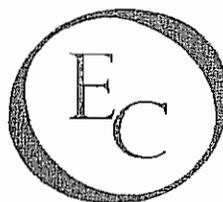


**STATE OF ILLINOIS  
CAPITAL DEVELOPMENT BOARD**

**FINANCIAL AUDIT  
FOR THE YEAR ENDED JUNE 30, 2009**

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



E.C. ORTIZ & CO., LLP  
CERTIFIED PUBLIC ACCOUNTANTS

**STATE OF ILLINOIS  
CAPITAL DEVELOPMENT BOARD  
FINANCIAL AUDIT  
FOR THE YEAR ENDED JUNE 30, 2009**

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**STATE OF ILLINOIS  
CAPITAL DEVELOPMENT BOARD**

**AGENCY OFFICIALS**

Executive Director		James Riemer
Deputy Director of Construction	(09/02/08 to present)	James Underwood
Deputy Director of Operations		Darryl Harris
Deputy Director of Professional Services	(07/01/06 to 12/31/08)	Lisa Mattingly
Administrator of the Office of Fiscal Management		Gevan Behnke
Legal Counsel		Fredrick Hahn

Agency Office is located at:

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

**STATE OF ILLINOIS  
CAPITAL DEVELOPMENT BOARD  
FINANCIAL STATEMENT REPORT**

**SUMMARY**

The audit of the accompanying financial statements of the Capital Development Board (Board) was performed by E. C. Ortiz & Co., LLP.

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

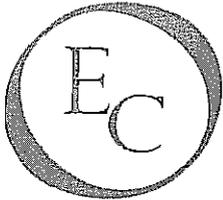
**SUMMARY OF FINDINGS**

The auditors identified matters involving the Agency's internal control over financial reporting that they considered to be significant deficiencies. The significant deficiencies are described in the accompanying Schedule of Findings on pages 35 through 39 of this report, as finding 09-1, *Reappropriated Projects' Accounts Payable Understated*, and finding 09-2, *Inadequate Internal Control for Uninsured and Uncollateralized Deposits*. The auditors also considered finding 09-1 as a material weakness.

**EXIT CONFERENCE**

The findings and recommendations appearing in this report were discussed with Board personnel at an exit conference on April 12, 2009, held at 300 William G. Stratton Building, 401 South Spring Street, Springfield, Illinois 62706. Representing the Office of the Auditor General was Paul Usherwood. Representing the Capital Development Board were James Riemer, Gevan Behnke, James Underwood and Kim Chestnut. Representing E. C. Ortiz & Co., LLP were Edilberto C. Ortiz and Vivian J. Sigue.

The responses to the recommendations were provided by Gevan Behnke in a correspondence dated April 14, 2010.



E.C. ORTIZ & CO., LLP  
CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

Honorable William G. Holland  
Auditor General  
State of Illinois

and

Board Members  
Capital Development Board

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the State of Illinois Capital Development Board, as of and for the year ended June 30, 2009, which collectively comprise the State of Illinois Capital Development Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of Illinois Capital Development Board's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 Capital Development Board are intended to present the financial position and changes in financial position of only that portion of the governmental activities, the major fund, and the aggregate remaining fund information of the State that is attributable to the transactions of the State of Illinois Capital Development Board. They do not purport to, and do not, present fairly the financial position of the State of Illinois as of June 30, 2009, 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, the major fund, and the aggregate remaining fund information of the State of Illinois Capital Development Board, as of

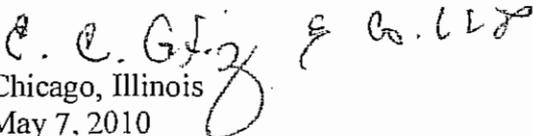
June 30, 2009, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 7, 2010 on our consideration of the State of Illinois Capital Development Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 Capital Development Board has not presented a management's discussion and analysis and budgetary comparison information for the General Revenue Fund that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Illinois Capital Development Board's basic financial statements. The combining nonmajor governmental fund, special revenue fund, and capital projects fund financial statements listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor governmental fund, special revenue fund, and capital projects fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

  
Chicago, Illinois  
May 7, 2010

**STATE OF ILLINOIS  
CAPITAL DEVELOPMENT BOARD  
STATEMENT OF NET ASSETS  
JUNE 30, 2009  
(Expressed in Thousands)**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Unexpended appropriations	\$ 21,147
Cash equity with State Treasurer	3,983
Cash and cash equivalents	3,513
Intergovernmental receivables	285
Due from other State funds	3,948
Other receivables	2,655
Capital assets not being depreciated	47,936
Capital assets being depreciated, net	176
<b>TOTAL ASSETS</b>	<b>83,643</b>
<b>LIABILITIES</b>	
Accounts payable and accrued expenses	31,776
Intergovernmental payables	153
Due to other State funds	114
Due to State of Illinois component unit	186
Deferred revenues	1,050
Compensated absences, short-term	104
Compensated absences, long-term	946
<b>TOTAL LIABILITIES</b>	<b>34,329</b>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	48,112
Unrestricted	1,202
<b>TOTAL NET ASSETS</b>	<b>\$ 49,314</b>

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

**STATE OF ILLINOIS  
CAPITAL DEVELOPMENT BOARD  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2009  
(Expressed in Thousands)**

	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Change in Net Assets</u>	
	<u>Expenses</u>	<u>Charges for Services</u>		<u>Capital Grants and Contributions</u>
<b>FUNCTIONS/PROGRAMS</b>				
<b>GOVERNMENTAL ACTIVITIES</b>				
Education	\$ 48,133	\$ 12,822	\$ 33,811	\$ (1,500)
General government	19,019	-	-	(19,019)
Environment and business regulation	(604)	-	-	604
Total governmental activities	<u>\$ 66,548</u>	<u>\$ 12,822</u>	<u>\$ 33,811</u>	<u>\$ (19,915)</u>
<b>GENERAL REVENUES</b>				
Appropriations from State resources				1,173,934
Reappropriation to future year(s)				(1,078,892)
Lapsed appropriations				(855)
Net change in liabilities for reappropriated accounts				3,852
<b>TRANSFERS</b>				
Receipts collected and transmitted to State Treasury				(6)
Capital transfers to other State agencies				(53,373)
Operating transfers to other State agencies				(9,374)
Total general revenues and transfers				<u>35,286</u>
<b>CHANGE IN NET ASSETS</b>				15,371
<b>NET ASSETS, JULY 1, 2008, AS RESTATED</b>				<u>33,943</u>
<b>NET ASSETS, JUNE 30, 2009</b>				<u>\$ 49,314</u>

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

STATE OF ILLINOIS  
 CAPITAL DEVELOPMENT BOARD  
 GOVERNMENTAL FUNDS  
 BALANCE SHEET  
 JUNE 30, 2009  
 (Expressed in Thousands)

	General Revenue Fund	Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>			
Unexpended appropriations	\$ -	\$ 21,147	\$ 21,147
Cash equity with State Treasurer	-	3,983	3,983
Cash and cash equivalents	-	3,513	3,513
Intergovernmental receivables	-	285	285
Due from other State funds	-	3,948	3,948
Other receivables	-	2,655	2,655
<b>TOTAL ASSETS</b>	-	35,531	35,531
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	-	31,776	31,776
Intergovernmental payables	-	153	153
Due to other State funds	-	114	114
Due to State of Illinois component unit	-	186	186
Unavailable revenues	-	1,000	1,000
Deferred revenues	-	1,050	1,050
<b>Total liabilities</b>	-	34,279	34,279
<b>FUND BALANCES</b>			
Reserved for encumbrances	-	30	30
Unreserved, unrestricted:			
Special revenue funds	-	2,367	2,367
Capital project funds (deficits)	-	(1,145)	(1,145)
<b>Total fund balances</b>	-	1,252	1,252
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	\$ -	\$ 35,531	\$ 35,531

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

**STATE OF ILLINOIS**  
**CAPITAL DEVELOPMENT BOARD**  
**GOVERNMENTAL FUNDS**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**JUNE 30, 2009**  
**(Expressed in Thousands)**

Total fund balances - governmental funds	\$	1,252
<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 governmental funds.</p>		48,112
<p>Revenues in the Statement of Activities that do not provide current financial resources are deferred in the governmental funds.</p>		1,000
<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 activities consist of compensated absences.</p>		(1,050)
		<hr/>
Net assets of governmental activities	\$	<u>49,314</u>

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

**STATE OF ILLINOIS  
CAPITAL DEVELOPMENT BOARD  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2009  
(Expressed in Thousands)**

	<b>General Revenue Fund</b>	<b>Nonmajor Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>			
Federal capital grants	\$ -	\$ 33,811	\$ 33,811
Licenses and fees	-	3,450	3,450
Other charges for services	-	8,372	8,372
Total revenues	-	45,633	45,633
<b>EXPENDITURES</b>			
Education	-	48,133	48,133
General government	-	18,984	18,984
Environment and business regulation	-	(604)	(604)
Capital outlays	-	70,868	70,868
Total expenditures	-	137,381	137,381
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	-	(91,748)	(91,748)
<b>OTHER SOURCES (USES)</b>			
Appropriations from State resources	-	1,173,934	1,173,934
Reappropriations to future year(s)	-	(1,078,892)	(1,078,892)
Lapsed appropriations	-	(855)	(855)
Receipts collected and transmitted to State Treasury	-	(6)	(6)
Net change in liabilities for reappropriated accounts	-	3,852	3,852
Operating transfers out	-	(9,374)	(9,374)
Total other sources	-	88,659	88,659
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES AND OTHER SOURCES</b>	-	(3,089)	(3,089)
<b>FUND BALANCES, JULY 1, 2008, AS RESTATED</b>	-	4,341	4,341
<b>FUND BALANCES, JUNE 30, 2009</b>	<u>\$ -</u>	<u>\$ 1,252</u>	<u>\$ 1,252</u>

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

**STATE OF ILLINOIS  
CAPITAL DEVELOPMENT BOARD  
GOVERNMENTAL FUNDS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2009  
(Expressed in Thousands)**

Net change in fund balances \$ (3,089)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	\$ 70,868	
Depreciation expense	<u>(32)</u>	70,836

Some capital assets were transferred out to other State agencies and, therefore, were removed from fund balance without any corresponding proceeds. (53,373)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds. This amount represents the increase in unavailable revenue over the prior year. 1,000

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. These activities consist of compensated absences.

Increase in compensated absences		<u>(3)</u>
----------------------------------	--	------------

**Change in net assets of governmental activities \$ 15,371**

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

**STATE OF ILLINOIS  
CAPITAL DEVELOPMENT BOARD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 1 - ORGANIZATION**

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

The CDB's principal statutory functions and responsibilities are:

- To build or otherwise provide capital facilities and improvements for which money has been appropriated by the General Assembly.
- To conduct continuous studies into the costs of building or otherwise providing capital facilities.
- To conduct research for improvements in choice of materials and systems and in construction methods for reducing construction costs and operating and maintenance costs of capital facilities.
- To review and recommend periodic revisions in established building and construction codes, to promote public safety, energy efficiency and economy, including the use of solar energy, and reduce construction costs and operating and maintenance costs of capital facilities.
- To advise State agencies and units of local government, on request, on any matter related to the purpose of CDB and to assist State agencies in the preparation of their annual long-range capital expenditure plans.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the CDB have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as prescribed by the

**STATE OF ILLINOIS  
CAPITAL DEVELOPMENT BOARD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

Governmental Accounting Standards Board (GASB). To facilitate the understanding of data included in the financial statements, summarized below are the more significant accounting policies.

A. Financial Reporting Entity

As defined by GAAP, the financial reporting entity consists of a primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as:

- (1) Appointment of a voting majority of the component unit's board and either (a) the primary government's ability to impose its will, or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or
- (2) Fiscal dependency on the primary government.

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

B. Basis of Presentation

The financial statements of the State of Illinois, Capital Development Board, are intended to present the financial position and the changes in financial position of only that portion of the governmental activities, each major fund of the State of Illinois, and the aggregate remaining fund information of the State of Illinois that is attributable to the transactions of the CDB. They do not purport to, and do not, present fairly the financial position of the State of Illinois as of June 30, 2009, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

**STATE OF ILLINOIS  
CAPITAL DEVELOPMENT BOARD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

*Government-Wide Statements*

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

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

*Fund Financial Statements*

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

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

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

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

**STATE OF ILLINOIS  
CAPITAL DEVELOPMENT BOARD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

Nonmajor funds consist of Special Revenue, Capital Projects, and Debt Service Funds.

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

CDB Special Projects Fund (170) is a non-shared fund that accounts for the receipts of grant funds from other State agencies.

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

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

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

Tobacco Settlement Recovery Fund (733) is a shared fund that is governed by an amendment to the State Finance Act and is appropriated to CDB for capital or other projects relating to health care issues.

Capital Projects Funds - Transactions related to resources obtained and used for the acquisition or construction of major capital facilities, including those provided to political subdivisions and other public organizations, are accounted for in capital projects funds. Such resources are derived principally from proceeds of general obligation bond issues, federal grants, public school district contributions, and operating transfers from general funds of the State. All the capital projects funds in the report are held in the State Treasury with the exception of retention trust balances

**STATE OF ILLINOIS  
CAPITAL DEVELOPMENT BOARD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

which are held in local bank accounts as retainage due to contractors. Capital expenditures from the capital projects funds, except Fund 617 CDB Contributory Trust Fund which is nonappropriated, are appropriated for projects extending beyond the current budget year. The capital projects fund type includes the following funds:

Capital Development Fund (141) is a shared fund that receives general obligation bond proceeds in order to build capital facilities for the State.

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

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

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

C. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Nonexchange transactions in which the CDB gives (receives) value without receiving (or giving) equal value in exchange include intergovernmental grants. Revenue from grants, entitlements, and similar items are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been met.

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

**STATE OF ILLINOIS  
CAPITAL DEVELOPMENT BOARD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

**D. Shared Fund Presentation**

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

*Unexpended Appropriations*

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

*Appropriations from State Resources*

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

*Reappropriation to Future Year(s)*

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

**STATE OF ILLINOIS  
CAPITAL DEVELOPMENT BOARD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

*Lapsed Appropriations*

Lapsed appropriations are the legally adopted appropriations less net warrants issued for the 14 month period from July to August of the following year and reappropriations to subsequent years according to SAMS records.

*Receipts Collected and Transmitted to State Treasury*

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

*Net Change in Liabilities for Reappropriated Accounts*

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

E. Eliminations

Eliminations have been made in the government-wide Statement of Net Assets to minimize the “grossing-up” effect on assets and liabilities within the governmental activities column of the Department. 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.

F. Cash Equity With State Treasurer

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

G. Cash and Cash Equivalents

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

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

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

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*Services provided and used* - sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds. Unpaid amounts are reported as interfund receivables and payables in the governmental funds Balance Sheet or the government-wide Statements of Net 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 Agency also has activity with various component units of the State of Illinois for capital programs appropriated by the General Assembly.

I. Capital Assets

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

Capitalization thresholds and the estimated useful lives are as follows:

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

J. Compensated Absences

The liability for compensated absences reported in the government-wide Statement of Net Assets consists of unpaid, accumulated vacation and sick leave balances for CDB employees. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected

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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 become 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 percent cash value) would only be used after all days with no cash value are depleted. Any sick days earned and unused after December 31, 1997 will be converted to service time for purposes of calculating employee pension benefits.

**K. Fund Balances**

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

**L. Net Assets**

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

*Invested in Capital Assets, Net of Related Debt* - This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The CDB has no capital related debt as of June 30, 2009.

*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. There were no restricted net assets as of June 30, 2009.

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

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**M. Use of Estimates**

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

**N. Future Adoption of GASB Statement No. 51**

Effective for the year ending June 30, 2010, CDB will adopt GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, which establishes guidance for recognition and amortization of intangible assets in the financial statements of governments. CDB has not yet determined the impact on the financial statements as a result of adopting this statement.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

The State Treasurer is the custodian of the State's deposit and investments for funds maintained in the State Treasury. The CDB independently manages cash and cash equivalents maintained outside the State Treasury that are held in trust agreements for the retention of a percentage of construction contract prices.

Cash on deposit for locally held funds has a carrying amount and bank balance of \$ 3.513 million at June 30, 2009. Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. Prior to July 1, 2007, CDB did not have a deposit policy for custodial credit risk. Retention accounts opened subsequent to June 30, 2007 are required to be insured or fully collateralized. Of the total bank balance, \$418 thousand was exposed to custodial credit risk as uninsured with collateral held by the pledging financial institutions in the State's name, \$788 thousand was exposed to custodial credit risk as uninsured with collateral held by the pledging financial institution's trust department not in the State's name, and \$920 thousand was exposed to custodial credit risk as uninsured and uncollateralized. Deposits in the custody of the State Treasurer, or in transit, totaled \$3.983 million at June 30, 2009. These deposits are pooled and invested with other State funds in accordance with the Deposit of State Moneys Act of the Illinois Compiled Statutes (15 ILCS 520/11). Funds held by the State Treasurer have not been categorized as to credit risk because the CDB does not own individual securities. Details on the nature of these deposits and investments are available within the State of Illinois' Comprehensive Annual Financial Report.

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**NOTE 4 - INTERFUND BALANCES AND ACTIVITIES**

**A. Due From Other State Funds**

The following balance (amount expressed in thousands) at June 30, 2009 represents amounts due from other CDB and State of Illinois funds:

Fund	Due From Other State Funds	Description/Purpose
Nonmajor governmental funds	\$ 3,948	Due from nonmajor governmental funds for capital project grants and contracts.

**B. Due to Other State Funds**

The following balance (amount expressed in thousands) at June 30, 2009 represents amounts due to other CDB and State of Illinois funds:

Fund	Due To Other State Funds	Description/Purpose
Nonmajor governmental funds	\$ 114	Due to internal service funds of the State for purchases of services and goods, to other State funds for reimbursements of costs incurred, and other State Funds for overpayment of construction costs.

**C. Transfers To/From Other Funds**

Interfund transfers out (amount expressed in thousands) for the year ended June 30, 2009 were as follows:

Fund	Transfer Out to Other Funds	Description/Purpose
Nonmajor governmental funds	\$ 9,374	Transfers to assist State budget shortfalls and for debt service payments.

**NOTE 5 - LOANS RECEIVABLE**

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

The loan agreement between the Port District and CDB requires payments to CDB based on percentages of Port District income or gross receipts, as defined in the agreements. As to the status of collections, the Port District's gross receipts, as defined by the loan agreement, have been insufficient to cause any payments to be made to CDB. While the loan agreement is not

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technically in default, the ultimate collectibility of the receivable is dependent upon the achievement of sufficient gross receipts levels, as defined; accordingly, CDB has reserved the entire remaining amount of the Port District receivable as uncollectible as of June 30, 2009.

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

**NOTE 6 - CAPITAL ASSETS**

Capital asset activities (amounts expressed in thousands) for the year ended June 30, 2009 were as follows:

	Balance July 1, 2008 <u>As Restated</u>	<u>Additions</u>	<u>Deletions</u>	<u>Net Transfers</u>	Balance June 30, 2009
Governmental activities:					
Capital assets not being depreciated:					
Construction in progress	\$ 30,460	\$ 70,849	\$ -	\$ 53,373	\$ 47,936
Capital assets being depreciated:					
Equipment	923	19	-	-	942
Less accumulated depreciation	734	32	-	-	766
Capital assets being depreciated, net	189	(13)	-	-	176
Governmental activity capital assets, net	<u>\$ 30,649</u>	<u>\$ 70,836</u>	<u>\$ -</u>	<u>\$ 53,373</u>	<u>\$ 48,112</u>

Depreciation expense charged to governmental activities - general government totaled \$32 (amount expressed in thousands) for the year.

**NOTE 7 - LONG-TERM OBLIGATIONS**

Changes in long-term obligations (amounts expressed in thousands) for the year ended June 30, 2009 were as follows:

	Balance July 1, 2008	<u>Additions</u>	<u>Deletions</u>	Balance June 30, 2009	Amount Due Within One Year
Governmental activities:					
Compensated absences	\$ 1,047	\$ 653	\$ 650	\$ 1,050	\$ 104

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

**NOTE 8 - PENSION PLAN**

Substantially all of the CDB's full-time employees who are not eligible for participation in another State-sponsored retirement plan participate in the State Employees' Retirement System (SERS), which is a 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 2009 are included in the State of Illinois' Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2009. 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 CDB pays employer retirement contributions based upon an actuarially determined percentage of their payrolls. For fiscal year 2009, the employer contribution rate was 21.049%. Effective for pay periods beginning after December 31, 1991, the State opted to pay the employee portion retirement for most State agencies (including the CDB) with employees covered by the State Employees' and Teachers' Retirement Systems. However, effective with the fiscal year 2004 budget, the State opted to stop paying the portion or a part of the portion of retirement for many State agencies (including the CDB) for certain classes of employees covered by the State Employees' and Teachers' Retirement Systems. The pickup, when applicable, is subject to sufficient annual appropriations and those employees covered may vary across employee groups and State agencies.

**NOTE 9 - POST-EMPLOYMENT BENEFITS**

The State provides health, dental, and life insurance benefits for certain retirees and their dependents in a program administered by the Department of 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

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annuitants under the State's self-insurance plan and insurance contracts currently in force. Annuitants may be required to contribute towards health, dental, and vision benefits with the amount based on factors such as date of retirement, years of credited service with the State, whether the annuitant is covered by Medicare and whether the annuitant has chosen a managed health care plan. Annuitants who retired prior to January 1, 1998, and who are vested in the State Employee's Retirement System do not contribute towards health, dental, and vision benefits. For annuitants who retired on or after January 1, 1998, the annuitant's contribution amount is reduced five percent for each year of credited service with the State allowing those annuitants with twenty or more years of credited service to not have to contribute towards health, dental, and vision benefits. Annuitants also receive life insurance coverage equal to the annual salary of the last day of employment until age 60, at which time the benefit becomes \$5,000.

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

A summary of post-employment benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established are included as an integral part of the financial statements of the Department of Healthcare and Family Services. A copy of the financial statements of the Department of Healthcare and Family Services may be obtained by writing to the Department of Healthcare and Family Services, 201 South Grand Ave., Springfield, Illinois, 62763-3838.

**NOTE 10 - FUND DEFICITS**

The Capital Development Fund and CDB Contributory Trust Fund had deficit fund balances (amounts expressed in thousands) of \$679 and \$603, respectively, at June 30, 2009. The deficit in the Capital Development Fund will be eliminated by future proceeds from bond issuances while the deficit in the CDB Contributory Trust Fund will be eliminated by future recognition of earned but unavailable revenues and future grant resources.

**NOTE 11 - RISK MANAGEMENT**

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

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The CDB's risk management activities for 2009 are financed through appropriations to the Illinois Department of Central Management Services and are accounted for in the general fund of the State. The claims are not considered to be a liability of the CDB and, accordingly, have not been reported in the CDB's financial statements for the year ended June 30, 2009. There have been no settlements that exceeded insurance coverage during the last three fiscal years.

**NOTE 12 - COMMITMENTS AND CONTINGENCIES**

A. Operating Leases

The CDB leases equipment and office space under the terms of noncancelable operating lease agreements not extending past the end of the fiscal year, that require the CDB to make minimum lease payments plus pay a pro rata share of certain operation costs. Rent expense under operating leases was \$237 (amount expressed in thousands) for the year ended June 30, 2009.

B. Construction Commitments

The CDB has outstanding construction projects for State and other facilities in which it has entered into future commitments. The amount of CDB's commitment which includes amounts related to projects for State's component units was \$181.122 million at June 30, 2009.

*Components of Construction in Progress*

Project	As of June 30, 2009 (Expressed in Thousands)			
	Project Authorization	Expended Through June 30	Committed at June 30	Available Authorization
Jackson County Armed Forces Reserve Center	\$ 11,741	\$ 1,147	\$ 10,249	\$ 345
Menard Correctional Center - Administration Building	13,454	1,876	513	11,065
Alton Mental Health Center Forensic Building Addition	15,800	5,130	607	10,063
Mt. Vernon Armed Forces Reserve Center	20,661	10,391	10,270	-
Springfield Stratton Bldg. Planning and Design for Renovation	11,583	4,204	876	6,503
Others (less than \$10,000)	215,464	24,566	46,979	143,919
<b>Total</b>	<b>\$ 288,703</b>	<b>\$ 47,314</b>	<b>\$ 69,494</b>	<b>\$ 171,895</b>

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**C. Litigation**

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

**NOTE 13 - RESTATEMENT**

The net assets of the CDB have been restated \$645 thousand for the prior year understatement of capital assets of \$437 thousand and the prior year understatement (overstatement) of fund balances in the Capital Development Fund, CDB Contributory Trust Fund, and Build Illinois Bond Fund (nonmajor governmental funds), due to adjustments in estimates of reappropriated projects' accounts payable.

	Capital Projects Funds (Expressed in Thousands)			
	Capital Development Fund	CDB Contributory Trust	Build Illinois Bond	Total (Memorandum Only)
Fund balance June 30, 2008 as previously reported	\$ 137	\$ 2,453	\$ 209	\$ 2,799
Restatement of fund balance, to correct estimates in accounts payable	<u>(637)</u>	<u>(565)</u>	<u>120</u>	<u>(1,082)</u>
Fund balance June 30, 2008, as restated	<u>\$ (500)</u>	<u>\$ 1,888</u>	<u>\$ 329</u>	<u>\$ 1,717</u>

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 CAPITAL DEVELOPMENT BOARD  
 NONMAJOR GOVERNMENTAL FUNDS  
 COMBINING BALANCE SHEETS  
 JUNE 30, 2009  
 (Expressed in Thousands)

	Special Revenue	Capital Projects	Total (Memorandum Only)
<b>ASSETS</b>			
Unexpended appropriations	\$ 70	\$ 21,077	\$ 21,147
Cash equity with State Treasurer	851	3,132	3,983
Cash and cash equivalents	-	3,513	3,513
Intergovernmental receivables	-	285	285
Due from other State funds	167	3,781	3,948
Other receivables	2,655	-	2,655
<b>TOTAL ASSETS</b>	<b>3,743</b>	<b>31,788</b>	<b>35,531</b>
<b>LIABILITIES AND FUND BALANCES (DEFICITS)</b>			
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	302	31,474	31,776
Intergovernmental payables	-	153	153
Due to other State funds	54	60	114
Due to State of Illinois component unit	-	186	186
Unavailable revenues	1,000	-	1,000
Deferred revenues	-	1,050	1,050
<b>Total liabilities</b>	<b>1,356</b>	<b>32,923</b>	<b>34,279</b>
<b>FUND BALANCES (DEFICITS)</b>			
Reserved for encumbrances	20	10	30
Unreserved, unrestricted	2,367	(1,145)	1,222
<b>Total fund balances (deficits)</b>	<b>2,387</b>	<b>(1,135)</b>	<b>1,252</b>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)</b>	<b>\$ 3,743</b>	<b>\$ 31,788</b>	<b>\$ 35,531</b>

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COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2009  
(Expressed in Thousands)**

	<b>Special Revenue</b>	<b>Capital Projects</b>	<b>Total (Memorandum Only)</b>
<b>REVENUES</b>			
Federal capital grants	\$ -	\$ 33,811	\$ 33,811
Licenses and fees	3,450	-	3,450
Other charges for services	-	8,372	8,372
Total revenues	<u>3,450</u>	<u>42,183</u>	<u>45,633</u>
<b>EXPENDITURES</b>			
Education	232	47,901	48,133
General government	3,917	15,067	18,984
Environment and business regulation	(604)	-	(604)
Capital outlays	1,018	69,850	70,868
Total expenditures	<u>4,563</u>	<u>132,818</u>	<u>137,381</u>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	(1,113)	(90,635)	(91,748)
<b>OTHER SOURCES (USES)</b>			
Appropriations from State resources	1,948	1,171,986	1,173,934
Reappropriations to future year(s)	(797)	(1,078,095)	(1,078,892)
Lapsed appropriations	(75)	(780)	(855)
Receipts collected and transmitted to State Treasury	-	(6)	(6)
Net change in liabilities for reappropriated accounts	50	3,802	3,852
Operating transfers out	(250)	(9,124)	(9,374)
Total other sources	<u>876</u>	<u>87,783</u>	<u>88,659</u>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES AND OTHER SOURCES</b>	(237)	(2,852)	(3,089)
<b>FUND BALANCES, JULY 1, 2008, AS RESTATED</b>	<u>2,624</u>	<u>1,717</u>	<u>4,341</u>
<b>FUND BALANCES (DEFICITS), JUNE 30, 2009</b>	<u>\$ 2,387</u>	<u>\$ (1,135)</u>	<u>\$ 1,252</u>

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 SPECIAL REVENUE FUNDS  
 COMBINING BALANCE SHEETS  
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	<b>CDB Special Projects 170</b>	<b>CDB Revolving 215</b>	<b>Asbestos Abatement 224</b>	<b>School Infrastructure 568</b>	<b>Tobacco Settlement Recovery 733</b>	<b>Total (Memorandum Only)</b>
<b>ASSETS</b>						
Unexpended appropriations	\$ -	\$ -	\$ 50	\$ 20	\$ -	\$ 70
Cash equity with State Treasurer	1	850	-	-	-	851
Due from other State funds	165	-	-	2	-	167
Other receivables	-	2,655	-	-	-	2,655
<b>TOTAL ASSETS</b>	<b>166</b>	<b>3,505</b>	<b>50</b>	<b>22</b>	<b>-</b>	<b>3,743</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable and accrued expenses	166	73	50	13	-	302
Due to other State funds	-	47	-	7	-	54
Unavailable revenues	-	1,000	-	-	-	1,000
<b>Total liabilities</b>	<b>166</b>	<b>1,120</b>	<b>50</b>	<b>20</b>	<b>-</b>	<b>1,356</b>
<b>FUND BALANCES</b>						
Reserved for encumbrances	-	20	-	-	-	20
Unreserved, unrestricted	-	2,365	-	2	-	2,367
<b>Total fund balances</b>	<b>-</b>	<b>2,385</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>2,387</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 166</b>	<b>\$ 3,505</b>	<b>\$ 50</b>	<b>\$ 22</b>	<b>\$ -</b>	<b>\$ 3,743</b>

STATE OF ILLINOIS  
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 SPECIAL REVENUE FUNDS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 FOR THE YEAR ENDED JUNE 30, 2009  
 (Expressed in Thousands)

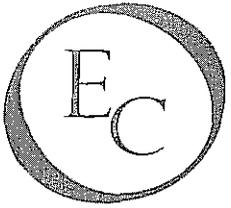
	CDB Special Projects 170	CDB Revolving 215	Asbestos Abatement 224	School Infrastructure 568	Tobacco Settlement Recovery 733	Total (Memorandum Only)
<b>REVENUES</b>						
Licenses and fees	\$ -	\$ 3,450	\$ -	\$ -	\$ -	\$ 3,450
<b>EXPENDITURES</b>						
Education	-	-	232	-	-	232
General government	-	3,428	24	465	-	3,917
Environment and business regulation	(604)	-	-	-	-	(604)
Capital outlays	604	9	395	10	-	1,018
Total expenditures	-	3,437	651	475	-	4,563
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	-	13	(651)	(475)	-	(1,113)
<b>OTHER SOURCES (USES)</b>						
Appropriations from State resources	-	-	1,398	550	-	1,948
Reappropriations to future year(s)	-	-	(797)	-	-	(797)
Lapsed appropriations	-	-	-	(75)	-	(75)
Net change in liabilities for reappropriated accounts	-	-	50	-	-	50
Operating transfers out	-	(250)	-	-	-	(250)
Total other sources (uses)	-	(250)	651	475	-	876
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES AND OTHER SOURCES (USES)</b>	-	(237)	-	-	-	(237)
<b>FUND BALANCES, JULY 1, 2008</b>	-	2,622	-	2	-	2,624
<b>FUND BALANCES, JUNE 30, 2009</b>	\$ -	\$ 2,385	\$ -	\$ 2	\$ -	\$ 2,387

STATE OF ILLINOIS  
 CAPITAL DEVELOPMENT BOARD  
 CAPITAL PROJECTS FUNDS  
 COMBINING BALANCE SHEETS  
 JUNE 30, 2009  
 (Expressed in Thousands)

	Capital Development 141	School Construction 143	CDB Contributory Trust 617	Build Illinois Bond 971	Total (Memorandum Only)
<b>ASSETS</b>					
Unexpended appropriations	\$ 19,838	\$ 12	\$ -	\$ 1,227	\$ 21,077
Cash equity with State Treasurer	-	-	3,132	-	3,132
Cash and cash equivalents	3,386	-	-	127	3,513
Intergovernmental receivables	-	-	285	-	285
Due from other State funds	1	-	2,753	1,027	3,781
<b>TOTAL ASSETS</b>	<b>23,225</b>	<b>12</b>	<b>6,170</b>	<b>2,381</b>	<b>31,788</b>
<b>LIABILITIES AND FUND BALANCES (DEFICITS)</b>					
<b>LIABILITIES</b>					
Accounts payable and accrued expenses	23,878	-	5,362	2,234	31,474
Intergovernmental payables	-	12	141	-	153
Due to other State funds	26	-	34	-	60
Due to State of Illinois component unit	-	-	186	-	186
Deferred revenues	-	-	1,050	-	1,050
<b>Total liabilities</b>	<b>23,904</b>	<b>12</b>	<b>6,773</b>	<b>2,234</b>	<b>32,923</b>
<b>FUND BALANCES (DEFICITS)</b>					
Reserved for encumbrances	-	-	10	-	10
Unreserved, unrestricted	(679)	-	(613)	147	(1,145)
<b>Total fund balances (deficits)</b>	<b>(679)</b>	<b>-</b>	<b>(603)</b>	<b>147</b>	<b>(1,135)</b>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)</b>	<b>\$ 23,225</b>	<b>\$ 12</b>	<b>\$ 6,170</b>	<b>\$ 2,381</b>	<b>\$ 31,788</b>

STATE OF ILLINOIS  
 CAPITAL DEVELOPMENT BOARD  
 CAPITAL PROJECTS FUNDS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 FOR THE YEAR ENDED JUNE 30, 2009  
 (Expressed in Thousands)

	Capital Development 141	School Construction 143	CDB Contributory Trust 617	Build Illinois Bond 971	Total (Memorandum Only)
<b>REVENUES</b>					
Federal capital grants	\$ -	\$ -	\$ 33,811	\$ -	\$ 33,811
Other charges for services	-	-	8,372	-	8,372
Total revenues	-	-	42,183	-	42,183
<b>EXPENDITURES</b>					
Education	22,771	3,407	6,863	14,860	47,901
General government	14,525	-	-	542	15,067
Capital outlays	39,253	-	28,687	1,910	69,850
Total expenditures	76,549	3,407	35,550	17,312	132,818
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(76,549)	(3,407)	6,633	(17,312)	(90,635)
<b>OTHER SOURCES (USES)</b>					
Appropriations from State resources	967,404	35,620	-	168,962	1,171,986
Reappropriations to future year(s)	(896,330)	(32,225)	-	(149,540)	(1,078,095)
Lapsed appropriations	(529)	-	-	(251)	(780)
Receipts collected and transmitted to State Treasury	(6)	-	-	-	(6)
Net change in liabilities for reappropriated accounts	5,831	12	-	(2,041)	3,802
Operating transfers out	-	-	(9,124)	-	(9,124)
Total other sources (uses)	76,370	3,407	(9,124)	17,130	87,783
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES AND OTHER SOURCES (USES)</b>	(179)	-	(2,491)	(182)	(2,852)
<b>FUND BALANCES, JULY 1, 2008, AS RESTATED</b>	(500)	-	1,888	329	1,717
<b>FUND BALANCES (DEFICITS), JUNE 30, 2009</b>	\$ (679)	\$ -	\$ (603)	\$ 147	\$ (1,135)



E.C. ORTIZ & CO., LLP  
CERTIFIED PUBLIC ACCOUNTANTS

**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

and

Board Members  
Capital Development Board

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the State of Illinois Capital Development Board, as of and for the year ended June 30, 2009, which collectively comprise the State of Illinois Capital Development Board's basic financial statements, and have issued our report thereon dated May 7, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings we identified certain deficiency in internal control over financial reporting that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

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. We consider the deficiency described in finding 09-1 in the accompanying schedule of findings to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in finding 09-2 in the accompanying schedule of findings to be a significant deficiency.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Illinois Capital Development Board'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of finding as items 09-1 and 09-2.

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

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

C. C. Blizy & Co. LLP  
Chicago, Illinois  
May 7, 2010

**STATE OF ILLINOIS  
CAPITAL DEVELOPMENT BOARD  
SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2009**

**CURRENT FINDINGS - GOVERNMENT AUDITING STANDARDS**

**Finding No. 09-1 - Reappropriated Projects' Accounts Payable Understated**

The Capital Development Board's (CDB) process for the estimation of reappropriated projects' accounts payable underestimated the amounts to be reported in their June 30, 2009 and 2008 financial statements.

CDB records reappropriated projects accounts payable in its financial statements based on estimates derived from methodologies and historical analyses performed by CDB. Based on reviewing subsequent payments for expenditures incurred for fiscal year 2009 through November 2009, and using a multiplier for future payments to be made applicable to fiscal year 2009 liabilities, the auditors projected, and CDB agreed, the reappropriated projects accounts payable were understated as follows (amounts expressed in thousands):

<u>Fund</u>	<u>Accounts Payable as of June 30, 2009</u>		
	<u>Accrued by CDB</u>	<u>Projected</u>	<u>Under Accrual</u>
Capital Development Fund # 141	\$ 14,182	\$ 14,957	\$ 775
CDB Contributory Trust Fund #617	4,958	5,671	713
Build Illinois Bond Fund #971	900	1,167	267
<b>Total</b>	<b>\$ 20,040</b>	<b>\$ 21,795</b>	<b>\$ 1,755</b>

Based on reviewing subsequent payments for expenditures incurred for fiscal year 2008, the reappropriated projects accounts payable were understated (overstated) as follows (amounts expressed in thousands):

<u>Fund</u>	<u>Accounts Payable as of June 30, 2008</u>		
	<u>Accrued by CDB</u>	<u>Actual</u>	<u>Under (Over) Accrual</u>
Capital Development Fund # 141	\$ 6,857	\$ 7,494	\$ 637
CDB Contributory Trust Fund #617	2,573	3,138	565
Build Illinois Bond Fund #971	3,480	3,360	(120)
<b>Total</b>	<b>\$ 12,910</b>	<b>\$ 13,992</b>	<b>\$ 1,082</b>

The misstatements in estimating accounts payable balances for both June 30, 2009 and 2008 necessitated the auditor to propose adjustments to CDB's June 30, 2009 financial statements.

**STATE OF ILLINOIS  
CAPITAL DEVELOPMENT BOARD  
SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2009**

**CURRENT FINDINGS - *GOVERNMENT AUDITING STANDARDS*** (Continued)

**Finding No. 09-1 - Reappropriated Projects' Accounts Payable Understated** (Continued)

The preparation of financial statements in conformity with generally accepted accounting principles 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 due to complexity and subjectivity associated with the process, the availability and reliability of relevant data, the number and significance of assumptions that are made and the degree of uncertainty associated with the assumptions.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) notes State agencies shall establish and maintain a system of internal fiscal and administrative controls, which shall provide assurance that revenues, expenditures, and transfer 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.

According to CDB management, the criterion in evaluating the multiplier used in the estimation process was to maintain consistency in applying the multiplier each year in part by comparing multiplier averages for the past three to nine years. Other factors that may be relevant were not considered such as the amount of difference between actual and estimates and factors that may be unique to a particular project or accounting period. Also, additional information to evaluate the liability prior to submission of the fund financial information (GAAP package) to the Office of the Comptroller was not available.

Because of CDB's methodologies and analysis not adequately estimating reappropriated projects accounts payable and the associated misstatement in CDB's financial statements, this is considered a material weakness in CDB's internal control. A material weakness is a deficiency, or 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.

When estimation is used to record financial statement amounts, a subsequent analysis should be performed to determine if the estimate should be updated or corrected to ensure reasonable amounts are being recorded in the financial statements. (Finding Code 09-1)

**STATE OF ILLINOIS  
CAPITAL DEVELOPMENT BOARD  
SCHEDULE OF FINDING  
FOR THE YEAR ENDED JUNE 30, 2009**

**CURRENT FINDINGS - GOVERNMENT AUDITING STANDARDS** (Continued)

**Finding No. 09-1 - Reappropriated Projects' Accounts Payable Understated** (Continued)

*Recommendation:*

We recommend CDB evaluate the effectiveness of its internal control related to accounting estimates on reappropriated projects accounts payable by:

- Reviewing relevant factors that may be unique to the accounting period and considering the changes in a previously established method to arrive at reasonable estimates.
- Comparing prior accounting estimates with subsequent results to assess the reliability of the process used in developing estimates.

*Board Response:*

CDB agrees with the need to adjust the financial statements when the variance is outside accepted levels of materiality. CDB will continue, as it has in the past, comparing the actual against the estimate and will adjust the methodology used to determine payables when variables under CDB's control can be accounted for in the estimate.

**STATE OF ILLINOIS  
CAPITAL DEVELOPMENT BOARD  
SCHEDULE OF FINDING  
FOR THE YEAR ENDED JUNE 30, 2009**

**CURRENT FINDINGS - GOVERNMENT AUDITING STANDARDS** (Continued)

**Finding No. 09-2 - Inadequate Internal Control for Uninsured and Uncollateralized Deposits**

The Capital Development Board (CDB) did not maintain adequate controls over the collateralization of locally held construction retention trust accounts.

As of June 30, 2009, bank balances held in local funds as retainage on open construction projects for 19 accounts with 14 banks totaled \$3.513 million. Of this total, two retention trust accounts from the same bank totaling \$1.167 million exceeded Federal Deposit Insurance Corporation (FDIC) coverage by \$919,669 with no other collateral pledged. In FY 2009, FDIC extended the coverage up to a maximum of \$250,000 per account holder, through December 31, 2013.

The CDB confirms biannually with the individual banks holding the deposits, the balance of the deposits held and whether these deposits were insured or if collateral was pledged to secure these deposits. The CDB did not obtain additional collateral for the deposit amounts exceeding the FDIC coverage for the bank noted.

The CDB's current Retention Trust Agreement requires a bank, as trustee, to ensure all time deposits, open accounts, certificates of deposits, and savings accounts be covered by a pledge of securities for the difference between the FDIC insurance and the total unsecured amount.

The State Officers and Employees Money Disposition Act (30 ILCS 230/2c) requires a bond, pledged securities, or other eligible collateral be obtained whenever funds deposited with a bank or savings and loan association exceed the amount of federal deposit insurance coverage. Also, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls, which shall provide assurance that funds are safeguarded against loss.

According to CDB management, effective January 1, 2008, CDB only entered into a new retention trust agreement if the bank agreed to pledge collateral for balances over the FDIC insured amount. The uninsured and uncollateralized deposits noted above pertain to a previous retention trust account covered with a retention trust agreement that did not require collateralization of uninsured deposits.

Because of the significance of the exception noted we are considering this to be a significant deficiency in CDB's internal control. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects CDB's ability to comply with applicable laws and regulations in its financial and fiscal operations.

**STATE OF ILLINOIS  
CAPITAL DEVELOPMENT BOARD  
SCHEDULE OF FINDING  
FOR THE YEAR ENDED JUNE 30, 2009**

**CURRENT FINDINGS - *GOVERNMENT AUDITING STANDARDS*** (Continued)

**Finding No. 09-2 - Inadequate Internal Control for Uninsured and Uncollateralized Deposits**  
(Continued)

Failure to secure required collateral on retention trust accounts increases the risk that the deposits in these accounts may not be repaid or returned to CDB in the case of a bank failure and is also noncompliance with a required State statute. (Finding Code Nos. 09-2, 08-1, 07-1, 06-1 and 05-1)

*Recommendation:*

We recommend CDB consider alternative banks for new accounts and existing uninsured account balances for those banks that refuse to pledge collateral for uninsured deposits. Further, we recommend CDB continue to monitor account balances to ensure that bank accounts are collateralized adequately.

*Board Response:*

CDB agrees with the finding. CDB sent agreement amendments requiring collateralization to 71 accounts. Responses were returned by 24. Those not responding with a signed amendment cited their inability to provide the collateralization due to internal guidelines or a prohibitive cost. CDB began a new policy that new retention trust agreements are allowed only if the bank specifically responds to the collateralization requirement beginning January 1, 2008. Those accounts already in place will remain. The one account cited in the audit was paid to zero March 5, 2010.