



**ADELFA LLC**  
CERTIFIED PUBLIC ACCOUNTANTS

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**STATE OF ILLINOIS  
CAPITAL DEVELOPMENT BOARD**

**FINANCIAL AUDIT  
FOR THE YEAR ENDED JUNE 30, 2013**

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

**STATE OF ILLINOIS  
CAPITAL DEVELOPMENT BOARD  
FINANCIAL AUDIT  
FOR THE YEAR ENDED JUNE 30, 2013**

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STATE OF ILLINOIS  
CAPITAL DEVELOPMENT BOARD  
FINANCIAL AUDIT  
FOR THE YEAR ENDED JUNE 30, 2013

**AGENCY OFFICIALS**

Executive Director	James Underwood
Deputy Director of Construction	Josh Weger
Deputy Director of Operations	Mike Wilson
Administrator of the Office of Fiscal Management	Gevan Behnke
Legal Counsel	Thomas Klein

Agency Office is located at:

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

STATE OF ILLINOIS  
CAPITAL DEVELOPMENT BOARD  
FINANCIAL AUDIT  
FOR THE YEAR ENDED JUNE 30, 2013

**FINANCIAL STATEMENT REPORT**

**SUMMARY**

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

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

**EXIT CONFERENCE**

The CDB opted not to have an exit conference during the financial audit for the year ended June 30, 2013.



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## INDEPENDENT AUDITOR'S REPORT

Honorable William G. Holland  
Auditor General  
State of Illinois

and

Board Members  
Capital Development Board

### **Report on the Financial Statements**

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the State of Illinois, Capital Development Board, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the State of Illinois, Capital Development Board's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the State of Illinois, Capital Development Board, as of June 30, 2013, 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.

### ***Emphasis of Matter***

As discussed in Note 2, the financial statements of the State of Illinois, Capital Development Board are intended to present the financial position and changes in financial position of only that portion of the governmental activities, each major fund, and the aggregate remaining fund information of the State that is attributable to the transactions of the State of Illinois, Capital Development Board. They do not purport to, and do not, present fairly the financial position of the State of Illinois as of June 30, 2013 and its changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### ***Other Matters***

Management has omitted 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 require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### *Other Information*

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

The accompanying combining and individual nonmajor fund financial statements is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying combining and individual nonmajor fund financial statements is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated October 30, 2013 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* in considering the State of Illinois, Capital Development Board's internal control over financial reporting and compliance.

### **Restricted Use of this Auditor's Report**

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

*Adelfia LLC*

Chicago, Illinois  
October 30, 2013

**STATE OF ILLINOIS  
CAPITAL DEVELOPMENT BOARD  
STATEMENT OF NET POSITION  
JUNE 30, 2013  
(Expressed in Thousands)**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Unexpended appropriations	\$ 36,140
Cash equity with State Treasurer	15,313
Cash and cash equivalents	8,685
Intergovernmental receivables, net	2,882
Other receivables, net	2,679
Due from other State funds	21,285
Capital assets not being depreciated	60,744
Capital assets being depreciated, net	48
<b>TOTAL ASSETS</b>	<u>147,776</u>
<b>LIABILITIES</b>	
Accounts payable and accrued liabilities	52,642
Due to other State funds	6,696
Unearned revenue	1,288
Compensated absences	
Due within one year	131
Due subsequent to one year	1,185
<b>TOTAL LIABILITIES</b>	<u>61,942</u>
<b>NET POSITION</b>	
Invested in capital assets, net of related debt	60,792
Unrestricted net position	25,042
<b>TOTAL NET POSITION</b>	<u>\$ 85,834</u>

*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, 2013  
 (Expressed in Thousands)

	Program Revenues			Net (Expense) Revenue
	Expenses	Charges for Services	Capital Grants and Contributions	
<b>FUNCTIONS/PROGRAMS</b>				
<b>GOVERNMENTAL ACTIVITIES</b>				
Education	\$ 394,819	\$ 16,576	\$ 22,615	\$ (355,628)
General government	32,551	-	-	(32,551)
Total governmental activities	<u>\$ 427,370</u>	<u>\$ 16,576</u>	<u>\$ 22,615</u>	<u>(388,179)</u>
<b>GENERAL REVENUES</b>				
Appropriations from State Resources				3,625,134
Reappropriations to future year(s)				(3,167,991)
Lapsed appropriations				(9,019)
Net change in liabilities for reappropriated accounts				4,345
<b>TRANSFERS</b>				
Receipts collected and transmitted to State Treasury				(1,222)
Capital transfers to other State Agencies				(59,707)
Transfers-out				<u>(1,235)</u>
Total general revenues and transfers				<u>390,305</u>
<b>CHANGE IN NET POSITION</b>				2,126
<b>NET POSITION, JULY 1, 2012</b>				83,708
<b>NET POSITION, JUNE 30, 2013</b>				<u>\$ 85,834</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, 2013  
 (Expressed in Thousands)

	<u>General Fund</u>	<u>Nonmajor funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Unexpended appropriations	\$ -	\$ 36,140	\$ 36,140
Cash equity with State Treasurer	-	15,313	15,313
Cash and cash equivalents	-	8,685	8,685
Intergovernmental receivables, net	-	2,882	2,882
Other receivables, net	-	2,679	2,679
Due from other State funds	-	21,285	21,285
<b>TOTAL ASSETS</b>	<u>\$ -</u>	<u>\$ 86,984</u>	<u>\$ 86,984</u>
 <b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ -	\$ 52,642	\$ 52,642
Due to other State funds	-	6,696	6,696
Unavailable revenue	-	1,282	1,282
Unearned revenue	-	1,288	1,288
<b>Total liabilities</b>	<u>-</u>	<u>61,908</u>	<u>61,908</u>
 <b>FUND BALANCES</b>			
Committed	-	25,076	25,076
<b>Total fund balances</b>	<u>-</u>	<u>25,076</u>	<u>25,076</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ -</u>	<u>\$ 86,984</u>	<u>\$ 86,984</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 GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2013**  
**(Expressed in Thousands)**

Total fund balances-governmental funds	\$ 25,076
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p>	60,792
<p>Revenues in the Statement of Activities that do not provide current financial resources are deferred in the funds.</p>	1,282
<p>Some liabilities reported in the Statement of Net Position do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds. These liabilities consist of compensated absences</p>	<u>(1,316)</u>
Net position of governmental activities	<u><u>\$ 85,834</u></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, 2013  
(Expressed in Thousands)

	General Fund	Nonmajor funds	Total Governmental Funds
<b>REVENUES</b>			
Federal capital grants	\$ -	\$ 22,615	\$ 22,615
Licenses and fees	-	5,661	5,661
Other charges for services	-	10,170	10,170
Total revenues	<u>-</u>	<u>38,446</u>	<u>38,446</u>
<b>EXPENDITURES</b>			
Education	-	394,819	394,819
General government	-	32,433	32,433
Capital outlays	-	81,293	81,293
Total expenditures	<u>-</u>	<u>508,545</u>	<u>508,545</u>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<u>-</u>	<u>(470,099)</u>	<u>(470,099)</u>
<b>OTHER SOURCES (USES)</b>			
Appropriations from State resources	-	3,625,134	3,625,134
Reappropriation to future year(s)	-	(3,167,991)	(3,167,991)
Lapsed appropriations	-	(9,019)	(9,019)
Receipts collected and transmitted to State Treasury	-	(1,222)	(1,222)
Net change in liabilities for reappropriated accounts	-	4,345	4,345
Transfers-out	-	(1,235)	(1,235)
Total other sources	<u>-</u>	<u>450,012</u>	<u>450,012</u>
<b>DEFICIENCY OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<u>-</u>	<u>(20,087)</u>	<u>(20,087)</u>
<b>FUND BALANCES, JULY 1, 2012</b>	<u>-</u>	<u>45,163</u>	<u>45,163</u>
<b>FUND BALANCES, JUNE 30, 2013</b>	<u>\$ -</u>	<u>\$ 25,076</u>	<u>\$ 25,076</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, 2013  
 (Expressed in Thousands)

Net change in fund balances	\$ (20,087)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which capital outlays exceeded depreciation in the current period.	81,273
Some capital assets were transferred out to other State agencies and, therefore, were removed from fund balance without any corresponding proceeds.	(59,707)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This amount represents the increase in unavailable revenue over the prior year.	745
Loss from disposal of capital assets. This is the salvage value of capital assets which were disposed of	(44)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. Below are such activities:	
Increase in compensated absences obligation	<u>(54)</u>
Change in net position of governmental activities	<u>\$ 2,126</u>

*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, 2013**

**NOTE 1 - ORGANIZATION**

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

The CDB's principal statutory functions and responsibilities are:

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

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

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

**STATE OF ILLINOIS  
CAPITAL DEVELOPMENT BOARD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

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 (CAFR) may be obtained by writing to the State Comptroller's Office, Financial Reporting Department, 325 West Adams Street, Springfield, Illinois 62704-1871.

**B. Basis of Presentation**

The financial statements of the CDB are intended to present the financial position and the changes in financial position of only that portion of the governmental activities, each major fund of the State of Illinois, and the aggregate remaining fund information of the State of Illinois that is attributable to the transactions of the CDB. They do not purport to, and do not, present fairly the financial position of the State of Illinois as of June 30, 2013, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

**STATE OF ILLINOIS  
CAPITAL DEVELOPMENT BOARD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

*Government-Wide Statements*

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

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

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

*Fund Financial Statements*

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

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

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

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

**STATE OF ILLINOIS  
CAPITAL DEVELOPMENT BOARD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

Nonmajor funds consist of Special Revenue and Capital Projects.

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

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

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

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

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.

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

**STATE OF ILLINOIS  
CAPITAL DEVELOPMENT BOARD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

Trust Fund which is nonappropriated, are appropriated for projects extending beyond the current budget year. The capital projects fund type includes the following funds:

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

**STATE OF ILLINOIS  
CAPITAL DEVELOPMENT BOARD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

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 GASB.

**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, and Build Illinois Bond Fund represents only the portion of certain shared funds that can be directly attributed to the operations of the CDB. Financial statements for total fund operations of the shared State funds are presented in the CAFR.

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

*Unexpended Appropriations*

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

*Appropriations from State Resources*

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

*Reappropriation to Future Year(s)*

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

**STATE OF ILLINOIS  
CAPITAL DEVELOPMENT BOARD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

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

F. Cash Equity with State Treasurer

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

G. Cash and Cash Equivalents

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

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

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

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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 Position.

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

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

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

**I. Capital Assets**

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

Capitalization thresholds and the estimated useful lives are as follows:

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

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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 (SERS) members at December 31, 1997. Employees continue to accrue twelve sick days per year, but will not receive monetary compensation for any additional time earned after December 31, 1997. Sick days earned between 1984 and December 31, 1997 (with a 50 percent cash value) would only be used after all days with no cash value are depleted. Any sick days earned and unused after December 31, 1997 will be converted to service time for purposes of calculating employee pension benefits.

**K. Governmental Fund Balances**

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

*Nonspendable* - This consists of amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact. There were no nonspendable fund balances as of June 30, 2013.

*Restricted* - This consists of amounts that are restricted to specific purposes, that is, when constraints placed on the use of resources are either a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation. There were no restricted fund balances as of June 30, 2013.

*Committed* - This consists of amounts with self-imposed constraints or limitations that have been placed at the highest level of decision making. The following funds comprise committed fund balances as of June 30, 2013: CDB Special Projects Fund (170), CDB Revolving Fund (215), Asbestos Abatement Fund (224), School Infrastructure Fund (568), Capital Development Fund (141), School Construction Fund (143), CDB Contributory Trust Fund (617) and Build Illinois Bond Fund (971). These funds are restricted through enabling legislations but have been subject to fund sweeps in previous years and therefore are classified as committed. These committed funds cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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*Assigned* - This consists of net amounts that are constrained by the CDB's intent to be used for specific purposes, but that are neither restricted nor committed. There were no assigned fund balances as of June 30, 2013.

*Unassigned* - This consists of amounts that are available financial resources and are not designated for a specific purpose. There were no unassigned fund balances as of June 30, 2013.

L. Net Position

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

*Invested in Capital Assets, Net of Related Debt* - This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The CDB has no capital related debt as of June 30, 2013.

*Restricted* - This consists of Net Position 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 CDB's policy to use restricted funds first, then unrestricted resources when they are needed. There were no restricted Net Position as of June 30, 2013.

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

M. Use of Estimates

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

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

Effective for the year ended June 30, 2013, CDB adopted GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. The objective of this statement is to incorporate into the GASB's authoritative literature certain accounting and financial

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reporting guidance that is included in the pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. There was no impact on CDB's financial statements as a result of adopting this statement.

Effective for the year ended June 30, 2013, CDB adopted GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. The objective of this statement is to provide financial reporting guidance for deferred outflows and inflows of resources and to rename the residual measure from "Net Assets" to "Net Position". There were no significant impact on CDB's financial statements as a result of adopting these GASB Pronouncements.

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

GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, will be effective for CDB with its year ending June 30, 2014. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

GASB Statement No. 66, Technical Corrections-2012- An Amendment of GASB Statements No. 10 and No. 62, will be effective for CDB with its year ending June 30, 2014. The objective of this Statement is to improve accounting and financial reporting for a government financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.

GASB Statement No. 67, Financial Reporting for Pension Plans- an Amendment of GASB Statement No. 25, will be effective for CDB with its year ending June 30, 2014. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

GASB Statement No. 68, Accounting and Financial Reporting for Pensions- an Amendment of GASB Statement No. 27, will be effective for CDB with its year ending June 30, 2015. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and

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local governmental employers about financial support for pensions that is provided by other entities.

GASB Statement No. 69, Government Combinations and Disposals of Government Operations, will be effective for CDB within its year ending June 30, 2015. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations.

GASB statement No. 70, Accounting and Financial Reporting for Nonexchange financial Guarantees, will be effective for CDB within its year ending June 30, 2014. This statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. It also requires a government that issues an obligation guarantee in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. It also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor.

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

### **NOTE 3 - DEPOSITS AND INVESTMENTS**

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

Cash on deposit for locally held funds has a carrying amount and bank balance of \$8.685 million at June 30, 2013. 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

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deposit policy for custodial credit risk. Retention accounts opened subsequent to June 30, 2007 are required to be insured or fully collateralized. Of the total bank balance, \$0 was exposed to custodial credit risk as uninsured with collateral held by the pledging financial institutions in the State's name, and \$1.923 million was exposed to custodial credit risk as uninsured with collateral held by the pledging financial institution's trust department not in the State's name.

Deposits in the custody of the State Treasurer, or in transit, totaled \$15.313 million at June 30, 2013. These deposits are pooled and invested with other State funds in accordance with the Deposit of State Moneys Act of the Illinois Compiled Statutes (15 ILCS 520/11). Funds held by the State Treasurer have not been categorized as to credit risk because the CDB does not own individual securities. Details on the nature of these deposits and investments are available within the CAFR.

**NOTE 4 - INTERFUND BALANCES AND ACTIVITIES**

**A. Due from Other State Funds**

The following balance (amount expressed in thousands) at June 30, 2013 represents amounts due from other CDB and State of Illinois funds:

<u>Fund</u>	<u>Due From Other State Funds</u>	<u>Description/Purpose</u>
Nonmajor governmental funds	\$ 21,285	Due from nonmajor governmental funds for capital project grants and contracts and for short-term borrowings.

**B. Due to Other State Funds**

The following balance (amount expressed in thousands) at June 30, 2013 represents amounts due to other CDB and State of Illinois funds:

<u>Fund</u>	<u>Due To Other State Funds</u>	<u>Description/Purpose</u>
Nonmajor governmental funds	\$ 6,696	Due to internal service funds of the State for purchases of services and goods, reimbursements of capital grant to outside entities and for costs incurred, and overpayment of construction costs.

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

Interfund transfers out (amount expressed in thousands) for the year ended June 30, 2013 were as follows:

<u>Fund</u>	<u>Transfer Out to Other Funds</u>	<u>Description/Purpose</u>
Nonmajor governmental funds	\$ 1,235	Transfers for awarding grants and 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 agreement. As to the status of collections, the Port District's gross receipts, as defined by the loan agreement, have been insufficient to cause any payments to be made to CDB. While the loan agreement is not technically in default, the ultimate collectibility of the receivable is dependent upon the achievement of sufficient gross receipts levels, as defined; accordingly, CDB has reserved the entire remaining amount of the Port District receivable as uncollectible as of June 30, 2013.

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, 2013 were as follows:

	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Net Transfers</u>	<u>Balance June 30, 2013</u>
Governmental activities:					
Capital assets not being depreciated:					
Construction in progress	\$ 39,187	\$ 81,264	\$ -	(\$59,707)	\$ 60,744
Capital assets being depreciated:					
Equipment	900	29	(548)	-	381
Less accumulated depreciation	817	20	(504)	-	333
Capital assets being depreciated, net	83	9	(44)	-	48
Governmental activity capital assets, net	\$ 39,270	\$ 81,273	\$ (44)	(\$59,707)	\$ 60,792

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Depreciation expense charged to governmental activities - general government totaled \$20 (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, 2013 were as follows:

	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2013</u>	<u>Amount Due Within One Year</u>
Governmental activities:					
Compensated absences	\$ 1,262	\$ 808	\$ 754	\$ 1,316	\$ 131

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 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 2013 are included in the State of Illinois' CAFR for the year ended June 30, 2013. 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 2013, the employer contribution rate was 37.987%. 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

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

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

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

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**NOTE 10 - RISK MANAGEMENT**

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

The CDB's risk management activities for 2013 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, 2013. There have been no settlements that exceeded insurance coverage during the last three fiscal years.

**NOTE 11 - COMMITMENTS AND CONTINGENCIES**

**A. Operating Leases**

The CDB leases equipment and office space under the terms of noncancelable operating lease agreements not extending past the end of the fiscal year, that require the CDB to make minimum lease payments plus pay a pro rata share of certain operation costs. Rent expense under operating leases was \$275 (amount expressed in thousands) for the year ended June 30, 2013.

**B. Construction Commitments**

The CDB has outstanding construction projects for State and other facilities in which it has entered into future commitments. The amount of CDB's commitment which includes amounts related to projects for the State's component units was \$634.4 million at June 30, 2013.

*Components of Construction in Progress*

Project	As of June 30, 2013 (Expressed in Thousands)			
	Project Authorization	Expended Through June 30	Committed at June 30	Available Authorization
Chicago Veterans' Home - Cook County	\$ 65,500	\$ 4,185	\$ 6,497	\$ 54,818
Supreme Court Building	15,996	1,472	13,381	1,143
Metro East Forensic Laboratory - Belleville	41,693	13,635	16,038	12,020
Lincoln's Challenge Academy - Military Affairs Rantoul	38,140	861	3,338	33,941

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<i>(Continued)</i> Project	As of June 30, 2013 (Expressed in Thousands)			
	Project Authorization	Expended Through June 30	Committed at June 30	Available Authorization
Camp Lincoln Military Affairs Construct Readiness	15,263	12,096	2,755	412
Center/Maneuver Enhancement	19,690	3,393	13,648	2,649
Others (less than \$10,000)	219,408	25,102	44,259	150,047
Total	<u>\$ 415,690</u>	<u>\$ 60,744</u>	<u>\$ 99,916</u>	<u>\$ 255,030</u>

**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.

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NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEETS  
JUNE 30, 2013  
(Expressed in Thousands)

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total (Memorandum Only)</u>
<b>ASSETS</b>			
Unexpended appropriations	\$ -	\$ 36,140	\$ 36,140
Cash equity with State Treasurer	13,552	1,761	15,313
Cash and cash equivalents	-	8,685	8,685
Intergovernmental receivables	-	2,882	2,882
Due from other State funds	-	21,285	21,285
Other receivables	2,679	-	2,679
	<u>16,231</u>	<u>70,753</u>	<u>86,984</u>
<b>TOTAL ASSETS</b>	<u>16,231</u>	<u>70,753</u>	<u>86,984</u>
 <b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	633	52,009	52,642
Due to other State funds	6,653	43	6,696
Unavailable revenues	1,282	-	1,282
Deferred revenues	-	1,288	1,288
	<u>8,568</u>	<u>53,340</u>	<u>61,908</u>
<b>Total liabilities</b>	<u>8,568</u>	<u>53,340</u>	<u>61,908</u>
 <b>FUND BALANCES</b>			
Committed	<u>7,663</u>	<u>17,413</u>	<u>25,076</u>
	<u>7,663</u>	<u>17,413</u>	<u>25,076</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 16,231</u>	<u>\$ 70,753</u>	<u>\$ 86,984</u>

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NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2013  
(Expressed in Thousands)

	Special Revenue	Capital Projects	Total (Memorandum Only)
<b>REVENUES</b>			
Federal capital grants	\$ -	\$ 22,615	\$ 22,615
Licenses and fees	5,661	-	5,661
Other charges for services	1,400	8,770	10,170
Total revenues	<u>7,061</u>	<u>31,385</u>	<u>38,446</u>
<b>EXPENDITURES</b>			
Education	-	394,819	394,819
General government	7,832	24,601	32,433
Debt service - principal	-	-	-
Capital outlays	1,449	79,844	81,293
Total expenditures	<u>9,281</u>	<u>499,264</u>	<u>508,545</u>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	(2,220)	(467,879)	(470,099)
<b>OTHER SOURCES (USES)</b>			
Appropriations from State resources	732	3,624,402	3,625,134
Reappropriations to future year(s)	(118)	(3,167,873)	(3,167,991)
Lapsed appropriations	(68)	(8,951)	(9,019)
Receipts collected and transmitted to State Treasury	-	(1,222)	(1,222)
Net change in liabilities for reappropriated accounts	-	4,345	4,345
Operating transfers out	-	(1,235)	(1,235)
Total other sources	<u>546</u>	<u>449,466</u>	<u>450,012</u>
<b>DEFICIENCY OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	(1,674)	(18,413)	(20,087)
<b>FUND BALANCES, JULY 1, 2012</b>	<u>9,337</u>	<u>35,826</u>	<u>45,163</u>
<b>FUND BALANCES, JUNE 30, 2013</b>	<u>\$ 7,663</u>	<u>\$ 17,413</u>	<u>\$ 25,076</u>

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 CAPITAL DEVELOPMENT BOARD  
 SPECIAL REVENUE FUNDS  
 COMBINING BALANCE SHEETS  
 JUNE 30, 2013  
 (Expressed in Thousands)

	CDB Special Projects Fund 170	CDB Revolving 215	Asbestos Abatement 224	School Infrastructure 568	Total (Memorandum Only)
<b>ASSETS</b>					
Cash equity with State Treasurer	\$ 7,157	\$ 6,395	\$ -	\$ -	\$ 13,552
Other receivables	-	2,679	-	-	2,679
<b>TOTAL ASSETS</b>	<u>7,157</u>	<u>9,074</u>	<u>-</u>	<u>-</u>	<u>16,231</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable and accrued expenses	545	88	-	-	633
Due to other State funds	6,612	41	-	-	6,653
Unavailable revenues	-	1,282	-	-	1,282
<b>Total liabilities</b>	<u>7,157</u>	<u>1,411</u>	<u>-</u>	<u>-</u>	<u>8,568</u>
<b>FUND BALANCES</b>					
Committed	-	7,663	-	-	7,663
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 7,157</u>	<u>\$ 9,074</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,231</u>

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 SPECIAL REVENUE FUNDS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 FOR THE YEAR ENDED JUNE 30, 2013  
 (Expressed in Thousands)

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	CDB Special Projects Fund 170	CDB Revolving 215	Asbestos Abatement 224	School Infrastructure 568	Total (Memorandum Only)
<b>REVENUES</b>					
Licenses and fees	\$ -	\$ 5,661	\$ -	\$ -	\$ 5,661
Other charges for services	1,388	12	-	-	1,400
	<u>1,388</u>	<u>5,673</u>	<u>-</u>	<u>-</u>	<u>7,061</u>
<b>EXPENDITURES</b>					
General government	-	7,286	14	532	7,832
Capital outlays	1,388	61	-	-	1,449
Total expenditures	<u>1,388</u>	<u>7,347</u>	<u>14</u>	<u>532</u>	<u>9,281</u>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	-	(1,674)	(14)	(532)	(2,220)
<b>OTHER SOURCES (USES)</b>					
Appropriations from State resources	-	-	132	600	732
Reappropriations to future year(s)	-	-	(118)	-	(118)
Lapsed appropriations	-	-	-	(68)	(68)
Total other sources	<u>-</u>	<u>-</u>	<u>14</u>	<u>532</u>	<u>546</u>
<b>DEFICIENCY OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	-	(1,674)	-	-	(1,674)
<b>FUND BALANCES, JULY 1, 2012</b>	<u>-</u>	<u>9,337</u>	<u>-</u>	<u>-</u>	<u>9,337</u>
<b>FUND BALANCES, JUNE 30, 2013</b>	<u>\$ -</u>	<u>\$ 7,663</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,663</u>

STATE OF ILLINOIS  
 CAPITAL DEVELOPMENT BOARD  
 CAPITAL PROJECTS FUNDS  
 COMBINING BALANCE SHEETS  
 JUNE 30, 2013  
 (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	\$ 35,800	\$ -	\$ -	\$ 340	\$ 36,140
Cash equity with State Treasurer	-	-	1,761	-	1,761
Cash and cash equivalents	8,685	-	-	-	8,685
Intergovernmental receivables	-	-	2,882	-	2,882
Due from other State funds	10,443	-	4,675	6,167	21,285
<b>34 TOTAL ASSETS</b>	<b>54,928</b>	<b>-</b>	<b>9,318</b>	<b>6,507</b>	<b>70,753</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable and accrued expenses	44,442	-	7,227	340	52,009
Due to other State funds	43	-	-	-	43
Deferred revenues	-	-	1,288	-	1,288
<b>Total liabilities</b>	<b>44,485</b>	<b>-</b>	<b>8,515</b>	<b>340</b>	<b>53,340</b>
<b>FUND BALANCES</b>					
Committed	10,443	-	803	6,167	17,413
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 54,928</b>	<b>\$ -</b>	<b>\$ 9,318</b>	<b>\$ 6,507</b>	<b>\$ 70,753</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, 2013  
 (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	\$ -	\$ -	\$ 22,615	\$ -	\$ 22,615
Other charges for services	-	-	8,770	-	8,770
Total revenues	-	-	31,385	-	31,385
<b>EXPENDITURES</b>					
Education	105,466	249,894	8,327	31,132	394,819
General government	23,851	-	-	750	24,601
Capital outlays	58,172	-	21,450	222	79,844
Total expenditures	187,489	249,894	29,777	32,104	499,264
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>					
	(187,489)	(249,894)	1,608	(32,104)	(467,879)
<b>OTHER SOURCES (USES)</b>					
Appropriations from State resources	2,142,366	1,119,376	-	362,660	3,624,402
Reappropriations to future year(s)	(1,953,895)	(864,334)	-	(349,644)	(3,167,873)
Lapsed appropriations	(8,946)	(5)	-	-	(8,951)
Receipts collected and transmitted to State Treasury	(1,222)	-	-	-	(1,222)
Net change in liabilities for reappropriated accounts	9,629	(5,143)	-	(141)	4,345
Operating transfers out	-	-	(1,235)	-	(1,235)
Total other sources (uses)	187,932	249,894	(1,235)	12,875	449,466
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES (USES) OVER EXPENDITURES</b>					
	443	-	373	(19,229)	(18,413)
<b>FUND BALANCES, JULY 1, 2012</b>					
	10,000	-	430	25,396	35,826
<b>FUND BALANCES, JUNE 30, 2013</b>					
	\$ 10,443	\$ -	\$ 803	\$ 6,167	\$ 17,413



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

Honorable 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, 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, 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, 2013, and the related notes to the financial statements, which collectively comprise the State of Illinois Capital Development Board's basic financial statements, and have issued our report thereon dated October 30, 2013.

**Internal Control Over Financial Reporting**

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

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

corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the State of Illinois Capital Development Board's financial statements are free 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 matter that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

*Adelfia LLC*

Chicago, Illinois  
October 30, 2013

**STATE OF ILLINOIS  
CAPITAL DEVELOPMENT BOARD  
SCHEDULE OF PRIOR FINDING NOT REPEATED  
FOR THE YEAR ENDED JUNE 30, 2013**

**A. Inadequate Controls Over Approval of Contracts**

In the prior audit, the Capital Development Board (CDB) had not established adequate controls over approval of contracts prior to the performance of services and resolution of outstanding procurement issues.

During the current audit, no significant exceptions were noted on our review of the approval of contracts and other procurement process. (Finding Code No. 12-1)