works of Art, Historical Treasures	5,000	N/A

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June 30, 2012

(i) *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.

(j) *Fund Balances*

Fund balance is divided into five classifications based primarily on the extent to which the Office is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in a spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation.

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action of the State legislature and signed into law by the governor. Those committed amounts cannot be used for any other purpose unless the State legislature and governor removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process.

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Assigned – Amounts in the assigned fund balance classification are intended to be used by the Office for specific purposes but do not meet the criteria to be classified as restricted or committed. Assigned amounts represent intended uses established by the State legislature.

Unassigned – The unassigned fund balance classification is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

The Office applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

(k) 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. As of June 30, 2012, \$ 3.303 million is restricted by enabling legislation.

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

(l) 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.

**STATE OF ILLINOIS
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Notes to Financial Statements

June 30, 2012

(3) Deposits and Investments

(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.

Deposits for locally-held funds of governmental activities had a carrying amount and a bank balance of \$18 thousand at June 30, 2012, respectively. Deposits of locally-held funds of fiduciary funds had a carrying amount and a bank balance of \$933 thousand at June 30, 2012.

Cash on hand totaled \$79 thousand at June 30, 2012.

(b) Investments

As of June 30, 2012, the Office had the following investments outside of the State Treasury:

<i>Fiduciary Funds</i>	Fair Value (Thousands)	Weighted Average Maturity (Years)
U.S. Treasury Notes	\$ 50	1.88

On the fiduciary statement of net assets, the Office has an additional amount of \$850 thousand 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.

The Office does not have a formal investment policy that limits investment choices. The investments held by the Office are made by customers and held by the Office as collateral/security per the Vehicle Code (625 ILCS 5/3-109, 625 ILCS 5/3-816 and 625 ILCS 5/7-323) and the Illinois Security Law of 1953 (815 ILCS 5/6). The Vehicle Code and Illinois Securities Law of 1953 set the limits of acceptable investments.

**STATE OF ILLINOIS
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Notes to Financial Statements

June 30, 2012

(c) *Securities Lending Transactions*

The State Treasurer lends securities to broker-dealers and other entities for collateral that will be returned for the same securities in the future. The State Treasurer has, through a Securities Lending Agreement, authorized Deutsche Bank Group to lend the State Treasurer's securities to broker-dealers and banks pursuant to a form of loan agreement.

During fiscal year 2012, Deutsche Bank Group lent U.S. Treasury and U.S. Agency Securities and received as collateral U.S. dollar denominated cash. Borrowers were required to deliver collateral for each loan equal to at least 100% of the aggregate market value of the loaned securities. Loans are marked to market daily. If the market value of collateral falls below 100%, the borrower must provide additional collateral to raise the market value to 100%.

The State Treasurer did not impose any restrictions during the fiscal year on the amount of the loans available or the eligible securities. In the event of borrower default, Deutsche Bank Group provides the State Treasurer with counterparty default indemnification. In addition, Deutsche Bank Group is obligated to indemnify the State Treasurer if Deutsche Bank Group loses any securities, collateral or investments of the State Treasurer in Deutsche Bank Group's custody. Moreover, there were no losses during fiscal year 2012 resulting from a default of the borrowers or Deutsche Bank Group.

During the fiscal year 2012, the State Treasurer and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested in repurchase agreements with approved counterparties collateralized with securities approved by Deutsche Bank Group and marked to market daily at no less than 102%. Because the loans are terminable at will, their duration did not generally match the duration of the investments made with cash collateral. The State Treasurer had no credit risk as a result of its securities lending program as the collateral held exceeded the fair value of the securities lent. The securities lending collateral invested in repurchase agreements and the fair value of securities on loan by the State Treasurer from non-major funds of the Office of the Secretary of State as of June 30, 2012, were \$ 7.286 million.

In accordance with GASB Statement No. 28, paragraph 9, the Office of the State Treasurer has allocated the assets and obligations at June 30, 2012, arising from securities lending agreements to the various funds of the State. The total allocated to the Office of the Secretary of State was \$7.286 million at June 30, 2012.

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

Notes to Financial Statements

June 30, 2012

(4) Taxes and Other Receivables

Taxes and other receivables (amounts expressed in thousands) at June 30, 2012, are as follows:

	Governmental Activities				<u>Total</u>
	<u>General Fund</u>	<u>Road Fund</u>	<u>State Construction Account</u>	<u>Other Nonmajor Funds</u>	
Taxes receivable:					
Other	\$ 3,198	\$ -	\$ -	\$ -	\$ 3,198
Less: allowance for uncollectible amounts	<u>(473)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(473)</u>
Total taxes receivable, net	<u>\$ 2,725</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,725</u>
Other receivables:					
Licenses and fees receivable	\$ 431	\$ 5,187	\$ 3,045	\$ 1,709	\$ 10,372
Less: allowance for uncollectible amounts	<u>(286)</u>	<u>(1,307)</u>	<u>(687)</u>	<u>(1,574)</u>	<u>(3,854)</u>
Licenses and fees receivable, net	<u>145</u>	<u>3,880</u>	<u>2,358</u>	<u>135</u>	<u>6,518</u>
Interest and other investment income	<u>-</u>	<u>-</u>	<u>-</u>	<u>5</u>	<u>5</u>
Total other receivables, net	<u>\$ 145</u>	<u>\$ 3,880</u>	<u>\$ 2,358</u>	<u>\$ 140</u>	<u>\$ 6,523</u>

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

Notes to Financial Statements

June 30, 2012

(5) Interfund Balances and Activity

(a) Balances Due to/from Other Funds

The following balances (amounts expressed in thousands) at June 30, 2012, represent amounts due from other Office and State funds.

<u>Fund</u>	<u>Due from</u>		<u>Description/Purpose</u>
	<u>Other State Funds</u>	<u>Other Office Funds</u>	
General	\$ -	\$ 6,605	Due from other Office funds for transfers of excess balances, statutorily required transfers and repayment from various grant activity.
Nonmajor governmental funds	333	-	Due from other State funds for interfund borrowing and repayment from various grant activity.
	<u>\$ 333</u>	<u>\$ 6,605</u>	

The following balances (amounts expressed in thousands) at June 30, 2012, represent amounts owing to other Office and State of Illinois funds.

<u>Fund</u>	<u>Due to</u>			<u>Description/Purpose</u>
	<u>Other Office Funds</u>	<u>Other State Funds</u>	<u>Other State Fiduciary Funds</u>	
General	\$ -	\$ 646	\$ 214	Due to other State funds for purchases of services and Court of Claims awards and to other State fiduciary funds for payment of retirement and health insurance costs.
Nonmajor governmental funds	6,605	415	293	Due to other Office Funds for transfers of excess balances, statutorily required transfers and repayment of grant activity; to other State funds for Court of Claims awards, repayment of grant activity and purchases of services; and to other State fiduciary funds for payment of retirement and health insurance costs.
	<u>\$ 6,605</u>	<u>\$ 1,061</u>	<u>\$ 507</u>	

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

Notes to Financial Statements

June 30, 2012

(b) Transfers to/from Other Funds

Interfund transfers in (amounts expressed in thousands) for the year ended June 30, 2012, were as follows:

<u>Fund</u>	<u>Transfers in from</u>		<u>Description/Purpose</u>
	<u>Other Office Funds</u>	<u>Other State Funds</u>	
General	\$ 10,464	\$ -	Transfer from other Office funds of excess balances.
Nonmajor governmental funds	10,537	55	Transfer from other Office funds and other State funds pursuant to State statute.
	<u>\$ 21,001</u>	<u>\$ 55</u>	

Interfund transfers out (amounts expressed in thousands) for the year ended June 30, 2012, were as follows:

<u>Fund</u>	<u>Transfers out to</u>		<u>Description/Purpose</u>
	<u>Other Office Funds</u>	<u>Other State Funds</u>	
General	\$ 3,000	\$ -	Transfer to other Office funds pursuant to State statute.
Nonmajor governmental funds	18,001	-	Transfer to other Office funds and other State funds pursuant to State statute.
	<u>\$ 21,001</u>	<u>\$ -</u>	

**STATE OF ILLINOIS
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Notes to Financial Statements

June 30, 2012

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

The following balances (amounts expressed in thousands) at June 30, 2012, represent amounts due to State of Illinois Component Units for reimbursement of expenses incurred.

<u>Due to Component Units</u>	<u>General Fund</u>	<u>Other Nonmajor Funds</u>
Toll Highway Authority	\$ 7	\$ -
University of Illinois	<u>119</u>	<u>844</u>
	<u>\$ 126</u>	<u>\$ 844</u>

**STATE OF ILLINOIS
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Notes to Financial Statements

June 30, 2012

(6) Capital Assets

Capital asset activity (amounts expressed in thousands) for the year ended June 30, 2012, was as follows:

	<u>Balance</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Net</u> <u>Transfers</u>	<u>Balance</u> <u>June 30, 2012</u>
Governmental activities:					
Capital assets not being depreciated:					
Land and land improvements	\$ 6,607	\$ 30	\$ -	\$ -	\$ 6,637
Historical treasures & works of art	100	-	-	-	100
Total capital assets not being depreciated	<u>6,707</u>	<u>30</u>	<u>-</u>	<u>-</u>	<u>6,737</u>
Capital assets being depreciated:					
Buildings and building improvements	422,390	1,015	-	6,174	429,579
Equipment	50,936	4,203	4,187	192	51,144
Software	29	-	-	-	29
Total capital assets being depreciated	<u>473,355</u>	<u>5,218</u>	<u>4,187</u>	<u>6,366</u>	<u>480,752</u>
Less accumulated depreciation/amortization:					
Buildings and building improvements	251,470	13,467	-	192	265,129
Equipment	47,386	2,619	4,187	97	45,915
Software	10	10	-	-	20
Total accumulated depreciation/amortization	<u>298,866</u>	<u>16,096</u>	<u>4,187</u>	<u>289</u>	<u>311,064</u>
Total capital assets being depreciated/amortized, net	<u>174,489</u>	<u>(10,878)</u>	<u>-</u>	<u>6,077</u>	<u>169,688</u>
Governmental activity capital assets, net	<u>\$ 181,196</u>	<u>\$ (10,848)</u>	<u>\$ -</u>	<u>\$ 6,077</u>	<u>\$ 176,425</u>

Depreciation and amortization expense for governmental activities (amounts expressed in thousands) for the year ended June 30, 2012, was charged as follows:

General government \$ 16,096

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

Notes to Financial Statements

June 30, 2012

(7) Changes in Long-Term Obligations

Changes in long-term obligations (amounts expressed in thousands) for the year ended June 30, 2012, were as follows:

	Balance July 1, <u>2011</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2012</u>	Amounts Due Within <u>One Year</u>
Governmental activities:					
Compensated absences	\$ <u>22,219</u>	\$ <u>15,579</u>	\$ <u>16,526</u>	\$ <u>21,272</u>	\$ <u>1,390</u>

Compensated absences will be 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 2012 are included in the State of Illinois' Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2012. 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.

The Office pays employer retirement contributions based upon an actuarially determined percentage of their payrolls. For fiscal year 2012, the employer contribution rate was 34.190%. 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' Retirement System. 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' Retirement System. The pickup, when applicable, is subject to sufficient annual appropriations and those employees covered may vary across employee groups and State agencies.

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

Notes to Financial Statements

June 30, 2012

(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 expense 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) 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, 2012.

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

Notes to Financial Statements

June 30, 2012

(11) 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 \$13.433 million for the year ended June 30, 2012.

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

<u>Year ending June 30,</u>	<u>Amount</u>
2013	\$ 7,798
2014	6,153
2015	4,477
2016	3,505
2017	1,917
2018 - 2022	<u>1,248</u>
	<u>\$ 25,098</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, 2012, 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.

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

(12) Reclassification

Certain net assets of the Office have been reclassified as of June 30, 2011, with no effect on total net assets, to be consistent with the classification of net assets as of June 30, 2012. The Vehicle Inspection Fund had been classified as a Special Revenue Fund and is now classified as General Fund. Net assets of the Vehicle Inspection Fund were \$3 as of June 30, 2011.

State of Illinois
Office of the Secretary of State
Combining Schedule of Accounts
General Fund
June 30, 2012 (Expressed in Thousands)

	General Revenue 0001	Live and Learn 0026	Corporate Franchise Tax Refund 0380	Common School 0412	Capital Projects 0694	Vehicle Inspection 0963	Special Advance 1198	Eliminations	Total
ASSETS									
Unexpended appropriations	\$ 20,559	\$ -	\$ -	\$ -	\$ -	\$ 89	\$ -	\$ -	\$ 20,648
Cash equity with State Treasurer	31,790	551	1,318	35	28,086	-	-	-	61,780
Cash and cash equivalents	79	-	-	-	-	-	9	-	88
Taxes receivable, net	2,725	-	-	-	-	-	-	-	2,725
Other receivables, net	145	-	-	-	-	-	-	-	145
Due from other Office funds	7,360	17,420	-	385	-	-	1	(18,561)	6,605
Inventories	207	-	-	-	-	-	-	-	207
Total assets	\$ 62,865	\$ 17,971	\$ 1,318	\$ 420	\$ 28,086	\$ 89	\$ 10	\$ (18,561)	\$ 92,198
LIABILITIES									
Accounts payable and accrued liabilities	\$ 14,725	\$ 92	\$ -	\$ -	\$ -	\$ 51	\$ -	\$ -	\$ 14,868
Intergovernmental payables	3,715	15,618	-	-	-	3	-	-	19,336
Due to other State fiduciary funds	175	6	-	-	-	33	-	-	214
Due to other Office funds	17,421	-	1,140	-	-	-	-	(18,561)	-
Due to other State funds	538	106	-	-	-	2	-	-	646
Due to State of Illinois component units	25	101	-	-	-	-	-	-	126
Unearned revenue	113	-	-	-	3,950	-	-	-	4,063
Total liabilities	36,712	15,923	1,140	-	3,950	89	-	(18,561)	39,253
FUND BALANCES									
Nonspendable:									
Inventories	207	-	-	-	-	-	-	-	207
Restricted for:									
General government	-	-	-	-	-	-	10	-	10
Committed to:									
General government	-	-	178	-	-	-	-	-	178
Unassigned	25,946	2,048	-	420	24,136	-	-	-	52,550
Total fund balances	26,153	2,048	178	420	24,136	-	10	-	52,945
Total liabilities and fund balances	\$ 62,865	\$ 17,971	\$ 1,318	\$ 420	\$ 28,086	\$ 89	\$ 10	\$ (18,561)	\$ 92,198

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, 2012 (Expressed in Thousands)

	General Revenue 0001	Live and Learn 0026	Corporate Franchise Tax Refund 0380	Common School 0412	Capital Projects 0694	Vehicle Inspection 0963	Special Advance 1198	Eliminations	Total
REVENUES									
Licenses and fees	\$ 237,677	\$ -	\$ -	\$ 441	\$ 296,917	\$ -	\$ -	\$ -	\$ 535,035
Federal government	7	-	-	-	-	-	-	-	7
Other charges for services	152	-	-	-	-	-	-	-	152
Other taxes	191,836	-	2,036	-	-	-	-	-	193,872
Other revenue	60	-	-	-	-	-	-	-	60
Total revenues	429,732	-	2,036	441	296,917	-	-	-	729,126
EXPENDITURES									
General government	254,303	20,504	-	-	-	2,889	-	-	277,696
Capital outlays	3,246	-	-	-	-	-	-	-	3,246
Total expenditures	257,549	20,504	-	-	-	2,889	-	-	280,942
Excess (deficiency) of revenues over (under) expenditures	172,183	(20,504)	2,036	441	296,917	(2,889)	-	-	448,184
OTHER SOURCES (USES) OF FINANCIAL RESOURCES									
Appropriations from State resources	260,277	-	-	-	-	3,898	-	-	264,175
Lapsed appropriations	(2,427)	-	-	-	-	(1,012)	-	-	(3,439)
Receipts collected and transmitted to State Treasury	(428,231)	-	-	(835)	(298,089)	-	-	-	(727,155)
Amount of SAMS Transfers-in	(3,774)	-	-	-	-	-	-	-	(3,774)
Amount of SAMS Transfers-out	20,904	-	-	-	-	-	-	-	20,904
Transfers-in	10,819	20,904	-	785	-	-	(5)	(22,039)	10,464
Transfers-out	(20,899)	-	(4,140)	-	-	-	-	22,039	(3,000)
Net other sources (uses) of financial resources	(163,331)	20,904	(4,140)	(50)	(298,089)	2,886	(5)	-	(441,825)
Net change in fund balances	8,852	400	(2,104)	391	(1,172)	(3)	(5)	-	6,359
Fund balances, July 1, 2011	17,301	1,648	2,282	29	25,308	3	15	-	46,586
FUND BALANCES, JUNE 30, 2012	\$ 26,153	\$ 2,048	\$ 178	\$ 420	\$ 24,136	\$ -	\$ 10	\$ -	\$ 52,945

State of Illinois

Office of the Secretary of State

**Combining Balance Sheet -
Non-major Governmental Funds**

June 30, 2012 (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	-	1,015	1,738	91	91	573	73	3,587
Cash and cash equivalents	-	-	-	-	-	-	-	-
Securities lending collateral of State Treasurer	-	-	-	-	-	-	-	-
Intergovernmental receivables, net	-	-	-	-	-	-	-	-
Other receivables, net	-	7	7	-	-	-	-	-
Due from other State funds	-	-	-	-	-	-	-	6
Inventories	-	-	-	-	-	-	-	2,095
Total assets	\$ -	\$ 1,022	\$ 1,745	\$ 91	\$ 91	\$ 573	\$ 73	\$ 5,688
LIABILITIES								
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 24	\$ 13	\$ 57	\$ -	\$ -	\$ 1
Intergovernmental payables	-	-	2	-	-	-	-	-
Due to other State fiduciary funds	-	-	13	-	-	-	-	-
Due to other Office funds	-	-	-	-	-	330	-	-
Due to other State funds	-	-	1	-	-	-	-	-
Due to State of Illinois component units	-	-	-	-	-	-	-	-
Unavailable revenue	-	-	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-	5	84
Obligations under securities lending of State Treasurer	-	-	-	-	-	-	-	-
Total liabilities	-	-	40	13	57	330	5	85
FUND BALANCES								
Nonspendable:								
Inventories	-	-	-	-	-	-	-	2,095
Restricted for:								
General government	-	-	-	-	-	-	-	-
Committed to:								
General government	-	-	1,705	78	34	243	-	3,508
Assigned to:								
General government	-	-	-	-	-	-	68	-
Unassigned	-	1,022	-	-	-	-	-	-
Total fund balances	-	1,022	1,705	78	34	243	68	5,603
Total liabilities and fund balances	\$ -	\$ 1,022	\$ 1,745	\$ 91	\$ 91	\$ 573	\$ 73	\$ 5,688

State of Illinois

Office of the Secretary of State

Combining Balance Sheet -

Non-major Governmental Funds

June 30, 2012 (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	State College and University Trust 0417
ASSETS								
Unexpended appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash equity with State Treasurer	16,553	369	296	179	15,466	8,075	2	28
Cash and cash equivalents	-	-	-	-	-	-	-	-
Securities lending collateral of State Treasurer	-	-	-	-	7,285	-	-	-
Intergovernmental receivables, net	-	-	-	-	-	-	-	-
Other receivables, net	-	-	-	-	110	-	-	-
Due from other State funds	-	324	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-
Total assets	\$ 16,553	\$ 693	\$ 296	\$ 179	\$ 22,861	\$ 8,075	\$ 2	\$ 28
LIABILITIES								
Accounts payable and accrued liabilities	\$ 2	\$ 190	\$ -	\$ 16	\$ 272	\$ 108	\$ -	\$ -
Intergovernmental payables	-	2	-	1	16	7	-	-
Due to other State fiduciary funds	1	24	-	4	133	63	-	-
Due to other Office funds	-	125	-	-	-	5,765	-	-
Due to other State funds	-	52	-	-	7	-	-	-
Due to State of Illinois component units	-	-	-	-	-	-	-	-
Unavailable revenue	-	-	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-	-	10
Obligations under securities lending of State Treasurer	-	-	-	-	7,285	-	-	-
Total liabilities	3	393	-	21	7,713	5,943	-	10
FUND BALANCES								
Nonspendable:								
Inventories	-	-	-	-	-	-	-	-
Restricted for:								
General government	-	-	-	-	-	-	2	-
Committed to:								
General government	16,550	-	296	158	15,148	2,132	-	18
Assigned to:								
General government	-	300	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-
Total fund balances	16,550	300	296	158	15,148	2,132	2	18
Total liabilities and fund balances	\$ 16,553	\$ 693	\$ 296	\$ 179	\$ 22,861	\$ 8,075	\$ 2	\$ 28

State of Illinois

Office of the Secretary of State

**Combining Balance Sheet -
Non-major Governmental Funds**

June 30, 2012 (Expressed in Thousands)

	Special Revenue							
	Alternative Fuels 0422	Indigent BAID Fund 0451	Monitoring Device Driving Permit Administration 0453	Rotary Club Fund 0454	Autism Awareness 0458	Ovarian Cancer Awareness Fund 0459	Illinois Professional Golfers Association Junior Golf 0463	Boy Scout and Girl Scout Fund 0464
ASSETS								
Unexpended appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash equity with State Treasurer	403	49	2,549	2	16	9	42	31
Cash and cash equivalents	-	-	-	-	-	-	-	-
Securities lending collateral of State Treasurer	-	-	-	-	-	-	-	-
Intergovernmental receivables, net	-	-	-	-	-	-	-	-
Other receivables, net	-	16	-	-	-	-	-	-
Due from other State funds	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-
Total assets	\$ 403	\$ 65	\$ 2,549	\$ 2	\$ 16	\$ 9	\$ 42	\$ 31
LIABILITIES								
Accounts payable and accrued liabilities	\$ -	\$ 65	\$ 38	\$ -	\$ -	\$ -	\$ -	\$ 6
Intergovernmental payables	-	-	3	-	-	-	-	-
Due to other State fiduciary funds	-	-	23	-	-	-	-	-
Due to other Office funds	-	-	-	-	-	-	-	-
Due to other State funds	-	-	-	-	-	-	-	-
Due to State of Illinois component units	-	-	-	-	-	-	-	-
Unavailable revenue	-	-	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-	1	-
Obligations under securities lending of State Treasurer	-	-	-	-	-	-	-	-
Total liabilities	-	65	64	-	-	-	1	6
FUND BALANCES								
Nonspendable:								
Inventories	-	-	-	-	-	-	-	-
Restricted for:								
General government	-	-	2,485	2	16	9	41	25
Committed to:								
General government	403	-	-	-	-	-	-	-
Assigned to:								
General government	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-
Total fund balances	403	-	2,485	2	16	9	41	25
Total liabilities and fund balances	\$ 403	\$ 65	\$ 2,549	\$ 2	\$ 16	\$ 9	\$ 42	\$ 31

State of Illinois

Office of the Secretary of State

**Combining Balance Sheet -
Non-major Governmental Funds**

June 30, 2012 (Expressed in Thousands)

	Special Revenue							
	Agriculture in the Classroom 0466	Sheet Metal Workers Int'l Assoc. of Illinois Fund 0468	Library Services 0470	State Library 0471	Secretary of State Identification and Theft Prevention 0480	Secretary of State Special Services 0483	Support Our Troops Fund 0496	Master Mason 0508
ASSETS								
Unexpended appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash equity with State Treasurer	61	5	76	22	43,242	17,398	29	15
Cash and cash equivalents	-	-	-	-	-	-	-	-
Securities lending collateral of State Treasurer	-	-	-	-	-	-	-	-
Intergovernmental receivables, net	-	-	83	-	32	202	-	-
Other receivables, net	-	-	-	-	-	-	-	-
Due from other State funds	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-
Total assets	\$ 61	\$ 5	\$ 159	\$ 22	\$ 43,274	\$ 17,600	\$ 29	\$ 15
LIABILITIES								
Accounts payable and accrued liabilities	\$ 15	\$ -	\$ 8	\$ -	\$ 372	\$ 1,036	\$ -	\$ 10
Intergovernmental payables	-	-	151	-	3	99	-	-
Due to other State fiduciary funds	-	-	-	-	23	-	-	-
Due to other Office funds	-	-	-	-	-	-	-	-
Due to other State funds	-	-	-	-	-	278	-	-
Due to State of Illinois component units	-	-	-	-	-	844	-	-
Unavailable revenue	-	-	-	-	1	-	-	-
Unearned revenue	2	-	-	-	-	-	-	1
Obligations under securities lending of State Treasurer	-	-	-	-	-	-	-	-
Total liabilities	17	-	159	-	399	2,257	-	11
FUND BALANCES								
Nonspendable:								
Inventories	-	-	-	-	-	-	-	-
Restricted for:								
General government	44	5	-	-	-	-	29	4
Committed to:								
General government	-	-	-	22	42,875	15,343	-	-
Assigned to:								
General government	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-
Total fund balances	44	5	-	22	42,875	15,343	29	4
Total liabilities and fund balances	\$ 61	\$ 5	\$ 159	\$ 22	\$ 43,274	\$ 17,600	\$ 29	\$ 15

State of Illinois

Office of the Secretary of State

**Combining Balance Sheet -
Non-major Governmental Funds**

June 30, 2012 (Expressed in Thousands)

	Special Revenue							
	Illinois and Michigan Canal 0570	Off Highway Vehicle Trails 0574	Pan Hellenic Trust 0584	Park District Youth Program 0585	Professional Sports Team Education 0587	Illinois Route 66 Heritage Project 0594	Police Memorial Committee 0598	Mammogram 0599
ASSETS								
Unexpended appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash equity with State Treasurer	92	24	65	23	396	104	91	87
Cash and cash equivalents	-	-	-	-	-	-	-	-
Securities lending collateral of State Treasurer	-	-	-	-	-	-	-	-
Intergovernmental receivables, net	-	-	-	-	-	-	-	-
Other receivables, net	-	-	-	-	-	-	-	-
Due from other State funds	3	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-
Total assets	\$ 95	\$ 24	\$ 65	\$ 23	\$ 396	\$ 104	\$ 91	\$ 87
LIABILITIES								
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ 9	\$ -	\$ -	\$ -	\$ 35
Intergovernmental payables	-	-	-	-	-	-	-	-
Due to other State fiduciary funds	-	-	-	-	-	-	-	-
Due to other Office funds	-	-	-	-	385	-	-	-
Due to other State funds	-	-	-	-	-	-	-	-
Due to State of Illinois component units	-	-	-	-	-	-	-	-
Unavailable revenue	-	-	-	-	-	-	-	-
Unearned revenue	-	-	1	1	11	4	3	3
Obligations under securities lending of State Treasurer	-	-	-	-	-	-	-	-
Total liabilities	-	-	1	10	396	4	3	38
FUND BALANCES								
Nonspendable:								
Inventories	-	-	-	-	-	-	-	-
Restricted for:								
General government	95	-	64	13	-	100	88	49
Committed to:								
General government	-	24	-	-	-	-	-	-
Assigned to:								
General government	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-
Total fund balances	95	24	64	13	-	100	88	49
Total liabilities and fund balances	\$ 95	\$ 24	\$ 65	\$ 23	\$ 396	\$ 104	\$ 91	\$ 87

State of Illinois

Office of the Secretary of State

Combining Balance Sheet -
Non-major Governmental Funds

June 30, 2012 (Expressed in Thousands)

	Special Revenue						Chicago and Northeast Illinois District Council of Carpenters 0756
	Motor Vehicle License Plate 0622	Special Olympics Illinois Fund 623	Chicago Police Memorial Foundation Fund 0639	Illinois Police Association Fund 0655	Organ Donor Awareness 0716	Secretary of State DUI Administration 0732	
ASSETS							
Unexpended appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash equity with State Treasurer	10,938	50	10	50	82	3,139	-
Cash and cash equivalents	-	-	-	-	-	-	-
Securities lending collateral of State Treasurer	-	-	-	-	-	-	-
Intergovernmental receivables, net	-	-	-	-	-	-	-
Other receivables, net	-	-	-	-	-	-	-
Due from other State funds	-	-	-	-	-	-	-
Inventories	2,692	-	-	-	-	-	-
Total assets	\$ 13,630	\$ 50	\$ 10	\$ 50	\$ 82	\$ 3,139	\$ -
LIABILITIES							
Accounts payable and accrued liabilities	\$ 601	\$ -	\$ -	\$ -	\$ -	\$ 104	\$ -
Intergovernmental payables	6	-	-	-	-	1	-
Due to other State fiduciary funds	-	-	-	-	-	8	-
Due to other Office funds	-	-	-	-	-	-	-
Due to other State funds	69	-	-	-	-	8	-
Due to State of Illinois component units	-	-	-	-	-	-	-
Unavailable revenue	-	-	-	-	-	-	-
Unearned revenue	-	-	-	1	4	-	-
Obligations under securities lending of State Treasurer	-	-	-	-	-	-	-
Total liabilities	676	-	-	1	4	121	-
FUND BALANCES							
Nonspendable:							
Inventories	2,692	-	-	-	-	-	-
Restricted for:							
General government	-	50	10	49	-	-	-
Committed to:							
General government	10,262	-	-	-	78	3,018	-
Assigned to:							
General government	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
Total fund balances	12,954	50	10	49	78	3,018	-
Total liabilities and fund balances	\$ 13,630	\$ 50	\$ 10	\$ 50	\$ 82	\$ 3,139	\$ -

State of Illinois

Office of the Secretary of State

**Combining Balance Sheet -
Non-major Governmental Funds**

June 30, 2012 (Expressed in Thousands)

	Special Revenue							
	Secretary of State DUI 0758	Secretary of State Police Services 0759	Marine Corps Scholarship 0760	State Parking Facility Maintenance 0782	Illinois EMS Memorial Scholarship and Training Fund 0800	International Brotherhood of Teamsters Fund 0803	Share the Road 0854	Cycle Rider Safety Training 0863
ASSETS								
Unexpended appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash equity with State Treasurer	33	428	85	-	4	-	10	518
Cash and cash equivalents	-	-	-	-	-	-	-	-
Securities lending collateral of State Treasurer	-	-	-	-	-	-	-	-
Intergovernmental receivables, net	-	-	-	-	-	-	-	-
Other receivables, net	-	-	-	-	-	-	-	-
Due from other State funds	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-
Total assets	\$ 33	\$ 428	\$ 85	\$ -	\$ 4	\$ -	\$ 10	\$ 518
LIABILITIES								
Accounts payable and accrued liabilities	\$ -	\$ 4	\$ 18	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental payables	-	-	-	-	-	-	-	-
Due to other State fiduciary funds	-	1	-	-	-	-	-	-
Due to other Office funds	-	-	-	-	-	-	-	-
Due to other State funds	-	-	-	-	-	-	-	-
Due to State of Illinois component units	-	-	-	-	-	-	-	-
Unavailable revenue	-	-	-	-	-	-	-	-
Unearned revenue	-	-	2	-	-	-	-	76
Obligations under securities lending of State Treasurer	-	-	-	-	-	-	-	-
Total liabilities	-	5	20	-	-	-	-	76
FUND BALANCES								
Nonspendable:								
Inventories	-	-	-	-	-	-	-	-
Restricted for:								
General government	33	-	-	-	4	-	10	-
Committed to:								
General government	-	423	65	-	-	-	-	442
Assigned to:								
General government	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-
Total fund balances	33	423	65	-	4	-	10	442
Total liabilities and fund balances	\$ 33	\$ 428	\$ 85	\$ -	\$ 4	\$ -	\$ 10	\$ 518

State of Illinois

Office of the Secretary of State

**Combining Balance Sheet -
Non-major Governmental Funds**

June 30, 2012 (Expressed in Thousands)

	Special Revenue						Capital Projects
	Fraternal Order of Police Fund 0867	St. Jude Children's Research 0899	4-H 0915	Ducks Unlimited 0918	Secretary of State Grant 0948	Secretary of State Antique Vehicle Show 1390	Capital Development 0141
ASSETS							
Unexpended appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1
Cash equity with State Treasurer	7	3	7	8	630	-	-
Cash and cash equivalents	-	-	-	-	-	9	-
Securities lending collateral of State Treasurer	-	1	-	-	-	-	-
Intergovernmental receivables, net	-	-	-	-	-	-	-
Other receivables, net	-	-	-	-	-	-	-
Due from other State funds	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-
Total assets	\$ 7	\$ 4	\$ 7	\$ 8	\$ 630	\$ 9	\$ 1
LIABILITIES							
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ 1	\$ -	\$ 1
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	-	-	-	-	1	-	-
Obligations under securities lending of State Treasurer	-	1	-	-	-	-	-
Total liabilities	-	1	-	-	2	-	1
FUND BALANCES							
Nonspendable:							
Inventories	-	-	-	-	-	-	-
Restricted for:							
General government	7	3	7	8	-	9	-
Committed to:							
General government	-	-	-	-	-	-	-
Assigned to:							
General government	-	-	-	-	628	-	-
Unassigned	-	-	-	-	-	-	-
Total fund balances	7	3	7	8	628	9	-
Total liabilities and fund balances	\$ 7	\$ 4	\$ 7	\$ 8	\$ 630	\$ 9	\$ 1

State of Illinois

Office of the Secretary of State

Combining Balance Sheet -
Non-major Governmental Funds

June 30, 2012 (Expressed in Thousands)

	Debt Service	
	General	
	Obligation	
	Bond	
	Retirement	
	and Interest	
	0101	Total
ASSETS		
Unexpended appropriations	\$ -	\$ 1
Cash equity with State Treasurer	-	128,969
Cash and cash equivalents	-	9
Securities lending collateral of State Treasurer	-	7,286
Intergovernmental receivables, net	-	317
Other receivables, net	-	140
Due from other State funds	-	333
Inventories	-	4,787
Total assets	<u>\$ -</u>	<u>\$ 141,842</u>
LIABILITIES		
Accounts payable and accrued liabilities	\$ -	\$ 3,006
Intergovernmental payables	-	291
Due to other State fiduciary funds	-	293
Due to other Office funds	-	6,605
Due to other State funds	-	415
Due to State of Illinois component units	-	844
Unavailable revenue	-	1
Unearned revenue	-	210
Obligations under securities lending of State Treasurer	-	7,286
Total liabilities	<u>-</u>	<u>18,951</u>
FUND BALANCES		
Nonspendable:		
Inventories	-	4,787
Restricted for:		
General government	-	3,261
Committed to:		
General government	-	112,825
Assigned to:		
General government	-	996
Unassigned	-	1,022
Total fund balances	<u>-</u>	<u>122,891</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 141,842</u>

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, 2012 (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	
REVENUES								
Federal government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	45
Licenses and fees	-	11,704	1,100	-	674	481	-	-
Interest and other investment income	-	-	-	-	-	-	-	-
Other charges for services	-	-	132	-	-	-	-	-
Other revenues	-	-	-	-	-	-	-	-
Other operating grants	-	-	-	-	-	-	-	-
Total revenues	-	11,704	1,232	-	674	481	-	45
EXPENDITURES								
General government	1,300	-	942	54	668	130	-	45
Capital outlays	-	-	-	-	-	-	-	-
Total expenditures	1,300	-	942	54	668	130	-	45
Excess (deficiency) of revenues over (under) expenditures	(1,300)	11,704	290	(54)	6	351	-	-
OTHER SOURCES (USES) OF FINANCIAL RESOURCES								
Appropriations from State resources	1,300	-	-	-	-	-	-	-
Lapsed appropriations	-	-	-	-	-	-	-	-
Receipts collected and transmitted to State Treasury	-	(11,789)	-	-	-	-	-	-
Transfers-in	-	-	-	55	-	-	-	-
Transfers-out	-	-	-	-	-	(617)	-	-
Net other sources (uses) of financial resources	1,300	(11,789)	-	55	-	(617)	-	-
Net change in fund balances	-	(85)	290	1	6	(266)	-	-
Fund balances (deficits), July 1, 2011	-	1,107	1,415	77	28	509	-	68
Increase (decrease) for changes in inventories	-	-	-	-	-	-	-	-
FUND BALANCES, JUNE 30, 2012	\$ -	\$ 1,022	\$ 1,705	\$ 78	\$ 34	\$ 243	\$ -	\$ 68

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, 2012 (Expressed in Thousands)

	Special Revenue							
	Secretary of State Special License	Plate	Securities Investors Education	Interagency Grant	Family Financial Responsibility	Motor Review	Vehicle Board	Securities Audit and Enforcement
	0185		0292	0295	0322	0323	0362	
REVENUES								
Federal government	\$ -	\$ -	\$ -	\$ 276	\$ -	\$ -	\$ -	\$ -
Licenses and fees	4,518	-	-	-	123	253	-	9,163
Interest and other investment income	-	-	-	-	-	-	-	75
Other charges for services	-	-	-	-	-	-	-	-
Other revenues	-	-	6,781	-	-	-	-	105
Other operating grants	-	-	-	18	-	-	-	-
Total revenues	4,518		6,781	294	123	253		9,343
EXPENDITURES								
General government	3,715	-	191	165	-	335	-	10,094
Capital outlays	-	-	-	129	-	-	-	-
Total expenditures	3,715		191	294	-	335		10,094
Excess (deficiency) of revenues over (under) expenditures	803		6,590	-	123	(82)		(751)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES								
Appropriations from State resources	-	-	-	-	-	-	-	-
Lapsed appropriations	-	-	-	-	-	-	-	-
Receipts collected and transmitted to State Treasury	-	-	-	-	-	-	-	-
Transfers-in	-	-	-	-	-	-	-	-
Transfers-out	-	-	(750)	-	-	-	-	(3,500)
Net other sources (uses) of financial resources	-		(750)	-	-	-		(3,500)
Net change in fund balances	803		5,840	-	123	(82)		(4,251)
Fund balances (deficits), July 1, 2011	4,376	-	10,710	300	173	240	-	19,399
Increase (decrease) for changes in inventories	424	-	-	-	-	-	-	-
FUND BALANCES, JUNE 30, 2012	\$ 5,603		\$ 16,550	\$ 300	\$ 296	\$ 158		\$ 15,148

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, 2012 (Expressed in Thousands)

	Special Revenue					
	Department of Business Services Special Operations 0363	Secretary of State Evidence 0374	State College and University Trust 0417	Alternative Fuels 0422	Indigent BAIID Fund 0451	Monitoring Device Driving Permit Administration 0453
REVENUES						
Federal government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and fees	11,816	-	264	1,691	197	1,721
Interest and other investment income	-	-	-	-	-	-
Other charges for services	-	-	-	-	-	-
Other revenues	-	-	-	-	-	-
Other operating grants	-	-	-	-	-	-
Total revenues	<u>11,816</u>	<u>-</u>	<u>264</u>	<u>1,691</u>	<u>197</u>	<u>1,721</u>
EXPENDITURES						
General government	5,002	4	-	190	197	1,559
Capital outlays	-	-	-	-	-	-
Total expenditures	<u>5,002</u>	<u>4</u>	<u>-</u>	<u>190</u>	<u>197</u>	<u>1,559</u>
Excess (deficiency) of revenues over (under) expenditures	<u>6,814</u>	<u>(4)</u>	<u>264</u>	<u>1,501</u>	<u>-</u>	<u>162</u>
OTHER SOURCES (USES) OF FINANCIAL RESOURCES						
Appropriations from State resources	-	-	-	225	-	-
Lapsed appropriations	-	-	-	(35)	-	-
Receipts collected and transmitted to State Treasury	-	-	(263)	(1,691)	-	-
Transfers-in	-	-	-	-	-	-
Transfers-out	(12,349)	-	-	-	-	-
Net other sources (uses) of financial resources	<u>(12,349)</u>	<u>-</u>	<u>(263)</u>	<u>(1,501)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(5,535)</u>	<u>(4)</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>162</u>
Fund balances (deficits), July 1, 2011	7,667	6	17	403	-	2,323
Increase (decrease) for changes in inventories	-	-	-	-	-	-
FUND BALANCES, JUNE 30, 2012	<u>\$ 2,132</u>	<u>\$ 2</u>	<u>\$ 18</u>	<u>\$ 403</u>	<u>\$ -</u>	<u>\$ 2,485</u>

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, 2012 (Expressed in Thousands)

	Special Revenue Illinois						
	Rotary Club Fund 0454	Autism Awareness 0458	Ovarian Cancer Awareness Fund 0459	Professional Golfers Association Junior Golf 0463	Boy Scout and Girl Scout Fund 0464	Agriculture in the Classroom 0466	Sheet Metal Workers Int'l Assoc. of Illinois Fund 0468
REVENUES							
Federal government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and fees	5	9	8	35	12	65	2
Interest and other investment income	-	-	-	-	-	-	-
Other charges for services	-	-	-	-	-	-	-
Other revenues	-	-	-	-	-	-	-
Other operating grants	-	-	-	-	-	-	-
Total revenues	5	9	8	35	12	65	2
EXPENDITURES							
General government	4	-	5	35	6	60	-
Capital outlays	-	-	-	-	-	-	-
Total expenditures	4	-	5	35	6	60	-
Excess (deficiency) of revenues over (under) expenditures	1	9	3	-	6	5	2
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	1	9	3	-	6	5	2
Fund balances (deficits), July 1, 2011	1	7	6	41	19	39	3
Increase (decrease) for changes in inventories	-	-	-	-	-	-	-
FUND BALANCES, JUNE 30, 2012	\$ 2	\$ 16	\$ 9	\$ 41	\$ 25	\$ 44	\$ 5

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

For the Year Ended June 30, 2012 (Expressed in Thousands)

	Special Revenue						
	Library Services 0470	State Library 0471	Secretary of State Identification and Theft Prevention 0480	Secretary of State Special Services 0483	Support Our Troops Fund 0496	Master Mason 0508	Illinois and Michigan Canal 0570
REVENUES							
Federal government	\$ 5,988	\$ -	\$ 772	\$ 360	\$ -	\$ -	\$ -
Licenses and fees	-	5	-	21,436	18	43	9
Interest and other investment income	-	-	-	-	-	-	-
Other charges for services	-	1	-	-	-	-	-
Other revenues	-	2	-	-	-	-	-
Other operating grants	-	-	-	-	-	-	-
Total revenues	5,988	8	772	21,796	18	43	9
EXPENDITURES							
General government	5,739	6	2,477	22,052	-	48	-
Capital outlays	112	-	28	302	-	-	-
Total expenditures	5,851	6	2,505	22,354	-	48	-
Excess (deficiency) of revenues over (under) expenditures	137	2	(1,733)	(558)	18	(5)	9
OTHER SOURCES (USES) OF FINANCIAL RESOURCES							
Appropriations from State resources	-	-	-	-	-	-	-
Lapsed appropriations	-	-	-	-	-	-	-
Receipts collected and transmitted to State Treasury	-	-	-	-	-	-	-
Transfers-in	-	-	10,537	-	-	-	-
Transfers-out	-	-	-	-	-	-	-
Net other sources (uses) of financial resources	-	-	10,537	-	-	-	-
Net change in fund balances	137	2	8,804	(558)	18	(5)	9
Fund balances (deficits), July 1, 2011	(137)	20	34,071	15,901	11	9	86
Increase (decrease) for changes in inventories	-	-	-	-	-	-	-
FUND BALANCES, JUNE 30, 2012	\$ -	\$ 22	\$ 42,875	\$ 15,343	\$ 29	\$ 4	\$ 95

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, 2012 (Expressed in Thousands)

Special Revenue

	Off Highway Vehicle Trails 0574	Pan Hellenic Trust 0584	Park District Youth Program 0585	Professional Sports Team Education 0587	Illinois Route 66 Heritage Project 0594	Police Memorial Committee 0598	Mammogram 0599
REVENUES							
Federal government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and fees	267	46	26	503	139	166	131
Interest and other investment income	-	-	-	-	-	-	-
Other charges for services	-	-	-	-	-	-	-
Other revenues	-	-	-	-	-	-	-
Other operating grants	-	-	-	-	-	-	-
Total revenues	267	46	26	503	139	166	131
EXPENDITURES							
General government	-	88	35	-	110	200	140
Capital outlays	-	-	-	-	-	-	-
Total expenditures	-	88	35	-	110	200	140
Excess (deficiency) of revenues over (under) expenditures	267	(42)	(9)	503	29	(34)	(9)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES							
Appropriations from State resources	-	-	-	-	-	-	-
Lapsed appropriations	-	-	-	-	-	-	-
Receipts collected and transmitted to State Treasury	(266)	-	-	-	-	-	-
Transfers-in	-	-	-	-	-	-	-
Transfers-out	-	-	-	(785)	-	-	-
Net other sources (uses) of financial resources	(266)	-	-	(785)	-	-	-
Net change in fund balances	1	(42)	(9)	(282)	29	(34)	(9)
Fund balances (deficits), July 1, 2011	23	106	22	282	71	122	58
Increase (decrease) for changes in inventories	-	-	-	-	-	-	-
FUND BALANCES, JUNE 30, 2012	\$ 24	\$ 64	\$ 13	\$ -	\$ 100	\$ 88	\$ 49

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, 2012 (Expressed in Thousands)

	Special Revenue					
	Motor Vehicle License Plate 0622	Special Olympics Illinois Fund 623	Chicago Police Memorial Foundation Fund 0639	Illinois Police Association Fund 0655	Organ Donor Awareness 0716	Secretary of State DUI Administration 0732
REVENUES						
Federal government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and fees	11,606	15	10	50	180	2,050
Interest and other investment income	-	-	-	-	-	-
Other charges for services	-	-	-	-	-	-
Other revenues	251	-	-	-	-	-
Other operating grants	-	-	-	-	-	-
Total revenues	11,857	15	10	50	180	2,050
EXPENDITURES						
General government	9,314	-	-	30	200	1,553
Capital outlays	5	-	-	-	-	-
Total expenditures	9,319	-	-	30	200	1,553
Excess (deficiency) of revenues over (under) expenditures	2,538	15	10	20	(20)	497
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	2,538	15	10	20	(20)	497
Fund balances (deficits), July 1, 2011	10,845	35	-	29	98	2,521
Increase (decrease) for changes in inventories	(429)	-	-	-	-	-
FUND BALANCES, JUNE 30, 2012	\$ 12,954	\$ 50	\$ 10	\$ 49	\$ 78	\$ 3,018

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, 2012 (Expressed in Thousands)

	Special Revenue					
	Chicago and Northeast Illinois District Council of Carpenters 0756	Secretary of State DUI 0758	Secretary of State Police Services 0759	Marine Corps Scholarship 0760	State Parking Facility Maintenance 0782	Illinois EMS Memorial Scholarship and Training Fund 0800
REVENUES						
Federal government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and fees	-	-	383	93	3	-
Interest and other investment income	-	-	-	-	-	-
Other charges for services	-	14	-	-	-	-
Other revenues	-	-	-	-	-	-
Other operating grants	-	-	-	-	-	-
Total revenues	<u>-</u>	<u>14</u>	<u>383</u>	<u>93</u>	<u>3</u>	<u>-</u>
EXPENDITURES						
General government	-	11	28	71	-	-
Capital outlays	-	6	401	-	-	-
Total expenditures	<u>-</u>	<u>17</u>	<u>429</u>	<u>71</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(3)</u>	<u>(46)</u>	<u>22</u>	<u>3</u>	<u>-</u>
OTHER SOURCES (USES) OF FINANCIAL RESOURCES						
Appropriations from State resources	-	-	-	-	40	-
Lapsed appropriations	-	-	-	-	(40)	-
Receipts collected and transmitted to State Treasury	-	-	-	-	(3)	-
Transfers-in	-	-	-	-	-	-
Transfers-out	-	-	-	-	-	-
Net other sources (uses) of financial resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3)</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>(3)</u>	<u>(46)</u>	<u>22</u>	<u>-</u>	<u>-</u>
Fund balances (deficits), July 1, 2011	-	36	469	43	-	4
Increase (decrease) for changes in inventories	-	-	-	-	-	-
FUND BALANCES, JUNE 30, 2012	<u>\$ -</u>	<u>\$ 33</u>	<u>\$ 423</u>	<u>\$ 65</u>	<u>\$ -</u>	<u>\$ 4</u>

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, 2012 (Expressed in Thousands)

	Special Revenue						
	International Brotherhood of Teamsters Fund 0803	Share the Road 0854	Cycle Rider Safety Training 0863	Fraternal Order of Police Fund 0867	St. Jude Children's Research 0899	4-H 0915	Ducks Unlimited 0918
REVENUES							
Federal government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and fees	-	11	4,680	7	2	3	2
Interest and other investment income	-	-	-	-	-	-	-
Other charges for services	-	-	-	-	-	-	-
Other revenues	-	-	-	-	-	-	-
Other operating grants	-	-	-	-	-	-	-
Total revenues	<u>-</u>	<u>11</u>	<u>4,680</u>	<u>7</u>	<u>2</u>	<u>3</u>	<u>2</u>
EXPENDITURES							
General government	2	20	-	-	-	-	-
Capital outlays	-	-	-	-	-	-	-
Total expenditures	<u>2</u>	<u>20</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2)</u>	<u>(9)</u>	<u>4,680</u>	<u>7</u>	<u>2</u>	<u>3</u>	<u>2</u>
OTHER SOURCES (USES) OF FINANCIAL RESOURCES							
Appropriations from State resources	-	-	-	-	-	-	-
Lapsed appropriations	-	-	-	-	-	-	-
Receipts collected and transmitted to State Treasury	-	-	(4,720)	-	-	-	-
Transfers-in	-	-	-	-	-	-	-
Transfers-out	-	-	-	-	-	-	-
Net other sources (uses) of financial resources	<u>-</u>	<u>-</u>	<u>(4,720)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(2)</u>	<u>(9)</u>	<u>(40)</u>	<u>7</u>	<u>2</u>	<u>3</u>	<u>2</u>
Fund balances (deficits), July 1, 2011	2	19	482	-	1	4	6
Increase (decrease) for changes in inventories	-	-	-	-	-	-	-
FUND BALANCES, JUNE 30, 2012	<u>\$ -</u>	<u>\$ 10</u>	<u>\$ 442</u>	<u>\$ 7</u>	<u>\$ 3</u>	<u>\$ 7</u>	<u>\$ 8</u>

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, 2012 (Expressed in Thousands)

	Special Revenue		Capital Projects	Debt Service	
	Secretary of State Grant 0948	Secretary of State Antique Vehicle Show 1390	Capital Development 0141	General Obligation Bond Retirement and Interest 0101	Total
REVENUES					
Federal government	\$ -	\$ -	\$ -	\$ -	\$ 7,441
Licenses and fees	-	9	-	11	85,745
Interest and other investment income	-	-	-	-	75
Other charges for services	-	-	-	-	147
Other revenues	11	-	-	-	7,150
Other operating grants	1	-	-	-	19
Total revenues	12	9	-	11	100,577
EXPENDITURES					
General government	36	7	153	-	67,021
Capital outlays	-	-	1,019	-	2,002
Total expenditures	36	7	1,172	-	69,023
Excess (deficiency) of revenues over (under) expenditures	(24)	2	(1,172)	11	31,554
OTHER SOURCES (USES) OF FINANCIAL RESOURCES					
Appropriations from State resources	-	-	1,919	-	3,484
Lapsed appropriations	-	-	(747)	-	(822)
Receipts collected and transmitted to State Treasury	-	-	-	(11)	(18,743)
Transfers-in	-	-	-	-	10,592
Transfers-out	-	-	-	-	(18,001)
Net other sources (uses) of financial resources	-	-	1,172	(11)	(23,490)
Net change in fund balances	(24)	2	-	-	8,064
Fund balances (deficits), July 1, 2011	652	7	-	-	114,832
Increase (decrease) for changes in inventories	-	-	-	-	(5)
FUND BALANCES, JUNE 30, 2012	\$ 628	\$ 9	\$ -	\$ -	\$ 122,891

State of Illinois

Office of the Secretary of State

Combining Statement of Fiduciary Net Assets -

Agency Funds

June 30, 2012 (Expressed in Thousands)

	Safety Responsibility 0436	International Registration Plan 0890	Go-Back 1110	Safekeeping 1344	Total
ASSETS					
Cash equity with State Treasurer	\$ 1,231	\$ 4,209	\$ -	\$ -	\$ 5,440
Cash and cash equivalents	-	-	-	83	83
Investments	-	-	-	900	900
Total assets	\$ 1,231	\$ 4,209	\$ -	\$ 983	\$ 6,423
LIABILITIES					
Other liabilities	\$ 1,231	\$ 4,209	\$ -	\$ 983	\$ 6,423
Total liabilities	\$ 1,231	\$ 4,209	\$ -	\$ 983	\$ 6,423

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, 2012 (Expressed in Thousands)

	Balance at June 30, 2011	Additions	Deletions	Balance at June 30, 2012
Safety Responsibility (0436)				
ASSETS				
Cash equity with State Treasurer	\$ 1,352	\$ (121)	\$ -	\$ 1,231
Total assets	<u>\$ 1,352</u>	<u>\$ (121)</u>	<u>\$ -</u>	<u>\$ 1,231</u>
LIABILITIES				
Other liabilities	\$ 1,352	\$ (121)	\$ -	\$ 1,231
Total liabilities	<u>\$ 1,352</u>	<u>\$ (121)</u>	<u>\$ -</u>	<u>\$ 1,231</u>
International Registration Plan (0890)				
ASSETS				
Cash equity with State Treasurer	\$ 4,942	\$ 96,725	\$ 97,458	\$ 4,209
Total assets	<u>\$ 4,942</u>	<u>\$ 96,725</u>	<u>\$ 97,458</u>	<u>\$ 4,209</u>
LIABILITIES				
Other liabilities	\$ 4,942	\$ 96,725	\$ 97,458	\$ 4,209
Total liabilities	<u>\$ 4,942</u>	<u>\$ 96,725</u>	<u>\$ 97,458</u>	<u>\$ 4,209</u>
Go-Back (1110)				
ASSETS				
Cash and cash equivalents	\$ -	\$ 139	\$ 139	\$ -
Total assets	<u>\$ -</u>	<u>\$ 139</u>	<u>\$ 139</u>	<u>\$ -</u>
LIABILITIES				
Other liabilities	\$ -	\$ 139	\$ 139	\$ -
Total liabilities	<u>\$ -</u>	<u>\$ 139</u>	<u>\$ 139</u>	<u>\$ -</u>
Safekeeping (1344)				
ASSETS				
Cash and cash equivalents	\$ 136	\$ 18	\$ 71	\$ 83
Investments	829	905	834	900
Total assets	<u>\$ 965</u>	<u>\$ 923</u>	<u>\$ 905</u>	<u>\$ 983</u>
LIABILITIES				
Other liabilities	\$ 965	\$ 923	\$ 905	\$ 983
Total liabilities	<u>\$ 965</u>	<u>\$ 923</u>	<u>\$ 905</u>	<u>\$ 983</u>
Total - All Agency Funds				
ASSETS				
Cash equity with State Treasurer	\$ 6,294	\$ 96,604	\$ 97,458	\$ 5,440
Cash and cash equivalents	136	157	210	83
Investments	829	905	834	900
Total assets	<u>\$ 7,259</u>	<u>\$ 97,666</u>	<u>\$ 98,502</u>	<u>\$ 6,423</u>
LIABILITIES				
Other liabilities	\$ 7,259	\$ 97,666	\$ 98,502	\$ 6,423
Total liabilities	<u>\$ 7,259</u>	<u>\$ 97,666</u>	<u>\$ 98,502</u>	<u>\$ 6,423</u>



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INDEPENDENT AUDITORS' 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, 2012, which collectively comprise the State of Illinois, Office of the Secretary of State's basic financial statements and have issued our report thereon dated April 8, 2013. 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

Management of the State of Illinois, Office of the Secretary of State is responsible for establishing and maintaining effective 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 opinion 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.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings as item 12-1, that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 the response.

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

Kuhn, Eck & Brueckel LLP

Springfield, Illinois
April 8, 2013

STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE
SCHEDULE OF FINDINGS

For the Year Ended June 30, 2012

12-1 Finding: Failure to Identify Financial Statement Report Errors

The Illinois Office of the Secretary of State did not identify required adjustments necessary to ensure the Office's audited financial statements were accurately prepared.

The Office's financial statements were adjusted by the following reporting errors as identified during our audit:

- An adjustment was made to reclassify assets improperly classified as restricted net assets to unrestricted net assets as of June 30, 2012. The amount of the reclassification was \$ 8.711 million.
- An error was identified in the July 1, 2011, beginning fund balance on the June 30, 2012, Statement of Activities and Governmental Revenues, Expenditures, and Changes in Fund Balance. The amount was improperly reported resulting in an overstatement of beginning net assets of \$ 8.172 million. In order to restate the beginning fund balance to the correct amount as reported on the previously issued June 30, 2011, audited financial statements, a correcting adjusting entry was made to the June 30, 2012, financial statements.

The Fiscal Control and Internal Auditing Act (Act) (30 ILCS 10/3001) requires State agencies to establish and maintain a system of fiscal internal 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.

Agency officials stated that the items noted above represent a reclassification error and an oversight of correcting a prior year amount. The Office's records accurately accounted for the above noted items. However, the financial statements as originally prepared contained these errors. The internal controls did not provide for the detection of the errors by management in the preparation of the Office's financial statements. These errors have been corrected on the issued audited financial statements.

Failure to implement the appropriate internal control procedures over financial reporting could lead to future misstatement of the Office's financial statements. [Finding Code No. 12-1]

STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE
SCHEDULE OF FINDINGS

For the Year Ended June 30, 2012

12-1 Finding: Failure to Identify Financial Statement Report Errors - Continued

Recommendation

We recommend the Office 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

The Secretary of State's Office concurs with the auditor's recommendation. The Department of Budget & Fiscal Management identified the calculation error and took corrective action, as noted. The Office will continue to look for ways to improve internal control procedures over the preparation and review of its financial statements while maintaining a professionally-trained and experienced staff.