

**State of Illinois**  
**Department of Transportation**  
Financial Audit

For the Year Ended June 30, 2008

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

**State of Illinois**  
**Department of Transportation**  
**Financial Audit**  
**For the Year Ended June 30, 2008**

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**State of Illinois**  
**Department of Transportation**  
**Financial Audit**  
**For the Year Ended June 30, 2008**

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**State of Illinois**  
**Department of Transportation**  
**Agency Officials**  
**June 30, 2008**

Acting Secretary of Transportation (current)	Mr. Gary Hannig
Secretary of Transportation (1/27/07 to 3/1/09)	Mr. Milton Sees
Assistant Secretary	Mr. David D. Phelps
Director of Finance and Administration	Ms. Ann L. Schneider
Legal Counsel	Ms. Ellen Schanzle-Haskins
Bureau Chief, Business Services	Mr. James McDaniel

Department of Transportation's offices are located at:

2300 South Dirksen Parkway  
Springfield, IL 62764

300 West Adams  
Chicago, IL 60605

# **Financial Statement Report**

**State of Illinois**  
**Department of Transportation**  
**Financial Statement Report Summary**  
**June 30, 2008**

***Summary***

The audit of the accompanying financial statements of the State of Illinois, Department of Transportation was performed by BKD, LLP.

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

***Summary of Findings***

The auditors identified matters involving the Department's internal control over financial reporting that they considered to be significant deficiencies. The significant deficiencies are described in the accompanying Schedule of Findings and Responses on pages 48 through 53 of this report as Finding 08-01, Revenue Recognition/Deferred Revenue, Finding 08-02, Inaccurate Commodities Inventory Records, and Finding 08-03, Restatement of Shared Revenues. The auditors also considered Findings 08-01 and 08-03 to be material weaknesses.

***Exit Conference***

The Department reviewed the findings and recommendations appearing in this report and waived a formal exit conference. The Department's responses were provided by Ron McKeachan, Chief of Audits, on March 19, 2009.

## Independent Auditors' Report

Honorable William G. Holland  
Auditor General  
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the State of Illinois, Department of Transportation (Department) as of and for the year ended June 30, 2008, which collectively comprise the Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Department'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 1, the financial statements of the State of Illinois, Department of Transportation, are intended to present the financial position, the changes in financial position and cash flows, where applicable, 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 Department. They do not purport to, and do not, present fairly the financial position of the State of Illinois as of June 30, 2008, and its changes in financial position and its cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the State of Illinois, Department of Transportation, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 12, the Department restated Road Fund, State Construction Fund, and Grade Crossing Fund balances at July 1, 2007.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2009, on our consideration of the State of Illinois, Department of Transportation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Department has not presented a management's discussion and analysis and budgetary comparison schedules for the General, Road, and State Construction funds that accounting principles generally accepted in the United States of America determined are 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, Department of Transportation's basic financial statements. The combining general revenue fund and nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining general revenue fund and nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

BKD, LLP

March 17, 2009



## **Basic Financial Statements**

**State of Illinois**  
**Department of Transportation**

**Statement of Net Assets**

June 30, 2008 (Expressed in Thousands)

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Unexpended appropriations	\$ 626,748
Cash equity with State Treasurer	101,608
Cash and cash equivalents	8,335
Receivables, net:	
Intergovernmental	219,264
Other	14,696
Due from other State funds	54,066
Due from State of Illinois component unit	527
Inventories	35,811
Loans receivable, net	41,092
Capital assets not being depreciated	2,155,148
Capital assets being depreciated, net	12,909,277
<b>Total assets</b>	<b>16,166,572</b>
<b>LIABILITIES</b>	
Accounts payable and accrued liabilities	291,785
Intergovernmental payables	373,691
Due to other State funds	22,437
Due to State of Illinois component units	5,356
Deferred revenue	3,394
Long term obligations:	
Due within one year	9,777
Due subsequent to one year	67,796
<b>Total liabilities</b>	<b>774,236</b>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	15,039,661
Restricted for:	
Transportation programs	6,963
Debt service	2,212
Unrestricted net assets	343,500
<b>Total net assets</b>	<b>\$ 15,392,336</b>

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

**State of Illinois**  
**Department of Transportation**  
**Statement of Activities**

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

Functions/Programs	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
<b>Governmental activities</b>					
Transportation	\$ 3,910,637	\$ 73,006	\$ 211,912	\$ 1,253,288	\$ (2,372,431)
Interest	1,420	-	-	-	(1,420)
<b>Total governmental activities</b>	<b>\$ 3,912,057</b>	<b>\$ 73,006</b>	<b>\$ 211,912</b>	<b>\$ 1,253,288</b>	<b>(2,373,851)</b>
<b>General revenues and transfers</b>					
Appropriations from State Resources					7,181,204
Reappropriation to future year(s)					(3,774,364)
Lapsed appropriations					(84,540)
Receipts collected and transmitted to State Treasury					(1,381,599)
Net change in liabilities for reappropriated accounts					92,087
Other revenues					288
Interest and investment income					1,868
Capital transfers to other State agencies					(2,519)
Amount of SAMS transfers-in					(578,953)
Amount of SAMS transfers-out					840,993
Transfers-in					445,450
Transfers-out					(58,227)
<b>Total general revenues and transfers</b>					<b>2,481,688</b>
<b>Change in net assets</b>					<b>107,837</b>
Net assets, July 1, 2007, as restated					15,284,499
<b>Net assets, June 30, 2008</b>					<b>\$ 15,392,336</b>

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

**State of Illinois**  
**Department of Transportation**  
**Balance Sheet-Governmental Funds**  
 June 30, 2008 (Expressed in Thousands)

	General Fund 0001	Road Fund 0011	State Construction Account 0902	Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>					
Unexpended appropriations	\$ 7,898	\$ 329,205	\$ 79,680	\$ 209,985	\$ 626,748
Cash equity with State Treasurer	45	4,833	-	96,853	101,331
Cash and cash equivalents	-	1,880	2,113	4,342	8,335
Intergovernmental receivables, net	1,438	174,700	-	43,126	219,264
Other receivables, net	-	14,603	47	48	14,698
Due from other Department funds	-	54,314	35,406	5,328	95,048
Due from other State funds	-	3,626	37	50,204	53,867
Due from State of Illinois component units	-	527	-	-	527
Inventories	-	35,811	-	-	35,811
Loans receivable, net	978	-	-	40,114	41,092
<b>Total assets</b>	<b>\$ 10,359</b>	<b>\$ 619,299</b>	<b>\$ 117,283</b>	<b>\$ 449,778</b>	<b>\$ 1,196,719</b>
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities	\$ 7,214	\$ 177,586	\$ 79,087	\$ 27,811	\$ 291,698
Intergovernmental payables	662	121,988	2,706	248,337	373,691
Due to other Department funds	14	110	-	94,938	95,062
Due to other State funds	3	21,545	-	889	22,437
Due to State of Illinois component units	-	4,610	-	746	5,356
Unavailable revenue	1,438	79,543	-	29,760	110,741
Deferred revenue	-	-	-	3,394	3,394
<b>Total liabilities</b>	<b>9,331</b>	<b>405,380</b>	<b>81,793</b>	<b>405,875</b>	<b>902,379</b>
<b>FUND BALANCES</b>					
Reserved for:					
Encumbrances	5	5,244	-	-	5,249
Inventories	-	35,811	-	-	35,811
Long-term portion of:					
Loans and notes receivable	815	-	-	37,615	38,430
Designated for reappropriated accounts in special revenue funds	-	-	-	5,386	5,386
Unreserved, undesignated:					
General fund	208	-	-	-	208
Special revenue funds	-	172,864	35,490	(2,482)	205,872
Capital project funds	-	-	-	119	119
Debt service fund	-	-	-	3,265	3,265
<b>Total fund balances</b>	<b>1,028</b>	<b>213,919</b>	<b>35,490</b>	<b>43,903</b>	<b>294,340</b>
<b>Total liabilities and fund balances</b>	<b>\$ 10,359</b>	<b>\$ 619,299</b>	<b>\$ 117,283</b>	<b>\$ 449,778</b>	<b>\$ 1,196,719</b>

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

**State of Illinois  
 Department of Transportation  
 Reconciliation of Governmental Funds Balance Sheet  
 to Statement of Net Assets  
 June 30, 2008  
 (Expressed in Thousands)**

**Total fund balances-governmental funds** **\$ 294,340**

**Amounts reported for governmental activities in the  
 Statement of Net Assets are different because:**

**Capital assets used in governmental activities are not financial  
 resources and therefore are not reported in the funds.** **15,064,425**

**Internal service funds are used to charge costs of air  
 transportation activities to individual funds. The assets and liabilities  
 of the Air Transportation Fund are reported as governmental activities  
 in the Statement of Net Assets.** **403**

**Revenues in the Statement of Activities that do not provide  
 current financial resources are deferred in the funds.** **110,741**

**Some liabilities reported in the Statement of Net Assets do not  
 require the use of current financial resources and therefore are  
 not reported as liabilities in governmental funds. These  
 liabilities consist of:**

Compensated absences	\$ (40,903)	
Intergovernmental financing	(1,949)	
Capital lease obligations	(14)	
Auto liability claims	(9,957)	
Certificates of participation	(24,750)	
		<b>(77,573)</b>

**Net assets of governmental activities** **\$ 15,392,336**

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

State of Illinois  
Department of Transportation

Statement of Revenues, Expenditures, and  
Changes in Fund Balances-Governmental Funds

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

	General Fund 0001	Road Fund 0011	State Construction Account 0802	Nonmajor Funds	Total Governmental Funds
<b>REVENUES</b>					
Operating grants - Federal	\$ -	\$ 23,346	\$ -	\$ 108,309	\$ 132,655
Capital grants - Federal	-	1,254,575	-	-	1,254,575
Other operating grants	310	53,509	-	5,344	59,163
Other capital grants	-	6,539	-	-	6,539
Licenses and fees	-	21,254	-	259	21,513
Other charges for services	12	51,486	-	346	51,844
Other	-	-	-	288	288
Interest and other investment income	-	-	-	1,888	1,888
<b>Total revenues</b>	<b>322</b>	<b>1,410,709</b>	<b>-</b>	<b>117,414</b>	<b>1,528,445</b>
<b>EXPENDITURES</b>					
Transportation	123,489	1,397,643	86,684	1,291,175	2,898,991
Debt service - principal	-	12	-	1,450	1,462
Debt service - interest	-	1	-	1,419	1,420
Capital outlays	-	682,643	515,870	13,073	1,111,286
<b>Total expenditures</b>	<b>123,489</b>	<b>1,980,199</b>	<b>602,354</b>	<b>1,307,117</b>	<b>4,013,159</b>
Deficiency of revenues under expenditures	(123,167)	(569,490)	(602,354)	(1,189,703)	(2,484,714)
<b>OTHER SOURCES (USES) OF FINANCIAL RESOURCES</b>					
Appropriations from State resources	134,876	4,482,835	1,486,232	1,067,261	7,181,204
Reappropriation to future year(s)	(3,086)	(2,509,392)	(948,084)	(313,802)	(3,774,364)
Lapsed appropriations	(9,329)	(38,108)	-	(38,103)	(84,540)
Receipts collected and transmitted to State Treasury	(515)	(1,378,234)	(69)	(2,761)	(1,381,599)
Net change in liabilities for reappropriated accounts	121	55,173	54,309	(17,516)	92,087
Capital lease and installment purchase acquisitions	-	5	-	-	5
Amount of SAMS Transfers-in	-	(335,088)	(243,865)	-	(578,953)
Amount of SAMS Transfers-out	-	-	-	640,993	640,993
Transfers-in	1,320	328,595	240,052	454,436	1,024,403
Transfers-out	-	(4,243)	-	(832,937)	(837,180)
<b>Net other sources (uses) of financial resources</b>	<b>123,397</b>	<b>600,543</b>	<b>586,555</b>	<b>1,159,571</b>	<b>2,482,056</b>
<b>Net change in fund balances</b>	<b>220</b>	<b>31,053</b>	<b>(3,799)</b>	<b>(30,132)</b>	<b>(2,658)</b>
Fund balances, July 1, 2007, as restated	808	186,647	39,289	74,035	300,779
Decrease for changes in inventories	-	(3,781)	-	-	(3,781)
<b>FUND BALANCES, JUNE 30, 2008</b>	<b>\$ 1,028</b>	<b>\$ 213,919</b>	<b>\$ 35,490</b>	<b>\$ 43,903</b>	<b>\$ 294,340</b>

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

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

<b>Net change in fund balances</b>	<b>\$</b>	<b>(2,658)</b>
Change in inventories		<u>(3,781)</u>
		<u>(6,439)</u>
 <b>Amounts reported for governmental activities in the Statement of Activities are different because:</b>		
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.		113,477
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		1,462
Some capital additions were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the Statement of Net Assets the obligation is reported as a liability.		(5)
Some capital assets were transferred out to other State agencies and, therefore, no proceeds were received for the capital asset's value.		(2,519)
Internal service funds are used to charge to costs of certain activities to individual funds. The net revenue of the internal service funds is reported as governmental activities in the Statement of Activities.		221
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.		10,988
Proceeds from sales of capital assets are reported in the governmental funds. However, in the Statement of Activities, losses from the sale of capital assets are also reported. This is the amount of the book value of the capital assets sold.		(5,017)
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 absence		(1,392)
Decrease in intergovernmental financing		203
Increase in auto liability claims		<u>(3,142)</u>
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b><u>107,837</u></b>

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

**State of Illinois**

**Department of Transportation**

**Statement of Net Assets - Proprietary Fund**

**Air Transportation Revolving Fund (0309)**

June 30, 2008 (Expressed in Thousands)

	<b>Governmental Activities - Internal Service Fund</b>
<b>ASSETS</b>	
Cash equity with State Treasurer	\$ 277
Due from other Department funds	14
Due from other State funds	199
<b>Total current assets</b>	<b>490</b>
<b>LIABILITIES</b>	
Accounts payable and accrued liabilities	87
<b>NET ASSETS</b>	
Unrestricted	403
<b>Total net assets</b>	<b>\$ 403</b>

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



**State of Illinois**

**Department of Transportation**

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**Statement of Revenues, Expenses, and Changes in  
Fund Net Assets - Proprietary Fund  
Air Transportation Revolving Fund (0309)**

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

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	<b>Governmental Activities - Internal Service Fund</b>
<b>OPERATING REVENUES</b>	
Charges for sales and services	\$ 929
<b>OPERATING EXPENSES</b>	
Cost of sales and services	706
General and administrative	2
<b>Total operating expenses</b>	<b>708</b>
<b>Operating income and change in net assets</b>	<b>221</b>
Net assets, July 1, 2007	182
<b>NET ASSETS, JUNE 30, 2008</b>	<b>\$ 403</b>

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

**State of Illinois**

**Department of Transportation**

**Statement of Cash Flows - Proprietary Fund**

**Air Transportation Revolving Fund (0309)**

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

	<b>Governmental Activities - Internal Service Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from sales and services	\$ 10
Cash received from transactions with other funds	850
Cash payments to suppliers for goods and services	<u>(757)</u>
Net cash provided by operating activities	<u>103</u>
<b>Net increase in cash and cash equivalents</b>	<b>103</b>
Cash and cash equivalents, July 1, 2007	<u>174</u>
<b>CASH AND CASH EQUIVALENTS, JUNE 30, 2008</b>	<b><u>\$ 277</u></b>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
<b>OPERATING INCOME</b>	<b>\$ 221</b>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Changes in assets and liabilities:	
Decrease in other receivables	4
(Increase) in due from other funds	(73)
(Decrease) in accounts payable and accrued liabilities	(49)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b><u>\$ 103</u></b>

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

**STATE OF ILLINOIS  
DEPARTMENT OF TRANSPORTATION**

Notes to Financial Statements

June 30, 2008

**(1) Organization**

The Department of Transportation (the Department) is a part of the executive branch of government of the State of Illinois (State) and operates under the authority of and review of the Illinois General Assembly. The Department operates under a budget approved by the General Assembly in which resources primarily from the Road Fund and the State Construction Fund are appropriated for the use of the Department. Activities of the Department 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 Department and all other cash received are under the custody and control of the State Treasurer, with the exception of locally-held retainage accounts authorized by State law.

The Department is organized to provide safe, cost-effective transportation for Illinois in ways that enhance quality of life, promote economic prosperity, and demonstrate respect for our environment.

**(2) Summary of Significant Accounting Policies**

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

**(a) Financial Reporting Entity**

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

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

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

**STATE OF ILLINOIS  
DEPARTMENT OF TRANSPORTATION**

Notes to Financial Statements

June 30, 2008

**(2) Summary of Significant Accounting Policies (continued)**

**(b) Basis of Presentation**

The financial statements of the State of Illinois, Department of Transportation, are intended to present the financial position, the changes in financial position, and the cash flows, when applicable, 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 Department. They do not purport to, and do not, present fairly the financial position of the State of Illinois as of June 30, 2008 and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The financial activities of the Department, which consist only of governmental activities, are reported under the transportation function 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:

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

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

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

**STATE OF ILLINOIS  
DEPARTMENT OF TRANSPORTATION**

Notes to Financial Statements

June 30, 2008

**(2) Summary of Significant Accounting Policies (continued)**

**General** – This is the State’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The services which are administered by the Department and accounted for in the General Fund include, among others, public transportation and air transportation for the Governor and State Legislature on official business. Certain resources obtained from federal grants and used to support general governmental activities are accounted for in the General Fund consistent with applicable legal requirements.

**Road** – This fund accounts for the activities of the State highway programs including highway maintenance and construction, traffic control and safety, and administering motor vehicle laws and regulations. Funding sources include federal aid, State motor fuel taxes and various license and fee charges.

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

Additionally, the Department reports the following funds types:

**Governmental Fund Types:**

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

**Debt Service** – These funds account for governmental resources obtained and accumulated to pay interest and principal on general long-term debt issues.

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

**Proprietary Fund Types:**

**Internal Service** – This fund accounts for air travel provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis.

**STATE OF ILLINOIS  
DEPARTMENT OF TRANSPORTATION**

Notes to Financial Statements

June 30, 2008

**(2) Summary of Significant Accounting Policies (continued)**

**(c) *Measurement Focus and Basis of Accounting***

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Nonexchange transactions, in which the Department gives (or receives) value without directly 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, principal and interest on formal debt issues, claims and judgments, and compensated absences are recorded only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Significant revenue sources which are susceptible to accrual include federal aid and motor fuel tax revenue. All other revenue sources including fines, penalties, licenses and other miscellaneous revenue are considered to be measurable and available only when cash is received.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide and proprietary fund 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 Fund, Road Fund, State Construction Fund, and the Motor Fuel Tax Fund, a nonmajor governmental fund, represents only the portion of shared funds that can be directly attributed to the operations of the Department. 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 Department's portion of shared funds:

**STATE OF ILLINOIS  
DEPARTMENT OF TRANSPORTATION**

**Notes to Financial Statements**

**June 30, 2008**

**(2) Summary of Significant Accounting Policies (continued)**

**Unexpended Appropriations**

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

**Appropriations from State Resources**

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

**Reappropriation to Future Year(s)**

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

**Lapsed Appropriations**

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

**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.

**Receipts Collected and Transmitted to State Treasury**

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

**Amount of SAMS Transfers-In**

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

**STATE OF ILLINOIS  
DEPARTMENT OF TRANSPORTATION**

Notes to Financial Statements

June 30, 2008

**(2) Summary of Significant Accounting Policies (continued)**

Amount of SAMS Transfers-Out

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

**(e) Eliminations**

Eliminations have been made in the government-wide statement of net assets to minimize the "grossing-up" effect on assets and liabilities within the governmental activities column of the Department. As a result, amounts reported in the governmental funds balance sheet and proprietary funds statement of net assets as interdepartmental interfund receivables and payables have been eliminated in the government-wide statement of net assets. Amounts reported in the governmental funds balance sheet and proprietary funds statement of net assets as receivable from or payable to fiduciary funds have been included in the government-wide statement of net assets as receivable from and payable to external parties, rather than as internal balances. Also, eliminations have been made in the statement of activities to remove the "doubling-up" effect of interdepartmental internal service fund activity.

**(f) Cash and Cash Equivalents**

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

**(g) Inventories**

For governmental funds, the Department recognizes the costs of inventories as expenditures when purchased. At year-end, physical counts are taken of significant inventories, consisting primarily of road salt and sand, traffic signs, and traffic sign materials, in governmental funds and are reported at cost on the average cost method. Inventories reported in governmental funds do not reflect current appropriable resources, and therefore, the Department reserves an equivalent portion of fund balance.

**(h) Interfund Transactions**

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



**STATE OF ILLINOIS  
DEPARTMENT OF TRANSPORTATION**

Notes to Financial Statements

June 30, 2008

**(2) Summary of Significant Accounting Policies (continued)**

**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 sheets or the government-wide and proprietary 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. In proprietary funds, transfers are reported after nonoperating revenues and expenses.

The Department also has activity with the State of Illinois component units primarily related to research grants and purchases of services.

**(i) Capital Assets**

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

Capitalization thresholds and the estimated useful lives are as follows:

Capital Asset Category	Capitalization Threshold	Estimated Useful Life (in Years)
Infrastructure	\$250,000	20-40
Land	100,000	N/A
Land Improvements	25,000	N/A
Site Improvements	25,000	3-50
Buildings	100,000	10-60
Building Improvements	25,000	10-45
Equipment	5,000	3-25

**STATE OF ILLINOIS  
DEPARTMENT OF TRANSPORTATION**

Notes to Financial Statements

June 30, 2008

**(2) Summary of Significant Accounting Policies (continued)**

**(j) *Compensated Absences***

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

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

**(k) *Fund Balances***

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

**(l) *Net Assets***

In the government-wide and proprietary fund statements of net assets, equity is displayed in three components as follows:

***Invested in Capital Assets, Net of Related Debt*** – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

***Restricted*** – This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the State's policy to use restricted resources first, then unrestricted resources when they are needed.

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

**STATE OF ILLINOIS  
DEPARTMENT OF TRANSPORTATION**

Notes to Financial Statements

June 30, 2008

**(2) Summary of Significant Accounting Policies (continued)**

***(m) Use of Estimates***

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

***(n) Future Adoption of GASB Statements***

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

**(3) Deposits**

The State Treasurer is the custodian of the State's cash and cash equivalents for funds maintained in the State Treasury. Deposits in the custody of the State Treasurer are pooled and invested with other State funds in accordance with the Deposit of State Moneys Act of the Illinois Compiled Statutes (15 ILCS 520/11). Funds held by the State Treasurer have not been categorized as to credit risk because the Department does not own individual securities. Detail on the nature of these deposits and investments is available within the State of Illinois' Comprehensive Annual Financial Report.

Cash on deposit for locally held funds had a carrying amount and bank balance of \$8.331 million at June 30, 2008. Of the total bank balance, \$622 thousand was exposed to custodial credit risk as uninsured with collateral held by pledging financial institutions in the State's name and \$3.670 million was exposed to custodial credit risk as uninsured and uncollateralized. The Department does not have a deposit policy for custodial credit risk.

Cash on hand totaled \$4 thousand at June 30, 2008.

**STATE OF ILLINOIS  
DEPARTMENT OF TRANSPORTATION**

Notes to Financial Statements

June 30, 2008

**(4) Interfund Balances and Activity**

*(a) Balances Due to/from Other Funds*

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

<u>Fund</u>	<u>Due from</u>		<u>Description/Purpose</u>
	<u>Other Department Funds</u>	<u>Other State Funds</u>	
Road	\$ 54,314	\$ 3,626	Due from Motor Fuel Tax Fund for motor fuel tax allocation from June and for reimbursements of expenditures incurred and from other State funds for expenditures incurred
State Construction Account	35,406	37	Due from Motor Fuel Tax Fund for motor fuel tax allocation from June
Nonmajor governmental funds	5,328	50,204	Due from Motor Fuel Tax Fund for motor fuel tax allocation from June, from other Department funds for reimbursement of expenditures incurred and for debt service payments, and from other State funds for June sales tax allocations and for reimbursement of expenditures
Internal service funds	14	199	Due from other Department funds and other State funds for air transportation services provided
	<u>\$ 95,062</u>	<u>\$ 54,066</u>	

**STATE OF ILLINOIS  
DEPARTMENT OF TRANSPORTATION**

Notes to Financial Statements

June 30, 2008

**(4) Interfund Balances and Activity (continued)**

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

<u>Fund</u>	<u>Due to</u>		<u>Description/Purpose</u>
	<u>Other Department Funds</u>	<u>Other State Funds</u>	
General	\$ 14	\$ 3	Due to Department internal service funds for air transportation services received, to other State funds for services received, and to State pension (and other employee benefit) trust funds for postemployment benefits.
Road	110	21,545	Due to Department internal service funds for air transportation services received and to other Department funds for reimbursement of expenditures incurred, to other State funds for reimbursement of expenditures incurred and for services received, and to State pension (and other employee benefit) trust funds for postemployment benefits.
Nonmajor governmental funds	94,938	889	Due to other Department Funds for reimbursement of expenditures incurred.
	<u>\$ 95,062</u>	<u>\$ 22,437</u>	

**STATE OF ILLINOIS  
DEPARTMENT OF TRANSPORTATION**

Notes to Financial Statements

June 30, 2008

**(4) Interfund Balances and Activity (continued)**

**(b) Transfers to/from Other Funds**

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

<u>Fund</u>	<u>Transfers in from</u>		<u>Description/Purpose</u>
	<u>Other Department Funds</u>	<u>Other State Funds</u>	
General	\$ -	\$ 1,320	Transfers from other State funds per statutory guidelines.
Road	328,595	-	Transfers from Motor Fuel Tax Fund for motor fuel tax allocation pursuant to State statute.
State Construction Account	240,052	-	Transfers from Motor Fuel Tax Fund for motor fuel tax allocation pursuant to State statute.
Nonmajor governmental funds	31,243	423,193	Transfers from Motor Fuel Tax Fund for motor fuel tax allocation pursuant to State statute, other Department nonmajor governmental funds for debt service, and from other State funds for sales tax allocation, debt service, and for other purposes.
	<u>\$ 599,890</u>	<u>\$ 424,513</u>	

**STATE OF ILLINOIS  
DEPARTMENT OF TRANSPORTATION**

Notes to Financial Statements

June 30, 2008

**(4) Interfund Balances and Activity (continued)**

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

<u>Fund</u>	<u>Transfers out to</u>		<u>Description/Purpose</u>
	<u>Other Department Funds</u>	<u>Other State Funds</u>	
Road	\$ 4,243	\$ -	Transfers to Department nonmajor governmental funds for debt service payments.
Nonmajor governmental funds	595,647	37,290	Transfers to Department funds per statutory guidelines and to other State funds for administration of Railroad Safety program, budget shortfalls, and for other purposes.
	<u>\$ 599,890</u>	<u>\$ 37,290</u>	

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

The Illinois Toll Highway Authority owes the Department's Road Fund \$527 thousand at June 30, 2008 for reimbursements of expenditures incurred.

**STATE OF ILLINOIS  
DEPARTMENT OF TRANSPORTATION**

Notes to Financial Statements

June 30, 2008

**(4) Interfund Balances and Activity (continued)**

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

<u>Component Unit</u>	<u>Due to</u>	
	<u>Road Fund</u>	<u>Nonmajor Governmental Fund</u>
Illinois Toll Highway Authority	\$ 55	\$ -
Eastern Illinois University	519	-
Western Illinois University	-	139
Illinois State University	-	263
Northern Illinois University	153	209
Southern Illinois University	217	124
University of Illinois	3,666	11
	<u>\$ 4,610</u>	<u>\$ 746</u>



**STATE OF ILLINOIS  
DEPARTMENT OF TRANSPORTATION**

Notes to Financial Statements

June 30, 2008

**(5) Capital Assets**

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

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Net Transfers</u>	<u>Balance June 30, 2008</u>
<b>Governmental activities:</b>					
Capital assets not being depreciated:					
Land and land improvements	\$ 2,108,819	\$ 49,469	\$ 3,903	\$ -	\$ 2,154,385
Construction in progress	2,204	1,189	654	(1,976)	763
<b>Total capital assets not being depreciated</b>	<u>2,111,023</u>	<u>50,658</u>	<u>4,557</u>	<u>(1,976)</u>	<u>2,155,148</u>
Capital assets being depreciated:					
Infrastructure	22,467,463	1,034,793	606,880	(7)	22,895,369
Site improvements	2,497	-	-	-	2,497
Buildings and building improvements	113,538	1,879	-	-	115,417
Equipment	344,171	23,951	6,365	(536)	361,221
Capital leases - equipment	37	5	6	-	36
<b>Total capital assets being depreciated</b>	<u>22,927,706</u>	<u>1,060,628</u>	<u>613,251</u>	<u>(543)</u>	<u>23,374,540</u>
Less accumulated depreciation:					
Infrastructure	9,731,213	976,489	606,880	-	10,100,822
Site improvements	2,129	120	-	-	2,249
Buildings and building improvements	69,180	4,178	-	-	73,358
Equipment	277,708	17,010	5,905	-	288,813
Capital leases - equipment	15	12	6	-	21
<b>Total accumulated depreciation</b>	<u>10,080,245</u>	<u>997,809</u>	<u>612,791</u>	<u>-</u>	<u>10,465,263</u>
<b>Total capital assets being depreciated, net</b>	<u>12,847,461</u>	<u>62,819</u>	<u>460</u>	<u>(543)</u>	<u>12,909,277</u>
<b>Governmental activity capital assets, net</b>	<u>\$14,958,484</u>	<u>\$ 113,477</u>	<u>\$ 5,017</u>	<u>\$ (2,519)</u>	<u>\$ 15,064,425</u>

**STATE OF ILLINOIS  
DEPARTMENT OF TRANSPORTATION**

Notes to Financial Statements

June 30, 2008

**(5) Capital Assets (continued)**

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

Transportation	\$ <u>997,809</u>
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**(6) Long-Term Obligations**

**(a) Changes in Long-Term Obligations**

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

	<b>Balance July 1, 2007</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2008</b>	<b>Amounts Due Within One Year</b>
<b>Governmental activities:</b>					
Compensated Absences	\$ 39,511	\$ 25,158	\$ 23,766	\$40,903	\$ 4,097
Intergovernmental financing	2,152	-	203	1,949	1,949
Capital lease obligations	21	5	12	14	11
Auto liability claims	7,265	5,002	2,310	9,957	2,200
Certificates of participation	26,200	-	1,450	24,750	1,520
<b>Total</b>	<b>\$ 75,149</b>	<b>\$ 30,165</b>	<b>\$ 27,741</b>	<b>\$77,573</b>	<b>\$ 9,777</b>

Compensated absences have been liquidated by the applicable governmental funds that account for the salaries and wages of the related employees. Claims and judgments typically have been liquidated from the Road Fund.

**STATE OF ILLINOIS  
DEPARTMENT OF TRANSPORTATION**

Notes to Financial Statements

June 30, 2008

**(6) Long-Term Obligations (continued)**

***(b) Intergovernmental Financing - State of Illinois/State of Missouri Joint Agreement***

The Department entered into an agreement with the State of Missouri for the construction of the Cape Girardeau Bridge. The agreement required that the Department reimburse the State of Missouri for 40% of the costs incurred for bridge construction. In accordance with a pre-established payment plan, the Department repays one-quarter of its annual obligation each year for four years following the year costs were incurred. Each year, the State of Missouri incurs costs and each year, the Department makes payments on costs incurred in prior years (unless such costs have been totally reimbursed) subject to the same one-quarter reimbursement arrangement. The State of Missouri assesses 5.3% interest on the unpaid balance.

As of June 30, 2008, the balance of the Illinois/Missouri Joint Agreement was \$1.949 million and is included in the government-wide financial statements. In subsequent years, this liability will be liquidated from future resources of the State Construction Fund, a major governmental fund. Future Illinois/Missouri Joint Agreement debt service requirements at June 30, 2008, are as follows:

<b>Illinois/Missouri Joint Agreement</b>			
<b>(Rounded to Nearest Thousand)</b>			
<b>Year Ending</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
<b>June 30</b>			
2009	\$ 1,872	\$ 103	\$ 1,975
2010	77	4	81
	<u>\$ 1,949</u>	<u>\$ 107</u>	<u>\$ 2,056</u>

On September 29, 2008, the Department chose to pay the remaining debt and accrued interest on the agreement.

**STATE OF ILLINOIS  
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Notes to Financial Statements

June 30, 2008

(6) Long-Term Obligations (continued)

(c) Capital lease obligations

The Department leases land, office facilities, office and computer equipment, and other assets with a historical cost and accumulated depreciation of \$36 thousand and \$21 thousand, respectively, under capital lease arrangements. Although lease terms vary, certain leases are renewable subject to appropriation by the General Assembly. If renewal is reasonably assured, leases requiring appropriation by the General Assembly are considered noncancelable leases for financial reporting. Interest varies from 4.499% - 4.939%. Future minimum lease payments (amounts expressed in thousands) at June 30, 2008 are as follows:

Year Ending June 30	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 11	\$ 1	\$ 12
2010	3	-	3
	<u>\$ 14</u>	<u>\$ 1</u>	<u>\$ 15</u>

(d) Certificates of Participation

The Department financed the purchase of certain Department-owned real and personal property (District 1 headquarters) through a third party (non-State issued) certificate. This non-state issued certificate is sold by a private concern and is repaid by Department appropriations pursuant to an installment purchase agreement. Interest varies from 3.9% - 5.5%. Future debt service requirements under certificates of participation (amounts expressed in thousands) at June 30, 2008, are as follows:

June 30	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 1,520	\$ 1,344	\$ 2,864
2010	1,600	1,264	2,864
2011	1,680	1,178	2,858
2012	1,770	1,087	2,857
2013	1,860	991	2,851
2014-2018	10,985	3,224	14,209
2019-2020	5,335	317	5,652
	<u>\$ 24,750</u>	<u>\$ 9,405</u>	<u>\$ 34,155</u>

**STATE OF ILLINOIS  
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Notes to Financial Statements

June 30, 2008

**(7) Pension Plan**

Substantially all of the Department's full-time employees who are not eligible for participation in another state-sponsored retirement plan participate in the State Employees' Retirement System (SERS), which is a pension trust fund in the State of Illinois reporting entity. The SERS is a single-employer defined benefit public employee retirement system (PERS) in which State employees participate, except those covered by the State Universities, Teachers', General Assembly, and Judges' Retirement Systems. The financial position and results of operations of the SERS for fiscal year 2008 are included in the State of Illinois' Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2008. The SERS issues a separate CAFR that may be obtained by writing to the SERS, 2101 South Veterans Parkway, Springfield, Illinois, 62794-9255.

A summary of SERS benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established are included as an integral part of the SERS' CAFR. Also included is a discussion of employer and employee obligations to contribute and the authority under which those obligations are established.

The Department pays employer retirement contributions based upon an actuarially determined percentage of their payrolls. For fiscal year 2008, the employer contribution rate was 16.561%. Effective for pay periods beginning after December 31, 1991, the State opted to pay the employee portion of retirement for most State agencies (including the Department) 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 Department) 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.

**(8) Post-employment Benefits**

The State provides health, dental, vision, and life insurance benefits for retirees and their dependents in a program administered by the Department of Healthcare and Family Services along with the Department of Central Management Services. Substantially all State employees become eligible for post-employment benefits if they eventually become annuitants of one of the State sponsored pension plans. Health, dental, and vision benefits include basic benefits for annuitants and dependents under the State's self-insurance plan and insurance contracts currently in force. Annuitants may be required to contribute towards health, dental, and vision benefits with the amount based on factors such as date of retirement, years of credited service with the State, whether the annuitant is covered by Medicare, and whether the annuitant has chosen a managed health care plan. Annuitants who retired prior to January 1, 1998, and who are vested in the State Employee's Retirement System do not contribute towards health, dental, and vision benefits. For annuitants who retired on or after January 1, 1998, the annuitant's contribution amount is reduced five percent for each year of credited service with the State allowing those annuitants with twenty or more years of credited service to not have to contribute towards health, dental, and vision benefits. Annuitants also receive life insurance coverage equal to the annual salary of the last day of employment until age 60, at which time the benefit becomes \$5,000.

**STATE OF ILLINOIS  
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Notes to Financial Statements

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**(8) Post-employment Benefits (continued)**

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.

**(9) Fund Deficits**

The Grade Crossing Protection Fund, Federal Local Airport Fund and Federal Mass Transit Fund had deficit fund balances (amounts expressed in thousands) of \$6,040, \$29,684 and \$76, respectively, at June 30, 2008. The deficit for the Grade Crossing Protection Fund will be eliminated by use of future resources transferred from the Motor Fuel Tax Fund. The deficits for the Federal Local Airport and the Federal Mass Transit Fund will be eliminated by future recognition of earned but unavailable revenues and future grant resources.

**(10) Risk Management**

The Department is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; aviation liability; auto liability; workers compensation; and natural disasters. Except for a portion of the auto liability, the State retains the risk of loss (i.e. self insured) for these risks.

Auto liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claims liabilities are based upon the estimated ultimate cost of settling the claims including specific, incremental claim adjustment expenses, salvage, and subrogation and considering the effects of inflation and recent claim settlement trends including frequency and amount of payouts and other economic and social factors. The Department's risk financing for auto liabilities has been determined using an estimate of claims outstanding.

**STATE OF ILLINOIS  
DEPARTMENT OF TRANSPORTATION**

Notes to Financial Statements

June 30, 2008

**(10) Risk Management (continued)**

The following is a reconciliation of the Department's claims liabilities for the years June 30, 2007 and June 30, 2008.

<u>Year Ended June 30</u>	<u>Beginning Balance</u>	<u>Claims Incurred</u>	<u>Decreases</u>	<u>Ending Balance</u>
2007	\$ 7,300	\$ 2,200	\$ 2,235	\$ 7,265
2008	\$ 7,265	\$ 5,002	\$ 2,310	\$ 9,957

**(11) Commitments and Contingencies**

*(a) Commitments*

The Department has outstanding construction projects for highway program improvements and administrative expenses in which it has entered into future commitments. The amount of the Department's commitments was \$1.644 billion at June 30, 2008.

*(b) Operating leases*

The Department leases various real property and equipment under the terms of a noncancelable operating lease agreement that requires the Department to make minimum lease payments plus pay a pro rata share of certain operating costs. Rent expense under operating leases was \$9.723 million for the year ended June 30, 2008.

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

<u>Year ending June 30,</u>	<u>Amount</u>
2009	\$ 2,134
2010	209
2011	141
2012	<u>78</u>
	<u>\$ 2,562</u>

**STATE OF ILLINOIS  
DEPARTMENT OF TRANSPORTATION**

Notes to Financial Statements

June 30, 2008

**(11) Commitments and Contingencies (continued)**

**(c) Federal Funding**

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

**(d) Litigation**

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

**(12) Restatement**

The Department restated the beginning fund balance in the Road Fund, the State Construction Account, and the Grade Crossing Fund, a Nonmajor governmental funds for the correction of an error totaling \$59.234 million for motor fuel tax revenues which should have been accrued as revenue in the funds.

	Governmental Activities			
	Governmental Funds			
			Nonmajor Fund	
	Road	State Construction Account	Grade Crossing	Governmental Activities
Fund Balance/Net Assets, June 30, 2007, as previously reported	\$ 152,007	\$ 16,945	\$ 4,952	\$ 15,225,265
Allocation of motor fuel tax	34,640	22,344	2,250	59,234
Fund Balance/Net Assets, June 30, 2007, as restated	<u>\$ 186,647</u>	<u>\$ 39,289</u>	<u>\$ 7,202</u>	<u>\$ 15,284,499</u>



**State of Illinois**  
**Department of Transportation**  
**Significant General Fund Account Descriptions**  
**June 30, 2008**

***General Fund***

The General Fund is maintained to account for resources obtained and used for those services traditionally provided by State government which are not required to be accounted for in another fund.

***Significant General Fund Account Descriptions***

General Revenue Account – to account for resources obtained and used which are not required to be accounted for in another fund or account.

I-Fly Account – to provide funding for air carrier recruitment and retention programs and planning grants for airports outside of Cook County.

**State of Illinois**  
**Department of Transportation**

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**Combining Schedule of Accounts -**  
**General Revenue Fund**  
June 30, 2008 (Expressed in Thousands)

	General Revenue 0001	I-Fly 0306	Total
<b>ASSETS</b>			
Unexpended appropriations	\$ 7,898	\$ -	\$ 7,898
Cash equity with State Treasurer	-	45	45
Intergovernmental receivables, net	1,438	-	1,438
Loans receivable, net	978	-	978
<b>Total assets</b>	<b>\$ 10,314</b>	<b>\$ 45</b>	<b>\$ 10,359</b>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 7,214	\$ -	\$ 7,214
Intergovernmental payables	662	-	662
Due to other Department funds	14	-	14
Due to other State funds	3	-	3
Unavailable revenue	1,438	-	1,438
<b>Total liabilities</b>	<b>9,331</b>	<b>-</b>	<b>9,331</b>
<b>FUND BALANCES</b>			
Reserved for encumbrances	5	-	5
Reserved for long-term portion of loans and notes receivable	815	-	815
Unreserved, undesignated	163	45	208
<b>Total fund balances</b>	<b>983</b>	<b>45</b>	<b>1,028</b>
<b>Total liabilities and fund balances</b>	<b>\$ 10,314</b>	<b>\$ 45</b>	<b>\$ 10,359</b>

**State of Illinois**  
**Department of Transportation**

**Combining Statement of Revenues,  
Expenditures, and Changes in Fund Balances -  
General Revenue Fund**

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

	General Revenue 0001	I-Fly 0306	Total
<b>REVENUES</b>			
Other operating grants	\$ 310	\$ -	\$ 310
Other charges for services	12	-	12
<b>Total revenues</b>	<b>322</b>	<b>-</b>	<b>322</b>
<b>EXPENDITURES</b>			
Transportation	122,544	945	123,489
<b>Total expenditures</b>	<b>122,544</b>	<b>945</b>	<b>123,489</b>
<b>Deficiency of revenues under expenditures</b>	<b>(122,222)</b>	<b>(945)</b>	<b>(123,167)</b>
<b>OTHER SOURCES (USES) OF FINANCIAL RESOURCES</b>			
Appropriations from State resources	134,876	-	134,876
Reappropriation to future year(s)	(3,086)	-	(3,086)
Lapsed appropriations	(9,329)	-	(9,329)
Receipts collected and transmitted to State Treasury	(515)	-	(515)
Net change in liabilities for reappropriated accounts	121	-	121
Transfers-in	-	1,320	1,320
<b>Net other sources (uses) of financial resources</b>	<b>122,067</b>	<b>1,320</b>	<b>123,387</b>
<b>Net change in fund balances</b>	<b>(155)</b>	<b>375</b>	<b>220</b>
Fund balances (deficits), July 1, 2007	1,138	(330)	808
<b>FUND BALANCES, JUNE 30, 2008</b>	<b>\$ 983</b>	<b>\$ 45</b>	<b>\$ 1,028</b>

**State of Illinois**  
**Department of Transportation**  
**Significant Non-Major Governmental Fund Descriptions**  
**June 30, 2008**

***Special Revenue Funds***

The Special Revenue Funds are maintained to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

***Significant Non-Major Governmental Special Revenue Funds***

Motor Fuel Tax Fund – to receive and distribute monthly, motor fuel taxes to other state funds and local governments and municipalities. The distribution to other state agencies and the local governments and municipalities is done according to state statute.

Federal/Local Airport Fund – to receive and management federal funds for airport construction.

State Rail Freight Loan Repayment Fund – to receive and record repayments of loans of State funds, made by the Illinois Department of Transportation to railroads, units of local government, rail users, owners, and lessees of railroad right of way to rehabilitate, improve or construct rail facilities.

Public Transportation Fund – to receive monthly transfers from the General Revenue Account in the General Fund representing statutory shares under various sales tax acts and distribute to the Regional Transportation Authority pursuant to statutory formula.

***Capital Project Funds***

The Capital Project Funds are maintained to account for the acquisition and/or construction of major capital facilities.

***Significant Non-Major Capital Project Funds***

Transportation Bond Series A Fund – to account for the proceeds from the bond issues to finance State highway acquisition, construction, reconstruction, extension and improvements.

Transportation Bond Series B Fund – to account for the proceeds from the bond issues to finance mass transportation and aviation infrastructure including, but not limited to, the acquisition of mass transportation equipment, including rail and bus, and other equipment for counties under the Regional Transportation Authority.

***Debt Service Funds***

The Debt Service Funds are maintained to account for resources obtained and accumulated to pay interest and principal on general long-term obligations.

***Significant Non-Major Debt Service Funds***

There are no significant funds to describe.

**State of Illinois**  
**Department of Transportation**  
**Combining Balance Sheet -**  
**Nonmajor Governmental Funds**  
June 30, 2008 (Expressed in Thousands)

	<b>Special Revenue</b>						
	Motor Fuel Tax 0012	Grade Crossing Protection Fund 0019	Aeronautics Fund 0046	Federal Local Airport Fund 0095	Intercity Passenger Rail Fund 0233	State Rail Freight Loan Repayment Fund 0265	Tax Recovery Fund 0310
<b>ASSETS</b>							
Unexpended appropriations	\$ 195,804	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash equity with State Treasurer	-	2	171	3,928	791	11,540	914
Cash and cash equivalents	-	-	-	-	-	-	-
Intergovernmental receivables, net	-	-	-	40,620	-	-	-
Other receivables, net	-	6	-	-	2	21	-
Due from other Department funds	-	4,500	-	718	-	-	-
Due from other State funds	-	-	-	-	-	-	-
Loans receivable, net	-	-	-	-	-	20,412	-
<b>Total assets</b>	<b>\$ 195,804</b>	<b>\$ 4,508</b>	<b>\$ 171</b>	<b>\$ 45,266</b>	<b>\$ 793</b>	<b>\$ 31,973</b>	<b>\$ 914</b>
<b>LIABILITIES</b>							
Accounts payable and accrued liabilities	\$ 305	\$ 4,904	\$ 28	\$ 15,642	\$ 735	\$ -	\$ -
Intergovernmental payables	101,277	5,644	1	26,230	-	-	1
Due to other Department funds	93,381	-	-	-	-	-	-
Due to other State funds	841	-	-	-	-	-	-
Due to State of Illinois component units	-	-	-	-	-	-	-
Unavailable revenue	-	-	-	29,684	-	-	-
Deferred revenue	-	-	-	3,394	-	-	-
<b>Total liabilities</b>	<b>195,804</b>	<b>10,548</b>	<b>29</b>	<b>74,950</b>	<b>735</b>	<b>-</b>	<b>1</b>
<b>FUND BALANCES (DEFICITS)</b>							
Reserved for loans and notes receivable	-	-	-	-	-	19,531	-
Designated for other	-	-	-	-	-	4,686	-
Unreserved, undesignated	-	(6,040)	142	(29,684)	58	7,756	913
<b>Total fund balances (deficits)</b>	<b>-</b>	<b>(6,040)</b>	<b>142</b>	<b>(29,684)</b>	<b>58</b>	<b>31,973</b>	<b>913</b>
<b>Total liabilities and fund balances (deficits)</b>	<b>\$ 195,804</b>	<b>\$ 4,508</b>	<b>\$ 171</b>	<b>\$ 45,266</b>	<b>\$ 793</b>	<b>\$ 31,973</b>	<b>\$ 914</b>

**State of Illinois**  
**Department of Transportation**  
**Combining Balance Sheet -**  
**Nonmajor Governmental Funds**  
June 30, 2008 (Expressed in Thousands)

	Special Revenue					
	Comprehensive Regional Planning Fund 0406	Federal Civil Preparedness Administrative Fund 0497	Transportation Safety Highway Hire-Back Fund 0589	Public Transportation Fund 0627	Down-State Public Transportation Fund 0648	Airport Land Loan Revolving Fund 0669
<b>ASSETS</b>						
Unexpended appropriations	\$ -	\$ 15	\$ -	\$ -	\$ -	\$ -
Cash equity with State Treasurer	-	-	42	47,711	25,467	88
Cash and cash equivalents	-	-	-	-	-	-
Intergovernmental receivables, net	-	-	-	-	-	-
Other receivables, net	-	-	-	-	-	-
Due from other Department funds	-	-	-	-	-	-
Due from other State funds	-	15	-	49,798	-	-
Loans receivable, net	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ -</b>	<b>\$ 30</b>	<b>\$ 42</b>	<b>\$ 97,509</b>	<b>\$ 25,467</b>	<b>\$ 88</b>
<b>LIABILITIES</b>						
Accounts payable and accrued liabilities	\$ -	\$ 15	\$ -	\$ -	\$ -	\$ -
Intergovernmental payables	-	-	-	97,509	5,591	-
Due to other Department funds	-	-	-	-	-	-
Due to other State funds	-	-	-	-	-	-
Due to State of Illinois component units	-	-	-	-	-	-
Unavailable revenue	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>15</b>	<b>-</b>	<b>97,509</b>	<b>5,591</b>	<b>-</b>
<b>FUND BALANCES (DEFICITS)</b>						
Reserved for loans and notes receivable	-	-	-	-	-	-
Designated for other	-	-	-	-	-	-
Unreserved, undesignated	-	15	42	-	19,876	88
<b>Total fund balances (deficits)</b>	<b>-</b>	<b>15</b>	<b>42</b>	<b>-</b>	<b>19,876</b>	<b>88</b>
<b>Total liabilities and fund balances (deficits)</b>	<b>\$ -</b>	<b>\$ 30</b>	<b>\$ 42</b>	<b>\$ 97,509</b>	<b>\$ 25,467</b>	<b>\$ 88</b>

**State of Illinois**  
**Department of Transportation**  
**Combining Balance Sheet -**  
**Nonmajor Governmental Funds**  
 June 30, 2008 (Expressed in Thousands)

	Special Revenue				
	Metro-East Public Transportation Fund 0794	Federal Mass Transit Fund 0853	Cycle Rider Safety Training Fund 0863	Rail Freight Loan Repayment Fund 0936	
<b>ASSETS</b>					
Unexpended appropriations	-	-	-	-	-
Cash equity with State Treasurer	960	835	607	4,204	6,606
Cash and cash equivalents	-	-	-	-	-
Intergovernmental receivables, net	-	2,506	-	-	2,506
Other receivables, net	-	-	-	8	8
Due from other Department funds	-	-	-	-	-
Due from other State funds	391	-	-	-	391
Loans receivable, net	-	-	-	2,641	2,641
<b>Total assets</b>	<b>\$ 1,351</b>	<b>\$ 3,341</b>	<b>\$ 607</b>	<b>\$ 6,853</b>	<b>\$ 11,152</b>
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities	-	1,806	-	-	1,806
Intergovernmental payables	803	557	-	-	1,360
Due to other Department funds	-	839	-	-	839
Due to other State funds	48	-	-	-	48
Due to State of Illinois component units	-	139	607	-	846
Unavailable revenue	-	76	-	-	76
Deferred revenue	-	-	-	-	-
<b>Total liabilities</b>	<b>\$ 851</b>	<b>\$ 3,417</b>	<b>\$ 607</b>	<b>\$ -</b>	<b>\$ 4,885</b>
<b>FUND BALANCES (DEFICITS)</b>					
Reserved for loans and notes receivable	-	-	-	2,225	2,225
Designated for other	-	-	-	700	700
Unreserved, undesignated	500	(76)	-	3,928	4,352
<b>Total fund balances (deficits)</b>	<b>\$ 500</b>	<b>\$ (76)</b>	<b>\$ -</b>	<b>\$ 6,853</b>	<b>\$ 7,277</b>
<b>Total liabilities and fund balances (deficits)</b>	<b>\$ 1,351</b>	<b>\$ 3,341</b>	<b>\$ 607</b>	<b>\$ 6,853</b>	<b>\$ 18,429</b>

**State of Illinois  
Department of Transportation  
Combining Balance Sheet -  
Nonmajor Governmental Funds  
June 30, 2008 (Expressed in Thousands)**

	Capital Projects		Debt Service		
	0553 Fund	0554 Fund	1494 Fund	0101 Fund	2494 Fund
	Transportation Bond Series A	Transportation Bond Series B	Capital Projects	Bond Obligation General	Debt Service
<b>ASSETS</b>					
Unexpended appropriations	\$ 374	\$ 13,165	\$ -	\$ -	\$ 209,965
Cash equity with State Treasurer	-	-	-	-	96,653
Cash and cash equivalents	2,130	-	-	2,212	4,342
Intergovernmental receivables, net	-	-	-	-	43,126
Other receivables, net	9	-	110	-	46
Due from other Department funds	-	-	-	-	5,328
Due from other State funds	-	-	-	-	50,204
Loans receivable, net	-	-	-	17,061	40,114
<b>Total assets</b>	<b>\$ 2,513</b>	<b>\$ 13,165</b>	<b>\$ 110</b>	<b>\$ 17,061</b>	<b>\$ 449,778</b>
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities	\$ 2,504	\$ 1,872	\$ -	\$ -	\$ 27,811
Intergovernmental payables	-	10,724	-	-	248,337
Due to other Department funds	-	569	-	149	94,938
Due to other State funds	-	-	-	-	889
Due to State of Illinois component units	-	-	-	-	746
Unavailable revenue	-	-	-	-	29,760
Deferred revenue	-	-	-	-	3,394
<b>Total liabilities</b>	<b>2,504</b>	<b>13,165</b>	<b>-</b>	<b>149</b>	<b>405,875</b>
<b>FUND BALANCES (DEFICITS)</b>					
Reserved for loans and notes receivable	-	-	-	15,859	37,615
Designated for other	-	-	-	-	5,386
Unreserved, undesignated	9	-	110	1,053	902
<b>Total fund balances (deficits)</b>	<b>9</b>	<b>-</b>	<b>110</b>	<b>16,912</b>	<b>43,903</b>
<b>Total liabilities and fund balances (deficits)</b>	<b>\$ 2,513</b>	<b>\$ 13,165</b>	<b>\$ 110</b>	<b>\$ 17,061</b>	<b>\$ 449,778</b>



**State of Illinois  
Department of Transportation**

**Combining Statement of Revenues,  
Expenditures, and Changes In Fund Balances -  
Nonmajor Governmental Funds**

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

	Special Revenue						
	Motor Fuel Tax 0012	Grade Crossing Protection Fund 0019	Aeronautics Fund 0046	Federal Local Airport Fund 0095	Intercity Passenger Rail Fund 0233	State Rail Freight Loan Repayment Fund 0265	Tax Recovery Fund 0310
<b>REVENUES</b>							
Operating grants - Federal	\$ -	\$ -	\$ -	\$ 90,534	\$ -	\$ -	\$ -
Other operating grants	-	-	-	5,344	-	-	-
Licenses and fees	-	-	259	-	-	-	-
Other charges for services	-	-	-	-	-	-	346
Other	-	8	-	-	-	-	-
Interest and other investment income	-	-	-	-	36	1,017	-
<b>Total revenues</b>	<b>-</b>	<b>8</b>	<b>259</b>	<b>95,878</b>	<b>36</b>	<b>1,017</b>	<b>346</b>
<b>EXPENDITURES</b>							
Transportation	631,218	37,950	118	111,537	735	687	49
Debt service - principal	-	-	-	-	-	-	-
Debt service - interest	-	-	-	-	-	-	-
Capital outlays	-	50	-	-	-	-	-
<b>Total expenditures</b>	<b>631,218</b>	<b>38,000</b>	<b>118</b>	<b>111,537</b>	<b>735</b>	<b>687</b>	<b>49</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(631,218)</b>	<b>(37,992)</b>	<b>141</b>	<b>(15,659)</b>	<b>(699)</b>	<b>330</b>	<b>297</b>
<b>OTHER SOURCES (USES) OF FINANCIAL RESOURCES</b>							
Appropriations from State resources	675,055	-	-	-	-	-	-
Reappropriation to future year(s)	-	-	-	-	-	-	-
Lapsed appropriations	(34,370)	-	-	-	-	-	-
Receipts collected and transmitted to State Treasury	-	-	-	-	-	-	-
Net change in liabilities for reappropriated accounts	(19,776)	-	-	-	-	-	-
Amount of SAMS Transfers-out	640,993	-	-	-	-	-	-
Transfers-in	-	27,000	-	-	676	-	-
Transfers-out	(630,687)	(2,250)	-	-	-	-	-
<b>Net other sources (uses) of financial resources</b>	<b>631,215</b>	<b>24,750</b>	<b>-</b>	<b>-</b>	<b>676</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(3)</b>	<b>(13,242)</b>	<b>141</b>	<b>(15,659)</b>	<b>(23)</b>	<b>330</b>	<b>297</b>
Fund balances (deficits), July 1, 2007, as restated	3	7,202	1	(14,025)	81	31,843	616
<b>FUND BALANCES (DEFICITS), JUNE 30, 2008</b>	<b>\$ -</b>	<b>\$ (8,040)</b>	<b>\$ 142</b>	<b>\$ (29,684)</b>	<b>\$ 58</b>	<b>\$ 31,973</b>	<b>\$ 913</b>

**State of Illinois**  
**Department of Transportation**  
**Combining Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
For the Year Ended June 30, 2008 (Expressed in Thousands)

	Special Revenue					
	Comprehensive Regional Planning Fund 0408	Federal Civil Preparedness Administrative Fund 0497	Transportation Safety Highway Hiro-Back Fund 0589	Public Transportation Fund 0627	Down-State Public Transportation Fund 0648	Airport Land Loan Revolving Fund 0669
<b>REVENUES</b>						
Operating grants - Federal	\$ -	\$ 891	\$ -	\$ -	\$ -	\$ -
Other operating grants	-	-	-	-	-	-
Licenses and fees	-	-	-	-	-	-
Other charges for services	-	-	-	-	-	-
Other	-	-	271	-	-	-
Interest and other investment income	-	-	-	-	-	4
<b>Total revenues</b>	<b>-</b>	<b>891</b>	<b>271</b>	<b>-</b>	<b>-</b>	<b>4</b>
<b>EXPENDITURES</b>						
Transportation	5,000	875	350	323,676	85,337	-
Debt service - principal	-	-	-	-	-	-
Debt service - interest	-	-	-	-	-	-
Capital outlays	-	-	-	-	-	-
<b>Total expenditures</b>	<b>5,000</b>	<b>875</b>	<b>350</b>	<b>323,676</b>	<b>85,337</b>	<b>-</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(5,000)</b>	<b>18</b>	<b>(79)</b>	<b>(323,676)</b>	<b>(85,337)</b>	<b>4</b>
<b>OTHER SOURCES (USES) OF FINANCIAL RESOURCES</b>						
Appropriations from State resources	-	2,571	-	-	-	-
Reappropriation to future year(s)	-	-	-	-	-	-
Lapsed appropriations	-	(1,891)	-	-	-	-
Receipts collected and transmitted to State Treasury	-	(881)	-	-	-	-
Net change in liabilities for reappropriated accounts	-	-	-	-	-	-
Amount of SAMS Transfers-out	-	-	-	-	-	-
Transfers-in	5,000	-	-	323,676	88,198	-
Transfers-out	-	-	-	-	-	-
<b>Net other sources (uses) of financial resources</b>	<b>5,000</b>	<b>(1)</b>	<b>-</b>	<b>323,676</b>	<b>88,198</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>-</b>	<b>15</b>	<b>(79)</b>	<b>-</b>	<b>861</b>	<b>4</b>
Fund balances (deficits), July 1, 2007, as restated	-	-	121	-	19,015	84
<b>FUND BALANCES (DEFICITS), JUNE 30, 2008</b>	<b>\$ -</b>	<b>\$ 15</b>	<b>\$ 42</b>	<b>\$ -</b>	<b>\$ 19,876</b>	<b>\$ 88</b>

**State of Illinois  
Department of Transportation**

**Combining Statement of Revenues,  
Expenditures, and Changes in Fund Balances -  
Nonmajor Governmental Funds**  
For the Year Ended June 30, 2008 (Expressed in Thousands)

	Special Revenue			
	Metro-East Public Transportation Fund 0784	Federal Mass Transit Fund 0853	Cycle Ridor Safety Training Fund 0863	Rail Freight Loan Repayment Fund 0936
<b>REVENUES</b>				
Operating grants - Federal	-	17,884	-	-
Other operating grants	-	-	-	-
Licenses and fees	-	-	-	-
Other charges for services	-	-	-	-
Other	-	-	-	-
Interest and other investment income	-	-	-	284
<b>Total revenues</b>	<b>-</b>	<b>17,884</b>	<b>-</b>	<b>284</b>
<b>EXPENDITURES</b>				
Transportation	9,711	17,576	2,759	-
Debt service - principal	-	-	-	-
Debt services - interest	-	-	-	-
Capital outlays	-	-	-	-
<b>Total expenditures</b>	<b>9,711</b>	<b>17,576</b>	<b>2,759</b>	<b>-</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(9,711)</b>	<b>308</b>	<b>(2,759)</b>	<b>284</b>
<b>OTHER SOURCES (USES) OF FINANCIAL RESOURCES</b>				
Appropriations from State resources	-	-	7,104	-
Reappropriation to future year(s)	-	-	(3,594)	-
Lapsed appropriations	-	-	(42)	-
Receipts collected and transmitted to State Treasury	-	-	-	-
Net change in liabilities for reappropriated accounts	-	-	(709)	-
Amount of SAMS Transfers-out	-	-	-	-
Transfers-in	7,643	-	-	-
Transfers-out	-	-	-	-
<b>Not other sources (uses) of financial resources</b>	<b>7,643</b>	<b>-</b>	<b>2,759</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(2,068)</b>	<b>308</b>	<b>-</b>	<b>284</b>
<b>Fund balances (deficits), July 1, 2007, as restated</b>	<b>2,568</b>	<b>(384)</b>	<b>-</b>	<b>8,569</b>
<b>FUND BALANCES (DEFICITS), JUNE 30, 2008</b>	<b>\$ 500</b>	<b>\$ (78)</b>	<b>\$ -</b>	<b>\$ 8,853</b>

**State of Illinois  
Department of Transportation**

**Combining Statement of Revenues,  
Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds**

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

	Capital Projects			Debt Service		Total
	Transportation Bond Series A	Transportation Bond Series B	IDOT Capital Projects	General Obligation Bond Retirement and Interest	IDOT COP Debt Service	
	Fund 0553	Fund 0554	Fund 1494	Fund 0101	Fund 2494	
<b>REVENUES</b>						
Operating grants - Federal	\$ -	\$ -	\$ -	\$ -	\$ -	109,309
Other operating grants	-	-	-	-	-	5,344
Licenses and fees	-	-	-	-	-	259
Other charges for services	-	-	-	-	-	346
Other	9	-	-	-	-	288
Interest and other investment income	-	-	-	547	-	1,868
<b>Total revenues</b>	<b>9</b>	<b>-</b>	<b>-</b>	<b>547</b>	<b>-</b>	<b>117,414</b>
<b>EXPENDITURES</b>						
Transportation	285	61,977	1,335	-	-	1,291,175
Debt service - principal	-	-	-	-	1,450	1,450
Debt service - interest	-	-	-	-	1,419	1,419
Capital outlays	11,577	1,446	-	-	-	13,073
<b>Total expenditures</b>	<b>11,862</b>	<b>63,423</b>	<b>1,335</b>	<b>-</b>	<b>2,869</b>	<b>1,307,117</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(11,853)</b>	<b>(63,423)</b>	<b>(1,335)</b>	<b>547</b>	<b>(2,869)</b>	<b>(1,189,703)</b>
<b>OTHER SOURCES (USES) OF FINANCIAL RESOURCES</b>						
Appropriations from State resources	126,486	256,035	-	-	-	1,067,261
Reappropriation to future year(s)	(111,838)	(198,370)	-	-	-	(313,602)
Lapsed appropriations	-	-	-	-	-	(36,103)
Receipts collected and transmitted to State Treasury	(1)	(6)	-	(1,073)	-	(2,761)
Net change in liabilities for reappropriated accounts	(2,795)	5,764	-	-	-	(17,516)
Amount of SAMS Transfers-out	-	-	-	-	-	640,993
Transfers-in	-	-	1,340	-	2,803	454,436
Transfers-out	-	-	-	-	-	(632,937)
<b>Net other sources (uses) of financial resources</b>	<b>11,862</b>	<b>63,423</b>	<b>1,340</b>	<b>(1,873)</b>	<b>2,903</b>	<b>1,159,571</b>
<b>Net change in fund balances</b>	<b>9</b>	<b>-</b>	<b>5</b>	<b>(1,326)</b>	<b>34</b>	<b>(30,132)</b>
Fund balances (deficits), July 1, 2007, as restated	-	-	105	18,238	2,178	74,035
<b>FUND BALANCES (DEFICITS), JUNE 30, 2008</b>	<b>\$ 9</b>	<b>\$ -</b>	<b>\$ 110</b>	<b>\$ 16,912</b>	<b>\$ 2,212</b>	<b>\$ 43,903</b>

**Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of the Financial Statements Performed  
in Accordance with *Government Auditing Standards***

Honorable William G. Holland  
Auditor General  
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the State of Illinois, Department of Transportation (Department) as of and for the year ended June 30, 2008, and have issued our report thereon dated March 17, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Department's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Department'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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Department's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Department's financial statements that is more than inconsequential will not be prevented or detected by the Department's internal control. We consider the deficiencies described as findings 08-01, 08-02, and 08-03 in the accompanying Schedule of Findings and Responses to be significant deficiencies in internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider Findings 08-01 and 08-03 to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Department'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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and is described in the accompanying Schedule of Findings and Responses as item 08-02.

The Department's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit the Department's responses and, accordingly, we express no opinion on them.

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

BKD, LLP

March 17, 2009

**State of Illinois**  
**Department of Transportation**  
**Schedule of Findings and Responses**  
**June 30, 2008**

***Current Findings — Government Auditing Standards***

**08-01.** Finding – Revenue Recognition/Deferred Revenue

The Department failed to pro-rate certain Federal receipts between FY2008 and FY2009 for projects that had cost incurred during both fiscal periods. Also, a material amount of revenue, which was earned prior to year end but received after the Department's cut-off date of its review of lapse period receipts, was not recorded until the following year.

Revenue Recognition

Our review of accounts receivable and receipts during the lapse period disclosed thirty instances of improper recognition of revenue and sixteen instances of the improper exclusion of revenue. In the first thirty instances, the Department recognized federal reimbursement as revenue despite the contract service dates having activity spanning both Fiscal Year 2008 and Fiscal Year 2009 for which a pro-rate portion should have been applied. These instances resulted in the Department overstating revenue by \$1,855,138.

In the 16 other instances noted, the Department excluded the recognition of revenue from federal receipts, received during lapse period, for contracts which possessed service dates in Fiscal Year 2008. These instances resulted in the Department understating revenue and overstating deferred revenue by \$5,260,157.

The above discrepancies resulted in the Department inaccurately excluding \$3,405,019 of revenue which when extrapolated over the entire population of reimbursements caused liabilities to be overstated by \$8,887,086 (Road Fund). An adjusting journal entry was recorded to correct these differences along with the related receivable and deferred revenue amounts.

Deferred Revenue

Our review of accounts receivable and receipts during the lapse period disclosed five instances of improper recognition of deferred revenue. In four of the instances, the Department recognized reimbursement of receipts as deferred revenue despite contract service dates having activity spanning both Fiscal Year 2008 and Fiscal Year 2009 or service dates only pertaining to Fiscal Year 2009 for which a pro-rated portion should have been applied. These instances resulted in the Department overstating deferred revenue by \$716,634. The final instance noted pertained to a project recognized as deferred revenue even though reimbursement occurred during the lapse period (or cash received by the end of the lapse period). This instance resulted in the Department overstating deferred revenue by \$145,424. The discrepancies resulted in the Department inaccurately recognizing \$862,058 of deferred revenue which caused liabilities to be overstated by \$862,058 (Federal Local Airport Fund). An adjusting journal entry was recorded to correct these differences.

**State of Illinois**  
**Department of Transportation**  
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**08-01.**     Finding – Revenue Recognition/Deferred Revenue (Continued)

Under the Statewide Accounting Management System 03.20.20 (page 1 of 1), the State considers all revenues reported in the governmental funds to be available if collected within the lapse period. Application of the “measurable and available” criteria requires judgment, consideration of the materiality of the item in question, and due regard for the practicality of measurement, as well as consistency in application.

Department personnel stated the reports for year end were created to look at individual payments to determine proper classification of revenue or deferred revenue based on when the federal reimbursement occurred. Due to the nature of these funds it was thought such that the Federal turn around of reimbursement would be quick enough that the Department set a July 15 cut-off for recognition of current revenue in 2008 and deferred the remainder to 2009.

Without formal policies in place for monitoring revenue accounts on a monthly basis, Department records are inconsistent and incomplete and could result in lost or misappropriated items and inaccurate financial statements. (Finding Code 08-01, 07-02)

Recommendation

We recommend review of the accounts receivable be performed monthly to ensure that reimbursement projects are billed on a current basis and that receipts, where applicable, prorated between periods for accurate recognition in the appropriate accounting period.

Department Response

The Department agrees with the finding.

The Project Control Section in the Bureau of Budget and Fiscal Management is working to be able to capture data on federal revenues collected through July and August and the expenditure data, including the service dates, which generated the revenue and then be able to prorate the data into the correct fiscal year in which it was earned.



**State of Illinois**  
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**June 30, 2008**

**08-02.**     Finding – Inaccurate Commodities Inventory Records

The Department did not follow their formal commodities inventory policies or procedures in conducting the June 30, 2008 physical inventory. In addition the Department does not maintain a perpetual inventory system.

The Department performed year-end commodities inventory counts at each location to determine the value of commodities inventory to be reported in the financial statements. These counts were performed around June 30, 2008.

Inventory Counts

During our physical inventory counts, we noted discrepancies between audit test counts and Department inventory counts resulting in an overstatement of the year end inventory balance of \$25,401, which, when extrapolated over the entire inventory population, resulted in an estimated overstatement of \$600,360. The Department did not post a journal entry for the overstatement of \$600,360 due to materiality as this item was considered immaterial by the Department. The Department was not able to reconcile between audit test counts and Department physical inventory counts for these differences. It was noted through inquiry, the Department did not count any commodities items with an estimated extended cost below \$500. The Department viewed these items as immaterial. In addition, the Department did not record counts correctly for the FY 2008 inventory process. We noted seven instances where the Department inaccurately recorded an inventory count which caused their inventory valuation to be overstated by \$3,492,828. The Department corrected the inaccuracies prior to recording the final inventory amount in the financial statements.

Inventory Pricing

During our price testing, we noted numerous items in the inventory listing contained pricing errors. It was determined that certain commodities were given equal pricing across the state although actual commodity costs varied by location. In some instances it was also noted that inventoried commodities costs did not agree to the actual invoice at the time the commodities were purchased. We noted discrepancies between final inventory prices and invoice prices resulting in an overstatement of the year end inventory amount of \$191,335. When extrapolated over the entire inventory population, this discrepancy resulted in an estimated overstatement of \$935,870. The Department did not post a journal entry for the overstatement of \$935,870 due to materiality as this item was considered immaterial.

The Illinois Procurement Code (30 ILCS 500/50-55) requires that State agencies inventory or stock no more than a twelve month supply of equipment, supplies, commodities, articles and other items except as otherwise authorized by State agency regulations. Every State agency is to periodically review its inventory to ensure compliance with this Section.

**State of Illinois**  
**Department of Transportation**  
**Schedule of Findings and Responses**  
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**08-02.**     Finding – Inaccurate Commodities Inventory Records (Continued)

Additionally, good internal control requires formal written policies so that inventory can be monitored and accounted for consistently throughout the Department.

The Statewide Accounting Management System Section 02.50.20 (page 6 of 12) requires detailed subsidiary records be maintained for inventories and periodically reconciled to control accounts; in addition, it requires issues, transfers, retirements and losses be reported and accounted for timely. Good business practices require that internal controls be in place and operating to maintain effective accounting control over assets and to ensure they are properly reported. Timely recording of commodity transactions is essential to maintaining an accurate perpetual inventory record and to ensure accurate financial reporting.

Department personnel acknowledged that discrepancies were noted between the audit test counts and department physical inventory counts. The Department did view items at an estimated composite cost of less than \$500 as immaterial, and did make the conscious decision not to count those commodities. Due to the high volume of purchases for various commodity items, an extensive overhaul would be required in order to provide multiple unit price information for common items. Therefore, certain commodities were given equal pricing.

Without consistent application of inventory policies and without reconciling inventory on hand, inventory records are inconsistent and incomplete and could result in lost or misappropriated items and inaccurate financial statements. Furthermore, without monitoring to determine that formal inventory policies and procedure are followed, the Department cannot determine if it is in compliance with the Illinois Procurement Code requirements. (Finding Code 08-02, 07-03, 06-04, 05-12, 04-04, 03-05, 02-09, 00-04, 99-05, 98-04, 96-07, 94-06)

Recommendation

We recommend the Department continue training for formal inventory policies and procedures for all Districts/Sites and maintain commodities quantity and costing records throughout the year. The Department should furthermore perform periodic physical inventory counts of commodities inventory and reconcile those counts to its commodities records, e.g. Materials Management Information. Also, we strongly recommend that Management implement a review at year-end to compare costs assigned per inventory listings to the most recent invoice amounts to ensure accuracy of the unit costs. This practice should help to ensure that inventories are accurately valued for financial statement purposes.

**State of Illinois**  
**Department of Transportation**  
**Schedule of Findings and Responses**  
**June 30, 2008**

**08-02.** Finding – Inaccurate Commodities Inventory Records (Continued)

Department Response

The Department agrees with the finding.

Inventory Counts.

The Division of Highways staff is preparing a spreadsheet which goes out to all districts on which they will record the inventory counts. We are going to expand the spreadsheet to include last year's counts. We will have the spreadsheet perform a calculation for variances and ask the districts to investigate items with significant variances and provide reasons as to why there is a variance.

Inventory Pricing.

When the district is pricing out some of the commodity items they will average the cost among their yards to get an average district price. Also general pricing errors occurred. We will have a conference call with all the districts approximately a month before the inventory is taken. In this call we will emphasize the importance of correct pricing and attention to detail. This call will be followed up with a detailed memo reiterating the main points made in the call.

**State of Illinois**  
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**June 30, 2008**

**08-03.**     Finding – Restatement of Shared Revenues

The Department restated the beginning fund balance for fuel tax revenues which were not properly accrued as revenues for fiscal year 2007.

The Department’s review of the Motor Fuel Tax Revenue Fund indicated a restatement of the fund balance of the Road Funds, Grade Crossing Fund, and State Construction Fund. Motor fuel tax revenues are revenues which should have been accrued in the individual funds mentioned above for fiscal year 2007. These fuel tax revenues are shared revenue transactions deposited into the above Funds by the Department of Revenue. The discrepancy resulted in the Department inaccurately excluding \$59,234,000 of fuel tax revenues that should have been recognized during fiscal year 2007. A prior period adjustment was recorded to correct this difference within the Road Fund, Grade Crossing Fund, and State Construction Fund.

GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, describes the sharing of revenue from one level of government to a government of another level as a government-mandated nonexchange transaction. Accordingly, the State should recognize liabilities and expenditures or expenses, as appropriate, when all eligibility requirements, including time requirements, are met.

Management did not properly match their recognition of expense within shared revenue funds with the recognition of revenue to properly comply with the matching principle established under GAAP in the period of accounting.

Without formal policies in place for monitoring revenue accounts on a monthly basis, Department records are inconsistent and incomplete and could result in lost or misappropriated items and inaccurate financial statements. (Finding Code 08-03)

Recommendation

We recommend reviews of all government-mandated nonexchange transactions be performed monthly to ensure disbursements of shared revenues are accrued to the extent the revenues are earned.

Department Response

The Department agrees with the finding.

IDOT’s accountants will meet with the Department of Revenue’s accountants to get the revenues worked out. This meeting will establish when MFT revenues are collected and due, liability month and collection month. Both agencies need to be in agreement on these points.

**State of Illinois**  
**Department of Transportation**  
**Schedule of Findings and Responses**  
**June 30, 2008**

***Prior Findings Not Repeated — Government Auditing Standards***

**08-04.**     Finding – Accounts Payable Cut-Off

During the prior examination, it was noted the Department was not adhering to proper accounts payable cutoff policies and standards required by the State and generally accepted accounting principles.

During the current year, the Department developed an accounts payable model to estimate year-end accounts payable based on historical trends of lag-time between date services were provided or goods received and payment of invoices. This new model was necessary as the Department does not possess a vendor order system to utilize in developing a timely accrual and has historically had delays in receipt of vendor invoices. (Finding Code 07-01)