



**STATE OF ILLINOIS  
DEPARTMENT OF REVENUE**

---

**FINANCIAL AUDIT**

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

**For the Year Ended June 30, 2017**



**SIKICH.COM**

STATE OF ILLINOIS  
DEPARTMENT OF REVENUE  
FINANCIAL AUDIT  
For the Year Ended June 30, 2017

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STATE OF ILLINOIS  
DEPARTMENT OF REVENUE  
FINANCIAL AUDIT  
For the Year Ended June 30, 2017

**AGENCY OFFICIALS**

Director	Constance Beard
Assistant Director	Edward Buckles
Associate Director	Chimaobi Enyia
Chief of Staff	Kevin Conner
Policy Advisor	Vince Cacioppo (1/25/18 – present)
Chief Financial Officer	Cory Staley
Chief Internal Auditor	Barbara Ringler, Acting (1/1/18 – present) Barbara Ringler (through 12/31/17)
Liquor Control Commission	Donovan Borvan (2/21/17 – present) U-Jung Choe (9/23/15 – 2/20/17)
Program Administrators:	
Administrative Services	Joe Romang
Account Processing	Kevin Richards
Administrative Hearings	Terry Charlton
Audit	Daniel Hall
Board of Appeals	Brian Wolfberg
Chief Information Security Officer	Paul Havey, Acting (7/31/17 – present) Vacant (3/1/17 – 7/30/17) Tom Pantier (8/1/16 – 2/28/17) Vacant through 7/31/16
Collections	Steven Hayes, Acting (1/26/18 – present) Vince Cacioppo (through 1/25/18)
Communications Officer	Darlene Logsdon
Criminal Investigations	Brian Cooper, Acting
Equal Employment Opportunity	John Nelson
General Counsel	Mark Dyckman

STATE OF ILLINOIS  
DEPARTMENT OF REVENUE  
FINANCIAL AUDIT  
For the Year Ended June 30, 2017

**AGENCY OFFICIALS**

Informal Conference Board	Vacant (7/1/16 – present)
Information Technology	Debbie Price (8/1/16 – present) Tom Pantier (10/16/15 - 7/31/16)
Internal Affairs	Stephen Peters
Labor Relations	Jeffrey McNeal, Acting (11/16/17 – present) Catherine Lacey (through 11/15/17)
Human Resources	Julie Moscardelli
Legislative Office	Richard Sgro (3/16/17 – present) Vacant (1/16/17 – 3/15/17) Jane McEnaney (2/3/15 – 1/15/17)
Taxpayer Services	Brenda Towers
Liquor Control Board Members (as of October 5, 2017)	Constance Beard, Chair (7/23/15 – present) Thomas Gibbons Patricia Pulido Sanchez Maria Saldana Donald G. O’Connell Cynthia Cronin Cahill

Department Offices are located at:

**Springfield, Illinois**

Willard Ice Building  
101 West Jefferson Street  
Springfield, Illinois 62702

**Des Plaines, Illinois**

Maine North Regional Building  
9511 Harrison Avenue  
Des Plaines, Illinois 60016

**Marion, Illinois**

2309 West Main Street, Suite 114  
Marion, Illinois 62959

**Paramus, New Jersey**

45 Eisenhower Drive, Suite 2  
Paramus, New Jersey 07652

**Chicago, Illinois**

James R. Thompson Center  
100 West Randolph Street  
Chicago, Illinois 60601

**Fairview Heights, Illinois**

15 Executive Drives, Suite 2  
Fairview Heights, Illinois 62208

**Rockford, Illinois**

200 South Wyman Street  
Rockford, Illinois 61101

STATE OF ILLINOIS  
DEPARTMENT OF REVENUE  
FINANCIAL AUDIT  
For the Year Ended June 30, 2017

**FINANCIAL STATEMENT REPORT**

**SUMMARY**

The audit of the accompanying financial statements of the State of Illinois, Department of Revenue (Department) was performed by Sikich LLP.

Based on their audit, the auditors expressed an unmodified 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 a material weakness and a significant deficiency. The material weakness is described in the accompanying Schedule of Findings on pages 66-68 of this report as item 2017-001, Inadequate Controls over Changes to GenTax. The significant deficiency is described in the accompanying Schedule of Findings on pages 69-71 of this report as item 2017-002, Inadequate Controls over the Administration of Income Tax Abatements Resulting From Tax Credits.

**EXIT CONFERENCE**

The findings and recommendations appearing in this report were discussed with Department personnel at an exit conference on February 13, 2018. Attending were:

**Illinois Department of Revenue**

Constance Beard, Director  
Edward Buckles, Assistant Director  
Kevin Conner, Chief of Staff  
Cory Staley, Chief Financial Officer  
Barbara Ringler, Chief Internal Auditor  
Angela Bartlett, Deputy Chief Internal Auditor

**Office of the Auditor General**

Janis Van Durme, Audit Manager  
Kathy Lovejoy, Audit Manager

**Sikich LLP – Special Assistant Auditors**

Amy L. Sherwood, Partner  
Megan Cochran, Senior Manager

The responses to the recommendations were provided by Angela Bartlett in correspondence dated February 21, 2018.

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## INDEPENDENT AUDITOR'S REPORT

Honorable Frank J. Mautino  
Auditor General  
State of Illinois

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

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the State of Illinois, Department of Revenue (Department), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information for the Department as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matter***

As discussed in Note 2, the financial statements of the Department are intended to present the financial position and changes in financial position of only that portion of the governmental activities, each major fund, and the aggregate remaining fund information of the State that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the State of Illinois as of June 30, 2017, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 12, the Department has the following fund deficits as of June 30, 2017: General Revenue Fund \$2.051 billion, Road Fund (non-major special revenue fund) \$27.808 million, Public Utility Fund (non-major special revenue fund) \$20 thousand, Illinois Gaming Law Enforcement Fund (non-major special revenue fund) \$357 thousand, State and Local Sales Tax Reform Fund (non-major special revenue fund) \$40.000 million, County and Mass Transit Fund (non-major special revenue fund) \$40.000 million, Local Government Tax Fund (non-major special revenue fund) \$172.000 million, Local Government Distributive Fund (non-major special revenue fund) \$5.100 million, and Personal Property Tax Replacement Fund (non-major special revenue fund) \$233.227 million. The Department's plan to eliminate these deficits is dependent on the collection and allocation of future State revenues to the Department. Our opinion is not modified with respect to this matter.

## ***Change in Accounting Principle***

The Department adopted GASB Statement No. 77, *Tax Abatement Disclosures*, during the year ended June 30, 2017. Statement No. 77 established disclosure requirements for tax abatement agreements entered into by the government or with other governments that reduce the reporting government's tax revenues. The adoption of this statement required the Department to include additional disclosures in Note 11. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### ***Required Supplementary Information***

Management has omitted management's discussion and analysis and budgetary comparison information for the general and major special revenue funds and related pension information for its Department-wide financial statements that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements. The accompanying supplementary information, such as the combining and individual fund financial statements and schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2018, on our consideration of the Department'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* in considering the Department's internal control over financial reporting and compliance.

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

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

**SIGNED ORIGINAL ON FILE**

Springfield, Illinois  
February 21, 2018

**State of Illinois**  
**Department of Revenue**

**Statement of Net Position**

June 30, 2017 (Expressed in Thousands)

	<b>Governmental Activities</b>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	
Unexpended appropriations	\$ 21,727
Cash equity in State Treasury	1,238,764
Cash and cash equivalents	10
Securities lending collateral equity with State Treasurer	57,797
Taxes receivable, net	1,431,858
Intergovernmental receivables	533
Other receivables, net of allowance of \$1,693	19,309
Due from State funds	5,717
Loans and notes receivable, long-term	39,683
Due from State of Illinois component units	345,483
Inventories	106
Prepaid expenses	1,266
Capital assets being depreciated/amortized, net	20,983
<b>Total assets</b>	<b>3,183,236</b>
Deferred outflow of resources - pension	319,671
<b>Total assets and deferred outflows of resources</b>	<b>3,502,907</b>
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	
Accounts payable and accrued liabilities	341,765
Income tax refunds payable	1,344,702
Intergovernmental payables	1,223,039
Obligations under securities lending of State Treasurer	57,797
Due to Department fiduciary funds	36,242
Due to other State fiduciary funds	1,311
Due to other State funds	731,803
Due to State of Illinois component units	39,337
Unearned revenue	920,271
Long-term obligations:	
Portion due or payable within one year	1,654
Portion due or payable after one year	8,695
Net pension liability	1,106,222
<b>Total liabilities</b>	<b>5,812,838</b>
Deferred inflow of resources - pension	90,345
<b>Total liabilities and deferred inflows of resources</b>	<b>5,903,183</b>
<b>NET POSITION</b>	
Invested in capital assets	20,983
Restricted - other	16,601
Unrestricted	(2,437,860)
<b>Total net position</b>	<b>\$ (2,400,276)</b>

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

**State of Illinois**  
**Department of Revenue**

**Statement of Activities**

For the Year Ended June 30, 2017 (Expressed in Thousands)

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenues and Changes in Net Position
				Governmental Activities
<b>Governmental activities</b>				
General government	\$ 399,043	\$ 56,783	\$ 49	\$ (342,211)
Health and social services	13,639	-	-	(13,639)
Employment and economic development	5,000	-	-	(5,000)
Environmental and business regulation	6,548	-	-	(6,548)
Intergovernmental-revenue sharing	5,473,914	-	-	(5,473,914)
Total governmental activities	<u>\$ 5,898,144</u>	<u>\$ 56,783</u>	<u>\$ 49</u>	<u>\$ (5,841,312)</u>
<b>General revenues</b>				
Income taxes				16,452,504
Sales taxes				11,132,369
Motor fuel taxes				1,303,769
Public utility taxes				1,302,999
Other taxes				1,077,331
Interest and investment income				5,158
Other revenues (expenses)				16,524
Appropriations from State resources				225,811
Lapsed appropriations				(18,869)
Receipts collected and transmitted to State Treasury				(24,989,175)
Amount of SAMS transfers-in				(2,095,636)
Amount of SAMS transfers-out				1,356,766
Early terminations of capital lease obligations				56
<b>Transfers-in</b>				336
<b>Transfers-out</b>				<u>(388,550)</u>
Total general revenues and transfers				<u>5,381,393</u>
Change in net position				(459,919)
Net position, July 1, 2016				<u>(1,940,357)</u>
Net position June 30, 2017				<u>\$ (2,400,276)</u>

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

**State of Illinois**  
**Department of Revenue**

**Balance Sheet -**  
**Governmental Funds**

June 30, 2017 (Expressed in Thousands)

	General Fund	Nonmajor funds	Eliminations	Total Governmental Funds
<b>ASSETS</b>				
Unexpended appropriations	\$ 7,489	\$ 14,238	\$ -	\$ 21,727
Cash equity in State Treasury	444,282	794,482	-	1,238,764
Cash and cash equivalents	-	10	-	10
Securities lending collateral equity with State Treasurer	-	57,797	-	57,797
Taxes receivables, net	1,048,694	383,164	-	1,431,858
Intergovernmental receivables	-	533	-	533
Other receivables, net of allowance of \$1,693	258	19,051	-	19,309
Due from other Department funds	63,302	379,181	(442,483)	-
Due from other State funds	2,328	3,389	-	5,717
Loans and notes receivable, long-term	-	39,683	-	39,683
Due from State of Illinois component units	-	345,483	-	345,483
Inventories	106	-	-	106
<b>Total assets</b>	<b>\$ 1,566,459</b>	<b>\$ 2,037,011</b>	<b>\$ (442,483)</b>	<b>\$ 3,160,987</b>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 280,638	\$ 61,127	\$ -	\$ 341,765
Income tax refunds payable	1,344,702	-	-	1,344,702
Intergovernmental payables	7,739	1,215,300	-	1,223,039
Obligations under securities lending of State Treasurer	-	57,797	-	57,797
Due to other Department fiduciary funds	-	36,242	-	36,242
Due to other State fiduciary funds	-	1,311	-	1,311
Due to other Department funds	379,181	63,302	(442,483)	-
Due to other State funds	699,142	32,661	-	731,803
Due to State of Illinois component units	20	39,317	-	39,337
Unearned revenue	688,445	231,826	-	920,271
<b>Total liabilities</b>	<b>3,399,867</b>	<b>1,738,883</b>	<b>(442,483)</b>	<b>4,696,267</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue	217,511	52,607	-	270,118
<b>Total deferred inflows of resources</b>	<b>217,511</b>	<b>52,607</b>	<b>-</b>	<b>270,118</b>
<b>Total liabilities and deferred inflows of resources</b>	<b>3,617,378</b>	<b>1,791,490</b>	<b>(442,483)</b>	<b>4,966,385</b>
<b>FUND BALANCES (DEFICITS)</b>				
Nonspendable (Inventories)	106	-	-	106
Restricted	-	16,601	-	16,601
Committed	188,989	747,432	-	936,421
Unassigned	(2,240,014)	(518,512)	-	(2,758,526)
Total fund balances (deficits)	(2,050,919)	245,521	-	(1,805,398)
<b>Total liabilities, deferred inflows of resources and fund balances (deficits)</b>	<b>\$ 1,566,459</b>	<b>\$ 2,037,011</b>	<b>\$ (442,483)</b>	<b>\$ 3,160,987</b>

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

**State of Illinois**  
**Department of Revenue**  
**Reconciliation of Governmental Funds Balance Sheet**  
**to Statement of Net Position**  
**June 30, 2017**  
**(Expressed in Thousands)**

<b>Total fund balances-governmental funds</b>	<b>\$ (1,805,398)</b>
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	20,983
Prepaid expenses for governmental activities are current uses of financial resources for funds.	1,266
Revenues in the Statement of Activities that do not provide current financial resources are deferred in the funds.	270,118
Deferred outflows of resources related to pensions.	319,671
Deferred inflows of resources related to pensions.	(90,345)
Some liabilities reported in the Statement of Net Position do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds. These activities consist of:	
Compensated absences	(10,349)
Net pension liability	<u>(1,106,222)</u>
<b>Net position of governmental activities</b>	<b><u>\$ (2,400,276)</u></b>

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

**State of Illinois**  
**Department of Revenue**

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

For the Year Ended June 30, 2017 (Expressed in Thousands)

	General Fund	Nonmajor funds	Eliminations	Total Governmental Funds
<b>REVENUES</b>				
Federal operating grants	\$ -	\$ 49	\$ -	\$ 49
Income taxes	12,849,942	3,604,298	-	16,454,240
Sales taxes	8,048,477	3,106,305	-	11,154,782
Motor fuel taxes	-	1,304,519	-	1,304,519
Public utility taxes	920,865	382,541	-	1,303,406
Other taxes	733,250	344,596	-	1,077,846
Licenses and fees	8,562	42,491	-	51,053
Other charges for services	2,080	3,645	-	5,725
Interest and other investment income	-	4,895	-	4,895
Other	1,630	15,015	-	16,645
<b>Total revenues</b>	<u>22,564,806</u>	<u>8,808,354</u>	<u>-</u>	<u>31,373,160</u>
<b>EXPENDITURES</b>				
General government	112,415	192,344	-	304,759
Health and social services	-	13,639	-	13,639
Employment and economic development	5,000	-	-	5,000
Environmental and business regulation	-	6,572	-	6,572
Intergovernmental	-	5,473,914	-	5,473,914
Debt service - principal	-	3	-	3
Capital outlay	2,633	1,543	-	4,176
<b>Total expenditures</b>	<u>120,048</u>	<u>5,688,015</u>	<u>-</u>	<u>5,808,063</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>22,444,758</u>	<u>3,120,339</u>	<u>-</u>	<u>25,565,097</u>
<b>OTHER SOURCES (USES) OF FINANCIAL RESOURCES</b>				
Appropriations from State resources	128,464	97,347	-	225,811
Lapsed appropriations	(11,941)	(6,928)	-	(18,869)
Receipts collected and transmitted to State Treasury	(21,828,350)	(3,160,825)	-	(24,989,175)
Amount of SAMS transfers-in	(2,057,833)	(37,803)	-	(2,095,636)
Amount of SAMS transfers-out	1,356,046	720	-	1,356,766
Transfers-in	60,036	62,361	(122,061)	336
Transfers-out	(422,773)	(87,838)	122,061	(388,550)
<b>Net other sources (uses) of financial resources</b>	<u>(22,776,351)</u>	<u>(3,132,966)</u>	<u>-</u>	<u>(25,909,317)</u>
<b>Net change in fund balances</b>	<u>(331,593)</u>	<u>(12,627)</u>	<u>-</u>	<u>(344,220)</u>
Fund balances (deficits), July 1, 2016	<u>(1,719,326)</u>	<u>258,148</u>	<u>-</u>	<u>(1,461,178)</u>
<b>FUND BALANCES (DEFICITS), JUNE 30, 2017</b>	<u>\$ (2,050,919)</u>	<u>\$ 245,521</u>	<u>\$ -</u>	<u>\$ (1,805,398)</u>

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

**State of Illinois**  
**Department of Revenue**  
**Reconciliation of Statement of Revenues, Expenditures and Changes in**  
**Fund Balances of Governmental Funds to Statement of Activities**  
**For the Year Ended June 30, 2017**  
**(Expressed in Thousands)**

**Net change in fund balances** \$ (344,220)

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

Governmental funds report capital outlays as expenditures while governmental activities report depreciation/amortization expense to allocate those expenditures over the life of the assets. This is the amount by which depreciation in the current period exceeded capital outlays. (24)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This amount represents the decrease in unavailable revenue over the prior year. (25,674)

Prepaid expenses in the Statement of Activities are reported as expenditures in governmental funds. Prepaid expenses increased by this amount during the year. 1,248

Change in deferred outflows of resources related to pensions. 98,129

Change in deferred inflows of resources related to pensions. (17,140)

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 Position. 3

Early terminations of capital lease obligations decrease the outstanding obligations of the Department in the current year. 56

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.

Decrease in compensated absences obligation	1,033
Increase in net pension liability	(173,330)
	(173,330)

**Change in net position of governmental activities** **\$ (459,919)**

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

**State of Illinois**  
**Department of Revenue**

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**Statement of Fiduciary Net Position**

June 30, 2017 (Expressed in Thousands)

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash equity in State Treasury	\$ 572,579
Cash and cash equivalents	418
Securities lending collateral equity with State Treasurer	91,987
Taxes receivable, net	195,433
Other receivables, net	325
Due from other Department funds	36,242
<b>Total assets</b>	<u><u>\$ 896,984</u></u>
<b>LIABILITIES</b>	
Accounts payable and accrued liabilities	\$ 81
Intergovernmental payables	804,478
Obligations under securities lending of State Treasurer	91,987
Other liabilities	438
<b>Total liabilities</b>	<u><u>\$ 896,984</u></u>

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

**STATE OF ILLINOIS  
DEPARTMENT OF REVENUE**

Notes to Financial Statements

June 30, 2017

**(1) Organization**

The Department of Revenue (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 by the Illinois General Assembly. The Department operates under a budget approved by the General Assembly in which resources primarily from the General Revenue Fund are appropriated for the use of the 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 the Surety Bond Fund and the Evidence Fund.

The Department is organized to provide for administering, collecting, enforcing and determining distribution of the taxes imposed by the State's major tax acts. The Department also administers and oversees the operations of the Liquor Control Commission.

**(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 and financial benefit or burden 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.

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**(b) Basis of Presentation**

The financial statements of the State of Illinois, Department of Revenue, are intended to present the financial position and changes in financial position of only that portion of the governmental activities, each major governmental 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, 2017 and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

**Government-wide Statements.** The government-wide statement of net position and statement of activities report the overall financial activity of the Department, excluding fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities of the Department. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of net position presents the assets and deferred outflows of resources and liabilities and deferred inflows of resources of the Department's governmental activities with the difference being reported as net position. The assets and liabilities are presented in order of their relative liquidity by class of asset or liability with liabilities whose average maturities are greater than one year reported in two components - the amount due within one year and the amount due in more than one year.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Department's governmental activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges paid by the recipients of goods or services offered by the programs. 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, including fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis on fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

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

**General** – This is the State's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund. The Department's portion of the General Fund is composed of a primary sub-account (General Revenue) and eight secondary sub-accounts (Common School Special, Education Assistance, Illinois Sports Facility, Income Tax Refund, Common School, Municipal Economic Development, Budget Stabilization, and Capital Projects). The services which are administered by the Department and accounted for in the General Fund include, among others, general government services.

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Additionally, the Department administers the following fund types:

**Governmental Fund Types:**

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

**Fiduciary Fund Types:**

**Agency** – These funds account for assets held by the Department, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

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

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Nonexchange transactions, in which the Department gives (or receives) value without directly receiving (or giving) equal value in exchange, include income and replacement, sales, motor fuel, and excise taxes. On an accrual basis, revenues from these taxes are recognized in the fiscal year in which the underlying exchange transaction occurs. 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.

In accordance with Governmental Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, recognition of nonexchange transactions in the financial statements is required unless the transactions are not measurable (reasonably estimable) or are not probable of collection. In this regard, the Department annually has an inventory of returns (primarily income tax and sales tax), that are in various stages of processing, dispute or review at year-end and through the date of issuing the financial statements (“unperfected returns”). Certain potential receivables and/or refunds that may result upon perfecting the returns are subject to estimation. Upon perfecting the returns, cash allocations to other governmental and fiduciary funds will be required and may be material.

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Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, principle 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 income and replacement taxes, sales taxes, public utility taxes, motor fuel taxes, other taxes, tax penalties, and interest. The tax revenues are recorded by the State as taxpayers earn income (personal income tax, corporate income tax, and other taxes), as sales are made (sales taxes, public utility taxes, motor fuel taxes, and other taxes), or as the taxable event occurs (other taxes) net of estimated overpayments and amounts not expected to be collected. Amounts not expected to be collected are based on an analysis of the historical collection experience for accounts receivable (or additional information relating to the allowance percentage calculations).

Taxpayers can elect to receive a refund of tax overpayments (refunds payable), or carry-forward those overpayments to be applied to tax liabilities of the next year (unearned revenue). All liabilities pertaining to tax overpayments (refunds payable and unearned revenue) are estimated based on a combination of actual data and historical trends.

All other revenue sources including fines, licenses, and other miscellaneous revenues are considered to be measurable and available only when cash is received. Estimates are used to assign estimated tax payments received or refunds applied to future tax periods for individual and corporate income taxes to the proper fiscal year.

***(d) Shared Fund Presentation***

The financial statement presentation for the General Revenue Fund, Education Assistance Fund, Road Fund, Motor Fuel Tax Fund, Public Utility Fund, Underground Storage Tank Fund, Compassionate Use of Medical Cannabis Fund, Illinois Gaming Law Enforcement Fund, Emergency Public Health Fund, Used Tire Management Fund, Natural Areas Acquisition Fund, Open Space Lands Acquisition and Development Fund, Common School Fund, Drycleaner Environmental Response Trust Fund, Supplemental Low Income Energy Assistance Fund, Renewable Energy Resources Trust Fund, School Infrastructure Fund, International Tourism Fund, Fund for the Advancement of Education, Commitment to Human Services Fund, Budget Stabilization Fund, Capital Projects Fund, Build Illinois Fund, Local Tourism Fund and Build Illinois Bond Fund represent only the portion of the shared fund 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:

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.

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Appropriations from State Resources

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

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. For fiscal year 2017, the lapse period was extended through September.

Receipts Collected and Transmitted to State Treasury

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

Amount of SAMS Transfers-In

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

Amount of SAMS Transfers-Out

This “other financing source” account represents cash transfers made by the Office of the Comptroller in accordance with statutory provisions 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 position to minimize the “grossing-up” effect on assets and liabilities within the governmental activities column of the Department. As a result, amounts reported in the governmental funds balance sheet as interdepartmental interfund receivables and payables have been eliminated in the government-wide statement of net position. Amounts reported in the governmental funds balance sheet as receivable from or payable to fiduciary funds have been included in the government-wide statement of net position as receivable from and payable to external parties, rather than as internal balances.

**(f) Cash and Cash Equivalents**

Cash equivalents are defined as short-term, highly liquid investments readily convertible to cash with maturities of less than 90 days at time of purchase. Cash and cash equivalents include cash on hand and cash in banks for locally held funds.

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**(g) Inventories**

Inventories, consisting primarily of postage and printing supplies, are valued at cost, principally on the first-in, first-out (FIFO) method. Significant inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

**(h) Prepaid Items**

Payments made to vendors for services that will benefit periods beyond the date of this report are recorded as expenditures in the governmental funds and as prepaid expenses in the government-wide statement of net position.

**(i) Interfund Transactions**

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

**Services provided and used**—sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds. Unpaid amounts are reported as interfund receivables and payables in the governmental funds balance sheet or the government-wide statements of net position.

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

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

**(j) Capital and Intangible Assets**

Capital assets, which consist of equipment, automobiles and internally developed computer software, are reported at cost. Contributed assets are reported at acquisition value at the time received. Capital assets are depreciated/amortized using the straight-line method. The capitalization threshold for internally generated intangible assets is \$1 million, and the threshold for all other intangible assets is \$25,000 and the estimated useful life is 3-25 years. The capitalization threshold for capital assets is \$5,000 and the estimated useful life is 3-15 years.

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**(k) *Compensated Absences***

The liability for compensated absences reported in the government-wide statement of net position consists of unpaid, accumulated vacation and sick leave balances for 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 tax).

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 January 1, 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.

**(l) *Fund Balances***

It is the Department's policy to consider restricted resources to have been spent first when an expenditure is incurred for which both restricted and unrestricted (i.e. committed, assigned or unassigned) fund balances are available, followed by committed and then assigned fund balances. Unassigned amounts are used only after the other resources have been used.

Within the governmental fund types, the Department's fund balances are reported in one of the following classifications:

***Nonspendable*** – includes amounts that cannot be spent because they are either: a) not in spendable form; or b) legally or contractually required to be maintained intact.

***Restricted*** – includes amounts that are restricted to specific purposes, that is, when constraints placed on the use of resources are either: a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

***Committed*** – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Department's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Department removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. The uses of these funds are established by bills passed by the legislature and approved by the Governor of the State of Illinois.

***Unassigned*** – includes the residual fund balance that has not been restricted, committed, or assigned within the general fund and deficit fund balances of other governmental funds.

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**(m) Net Position**

In the government-wide statement of net position, equity is displayed in three components as follows:

***Invested in Capital Assets*** – This consists of capital assets, net of accumulated depreciation and amortization.

***Restricted*** – This consists of amounts 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. Restricted net position and restricted fund balance resulting from enabling legislation consists of \$16,601 to be used for general government at June 30, 2017.

***Unrestricted*** – This consists of amounts that do not meet the definition of “restricted” or “invested in capital assets”.

**(n) 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.

**(o) Pensions**

In accordance with the Department’s adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, the net pension liability, deferred outflows of resources, deferred inflows of resources, appropriations from State resources, and pension expense have been recognized in the government-wide financial statements.

The net pension liability is calculated as the difference between the actuarially calculated value of the projected benefit payments attributed to past periods of service and the plan’s fiduciary net position. The total pension expense is comprised of the service cost or actuarial present value of projected benefit payments attributed to the valuation year, interest on the total pension liability, plan administrative expenses, current year benefit changes, and other changes in plan fiduciary net position less employee contributions and projected earnings on plan investments. Additionally, the total pension expense includes the annual recognition of outflows and inflows of resources due to pension assets and liabilities.

For purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources, pension expense and expenditures associated with the Department’s contribution requirements, information about the fiduciary net position of the plan and additions to/deductions from the plan’s fiduciary net position have been determined on the same basis as they are reported within the separately issued plan financial statements. For this purpose, benefit

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payments (including refunds of employee contributions) are recognized when due and payable in accordance with terms of the plan. Investments are reported at fair value.

**(p) New Accounting Pronouncements**

Effective for the year ending June 30, 2017, the Department adopted GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, which establishes standards to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The implementation of this statement had no impact on the Department's financial statements.

Effective for the year ending June 30, 2017, the Department adopted GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which establishes standards to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The implementation of this statement had no impact on the Department's financial statements.

Effective for the year ending June 30, 2017, the Department adopted GASB Statement No. 77, *Tax Abatement Disclosures*, which requires governments that enter into tax abatement agreements to disclose information about the agreements. This statement improves financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Information regarding the State's tax abatement programs for which the Department administers the related tax acts is disclosed in Note 11.

Effective for the year ending June 30, 2017, the Department adopted GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, which addresses a practice issue regarding the scope and applicability of GASB Statement No. 68. The issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for these pensions. The implementation of this statement had no impact on the Department's financial statements.

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Effective for the year ending June 30, 2017, the Department adopted GASB Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*, which amends the blending requirements for the financial statement presentation of component units of all state and local governments. This statement enhances comparability of financial statements among governments. The implementation of this statement had no impact on the Department's financial statements.

Effective for the year ending June 30, 2017, the Department adopted GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*, which clarifies that a deviation, as the term is used in Actuarial Standards of Practice issued by the Actuarial Standards Board, from the guidance in an Actuarial Standard of Practice is not considered to be in conformity with the requirements of Statement 67, Statement 68, or Statement 73 for the selection of assumptions used in determining the total pension liability and related measures. This statement also clarifies that payments that are made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement 67 and as employee contributions for purposes of Statement 68. It also requires that an employer's expense and expenditures for those amounts be recognized in the period for which the contribution is assessed and classified in the same manner as the employer classifies similar compensation other than pensions (for example, as salaries and wages or as fringe benefits). This statement improves financial reporting by enhancing consistency in the application of financial reporting requirements to certain pension issues. The implementation of this statement had no impact on the Department's financial statements.

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

Effective for the year ending June 30, 2018, the Department will adopt GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which establishes standards to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This statement also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The Department has not yet determined the impact on its financial statements as a result of adopting this statement.

Effective for the year ending June 30, 2018, the Department will adopt GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, which requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. This statement will enhance the comparability of financial statements by providing accounting and financial reporting guidance for irrevocable split-interest agreements in which a government is a beneficiary. The Department has not yet determined the impact on its financial statements as a result of adopting this statement.

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Effective for the year ending June 30, 2019, the Department will adopt GASB Statement No. 83, *Certain Asset Retirement Obligations*, which establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (AROs). This Statement will enhance comparability of financial statements among governments by establishing uniform criteria for governments to recognize and measure certain AROs, including obligations that may not have been previously reported. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring disclosures related to those AROs. The Department has not yet determined the impact on its financial statements as a result of adopting this statement.

Effective for the year ending June 30, 2020, the Department will adopt GASB Statement No. 84, *Fiduciary Activities*, which improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement will enhance consistency and comparability by establishing specific criteria for identifying activities that should be reported as fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities. The Department has not yet determined the impact on its financial statements as a result of adopting this statement.

Effective for the year ending June 30, 2018, the Department will adopt GASB Statement No. 85, *Omnibus 2017*, which addresses practice issues that have been identified during implementation and application of certain GASB statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The requirements of this statement will enhance consistency in the application of accounting and financial reporting requirements. The Department has not yet determined the impact on its financial statements as a result of adopting this statement.

Effective for the year ending June 30, 2018, the Department will adopt GASB Statement No. 86, *Certain Debt Extinguishment Issues*, which establishes standards to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The Department has not yet determined the impact on its financial statements as a result of adopting this statement.

Effective for the year ending June 30, 2021, the Department will adopt GASB Statement No. 87, *Leases*, which establishes standards to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Department has not yet determined the impact on its financial statements as a result of adopting this statement.

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**(3) Deposits and Investments**

The State Treasurer is the custodian of the Department's deposits and investments for funds maintained in the State Treasury. These amounts are classified as "Cash equity in State Treasury" and "Securities Lending Collateral Equity with State Treasurer" on the Statement of Net Position and Balance Sheets. The Department independently manages deposits and investments maintained outside the State Treasury.

**(a) Deposits**

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.

**(b) Securities Lending Transactions**

Under the authority of the Treasurer's published investment policy that was developed in accordance with the State statute, the State Treasurer lends securities to broker-dealers and other entities for collateral that will be returned for the same securities in the future. The State Treasurer has, through a Securities Lending Agreement, authorized Deutsche Bank AG to lend the State Treasurer's securities to broker-dealers and banks pursuant to a form of loan agreement.

During fiscal year 2017, Deutsche Bank AG lent U.S. Agency securities and U.S. Treasury securities and received as collateral U.S. dollar denominated cash. Borrowers were required to deliver collateral for each loan equal to at least 100% of the aggregate fair value of the loaned securities. Loans are marked to market daily. If the fair value of collateral falls below 100%, the borrower must provide additional collateral to raise the fair value to 100%.

The State Treasurer did not impose any restrictions during fiscal year 2017 on the amount of the loans of available, eligible securities. In the event of borrower default, Deutsche Bank AG provides the State Treasurer with counterparty default indemnification. In addition, Deutsche Bank AG is obligated to indemnify the State Treasurer if Deutsche Bank AG loses any securities, collateral or investments of the State Treasurer in Deutsche Bank AG's custody. There were no losses during fiscal year 2017 resulting from a default of the borrowers or Deutsche Bank AG.

During fiscal year 2017, the State Treasurer and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested in repurchase agreements with approved counterparties collateralized with securities approved by Deutsche Bank AG and marked to market daily at no less than 102%. Because the loans are terminable at will, their duration did not generally match the duration of the investments made with cash collateral. The State Treasurer had no credit risk as a result of its securities lending program as the collateral held exceeded the fair value of the securities lent.

In accordance with GASB Statement No. 28, paragraph 9, the Office of the State Treasurer has allocated the assets and obligations at June 30, 2017, arising from securities lending agreements to the various funds of the State. The total allocated to the Department was \$149.784 million at June 30, 2017, including \$91.987 million allocated to agency funds administered by the Department.

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**(4) Taxes Receivable**

Taxes receivable (amounts expressed in thousands) at June 30, 2017, are as follows:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds	Fiduciary Funds
Taxes receivable:				
Income	\$ 984,726	\$ 254,961	\$ 1,239,687	\$ -
Sales	678,632	117,070	795,702	188,930
Motor Fuel Tax	-	127,515	127,515	5,231
Public Utility	9,192	10,540	19,732	326
Other	45,670	31,849	77,519	81,997
Total taxes receivable	<u>\$ 1,718,220</u>	<u>\$ 541,935</u>	<u>\$ 2,260,155</u>	<u>\$ 276,484</u>
Less: allowance for uncollectible taxes	<u>\$ 669,526</u>	<u>\$ 158,771</u>	<u>\$ 828,297</u>	<u>\$ 81,051</u>
Taxes receivable, net	<u>\$ 1,048,694</u>	<u>\$ 383,164</u>	<u>\$ 1,431,858</u>	<u>\$ 195,433</u>

**(5) Loans and Notes Receivable**

The Senior Citizen Real Estate Tax Deferral program is a tax-relief loan program. It allows qualified seniors to defer all or part of their taxes and special assessments on their primary home. The loan, which comes from the State of Illinois, is re-paid when the property is sold, or upon the death of the participant.

Loans receivable (amounts expressed in thousands) at June 30, 2017, are as follows:

	Governmental Activities
Senior Citizens Real Estate Deferred Tax	<u>\$ 39,683</u>

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**(6) Interfund Balances and Activity**

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

The following balances (amounts expressed in thousands) at June 30, 2017, represent amounts due from other Department and State funds.

<u>Fund</u>	<u>Due from</u>		<u>Description/Purpose</u>
	<u>Other Department Funds</u>	<u>Other State Funds</u>	
General	\$ 63,302	\$ 2,328	Due from other Department funds pursuant to statutory tax allocations, for administrative cost reimbursements, and from other State funds pursuant to statutory tax allocations
Nonmajor governmental funds	379,181	3,389	Due from other Department and other State funds pursuant to statutory tax allocations.
Fiduciary funds	36,242	-	Due from other Department funds pursuant to statutory tax allocations.
	<u>\$ 478,725</u>	<u>\$ 5,717</u>	

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The following (amounts expressed in thousands) at June 30, 2017, represent amounts due to other Department and other State funds.

<b>Due to</b>					
<b>Fund</b>	<b>Other Department Funds</b>	<b>Other State Funds</b>	<b>Other Department Fiduciary Funds</b>	<b>Other State Fiduciary Funds</b>	<b>Description/Purpose</b>
General	\$ 379,181	\$ 699,142	\$ -	\$ -	Due to other Department and other State funds pursuant to statutory tax allocations and administrative expenses.
Nonmajor governmental funds	63,302	32,661	36,242	1,311	Due to other Department and other State funds pursuant to statutory tax and fee allocations, for administrative cost reimbursements and administrative expenses, to other Department fiduciary funds pursuant to statutory tax allocations, and to other State fiduciary funds for payment of retirement benefits.
	<u>\$ 442,483</u>	<u>\$ 731,803</u>	<u>\$ 36,242</u>	<u>\$ 1,311</u>	

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

Interfund transfers in (amounts expressed in thousands) for the year ended June 30, 2017, were as follows:

<b>Transfers in from</b>			
<b>Fund</b>	<b>Other Department Funds</b>	<b>Other State Funds</b>	<b>Description/Purpose</b>
General	\$ 60,036	\$ -	Transfers from other Department funds pursuant to statutory tax allocations.
Nonmajor governmental funds	62,025	336	Transfers from other Department and other State funds pursuant to statutory tax allocations.
	<u>\$ 122,061</u>	<u>\$ 336</u>	

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Interfund transfers out (amounts expressed in thousands) for the year ended June 30, 2017, were as follows:

	<b>Transfers out to</b>		
<b>Fund</b>	<b>Other Department Funds</b>	<b>Other State Funds</b>	<b>Description/Purpose</b>
General	\$ 62,025	\$ 360,748	Transfers to other Department funds and other State funds pursuant to statutory tax allocations.
Nonmajor governmental funds	60,036	27,802	Transfers to other Department and other State funds pursuant to statutory tax allocations.
	\$ 122,061	\$ 388,550	

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

The Illinois Housing Development Authority owed the Department's nonmajor governmental funds \$345.483 million at June 30, 2017, for advances on loan programs. The Department's General Fund owed \$20 thousand and the Nonmajor Funds owe \$39.317 million at June 30, 2017, to State of Illinois Component Units for reimbursements for expenses incurred.

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**(7) Capital Assets**

Capital asset activity (amounts expressed in thousands) for the year ended June 30, 2017, was as follows:

	<b>Balance July 1, 2016</b>	<b>Additions</b>	<b>Deletions</b>	<b>Net Transfers</b>	<b>Balance June 30, 2017</b>
<b>Governmental activities:</b>					
Capital assets being depreciated/amortized:					
Equipment	\$ 4,391	\$ 24	\$ (310)	\$ (795)	\$ 3,310
Capital Leases-equipment	139	-	(139)	-	-
Internally generated computer software	36,687	4,152	-	-	40,839
	<u>41,217</u>	<u>4,176</u>	<u>(449)</u>	<u>(795)</u>	<u>44,149</u>
Less accumulated depreciation/amortization:					
Equipment	4,273	57	(310)	(795)	3,225
Capital Leases-equipment	80	3	(83)	-	-
Internally generated computer software	15,857	4,084	-	-	19,941
	<u>20,210</u>	<u>4,144</u>	<u>(393)</u>	<u>(795)</u>	<u>23,166</u>
Governmental activity capital assets, net	<u>\$ 21,007</u>	<u>\$ 32</u>	<u>\$ (56)</u>	<u>\$ -</u>	<u>\$ 20,983</u>

Depreciation/amortization expense for governmental activities (amounts expressed in thousands) for the year ended June 30, 2017, was charged to functions as follows:

General government	<u>\$ 4,144</u>
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**(8) Long-Term Obligations**

Changes in long-term obligations (amounts expressed in thousands) for the year ended June 30, 2017, were as follows:

	<b>Balance July 1, 2016</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2017</b>	<b>Amounts Due Within One Year</b>
<b>Governmental activities:</b>					
Net Pension Liability	\$ 932,892	\$ 173,330	\$ -	\$ 1,106,222	\$ -
Compensated Absences	11,382	13,760	14,793	10,349	1,654
Capital lease obligations	59	-	59	-	-
<b>Total governmental activities</b>	<b>\$ 944,333</b>	<b>\$ 187,090</b>	<b>\$ 14,852</b>	<b>\$ 1,116,571</b>	<b>\$ 1,654</b>

Compensated absences and the net pension liability will be liquidated by the applicable governmental funds that account for the salaries and wages of the related employees.

**(9) Defined Benefit Pension Plan**

**Plan Description.** 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 single-employer defined benefit pension trust fund in the State of Illinois reporting entity and is treated as a cost sharing plan by the Department. SERS is governed by article 14 of the Illinois Pension Code (40 ILCS 5/1, et al.). The plan consists of two tiers of contribution requirements and benefit levels based on when an employee was hired. Members who first become an employee and participate under any of the State's retirement plans on or after January 1, 2011, are members of Tier 2, while Tier 1 consists of employees hired before January 1, 2011, or those who have service credit prior to January 1, 2011. The provisions below apply to both Tier 1 and 2 members, except where noted. The SERS issues a separate CAFR available at [www.srs.illinois.gov](http://www.srs.illinois.gov) or that may be obtained by writing to the SERS, 2101 South Veterans Parkway, Springfield, Illinois, 62794-9255.

**Benefit Provisions.** SERS provides retirement benefits based on the member's final average compensation and the number of years of credited service that have been established. The retirement benefit formula available to general State employees is 1.67% for each year of covered service and 2.2% for each year of noncovered service. The maximum retirement annuity payable is 75% of final average compensation as calculated under the regular formula. The minimum monthly retirement annuity payable is \$15.00 for each year of covered employment and \$25.00 for each year of noncovered employment.

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Participants in SERS under the regular formula Tier 1 and Tier 2 receive the following levels of benefits based on the respective age and years of service credits.

<b>Regular Formula Tier 1</b>	<b>Regular Formula Tier 2</b>
<p>A member must have a minimum of 8 years of service credit and may retire at:</p> <ul style="list-style-type: none"> <li>• Age 60, with 8 years of service credit.</li> <li>• Any age, when the member's age (years &amp; whole months) plus years of service credit (years &amp; whole months) equal 85 years (1,020 months) (Rule of 85) with eight years of credited service.</li> <li>• Between ages 55-60 with 25-30 years of service credit (reduced 1/2 of 1% for each month under age 60).</li> </ul> <p>The retirement benefit is based on final average compensation and credited service. Final average compensation is the 48 highest consecutive months of service within the last 120 months of service.</p> <p>Under the Rule of 85, a member is eligible for the first 3% increase on January 1 following the first full year of retirement, even if the member is not age 60. If the member retires at age 60 or older, he/she will receive a 3% pension increase every year on January 1, following the first full year of retirement.</p> <p>If the member retires before age 60 with a reduced retirement benefit, he/she will receive a 3% pension increase every January 1 after the member turns age 60 and has been retired at least one full year. These pension increases are not limited by the 75% maximum.</p>	<p>A member must have a minimum of 10 years of credited service and may retire at:</p> <ul style="list-style-type: none"> <li>• Age 67, with 10 years of credited service.</li> <li>• Between ages 62-67 with 10 years of credited service (reduced 1/2 of 1% for each month under age 67).</li> </ul> <p>The retirement benefit is based on final average compensation and credited service. For regular formula employees, final average compensation is the average of the 96 highest consecutive months of service within the last 120 months of service. The retirement benefit is calculated on a maximum salary of \$106,800. This amount increases annually by 3% or one-half of the Consumer Price Index, whichever is less.</p> <p>If the member retires at age 67 or older, he/she will receive a pension increase of 3% or one-half of the Consumer Price Index for the preceding calendar year, whichever is less, every year on January 1, following the first full year of retirement. The calendar year 2016 rate is \$111,572.</p> <p>If the member retires before age 67 with a reduced retirement benefit, he/she will receive a pension increase of 3% or one-half of the Consumer Price Index for the preceding calendar year, whichever is less, every January 1 after the member turns age 67 and has been retired at least one full year. These pension increases are not limited by the 75% maximum.</p>

Additionally, the Plan provides an alternative retirement formula for State employees in high-risk jobs, such as State policemen, fire fighters, and security employees. Employees qualifying for benefits under the alternative formula may retire at an earlier age depending on membership in Tier 1 or Tier 2. The retirement formula is 2.5% for each year of covered service and 3.0% for each year of non-covered service. The maximum retirement annuity payable is 80% of final average compensation as calculated under the alternative formula.

SERS also provides occupational and nonoccupational (including temporary) disability benefits. To be eligible for nonoccupational (including temporary) disability benefits, an employee must have at least eighteen months of credited service to the System. The nonoccupational (including temporary) disability benefit is equal to 50% of the monthly rate of compensation of the employee on the date of removal from the payroll. Occupational disability benefits are provided when the member becomes disabled as a direct result of injuries or diseases arising out of and in the course of State employment. The monthly benefit is equal to 75% of the monthly rate of compensation on the date of removal from the payroll. This benefit amount is reduced by Workers' Compensation or payments under the Occupational Diseases Act.

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Occupational and nonoccupational death benefits are also available through the System. Certain nonoccupational death benefits vest after eighteen months of credited service. Occupational death benefits are provided from the date of employment.

**Contributions.** Contribution requirements of active employees and the State are established in accordance with Chapter 40, section 5/14-133 of the Illinois Compiled Statutes. Member contributions are based on fixed percentages of covered payroll ranging between 4.00% and 12.50%. Employee contributions are fully refundable, without interest, upon withdrawal from State employment. Tier 1 members contribute based on total annual compensation. Tier 2 members contribute based on an annual compensation rate not to exceed \$106,800 with limitations for future years increased by the lesser of 3% or one-half of the annual percentage increase in the Consumer Price Index. For 2017, this amount was \$112,408.

The State is required to make payment for the required departmental employer contributions, all allowances, annuities, any benefits granted under Chapter 40, Article 5/14 of the ILCS and all administrative expenses of the System to the extent specified in the ILCS. State law provides that the employer contribution rate be determined based upon the results of each annual actuarial valuation.

For fiscal year 2017, the required employer contributions were computed in accordance with the State's funding plan. This funding legislation provides for a systematic 50-year funding plan with an ultimate goal to achieve 90% funding of the plan's liabilities. In addition, the funding plan provided for a 15-year phase-in period to allow the State to adapt to the increased financial commitment. Since the 15-year phase-in period ended June 30, 2010, the State's contribution will remain at a level percentage of payroll for the next 35 years until the 90% funded level is achieved. For fiscal year 2017, the employer contribution rate was 44.568%. The Department's contribution amount for fiscal year 2017 was \$27.916 million.

**Pension liability, deferred outflows of resources, deferred inflows of resources and expense related to pensions.** At June 30, 2017, the Department reported a liability of \$1,106.222 million for its proportionate share of the State's net pension liability for SERS on the statement of net position. The net pension liability was measured as of June 30, 2016 (current year measurement date), and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Department's portion of the net pension liability was based on the Department's proportion of employer contributions relative to all employer contributions made to the plan during the year ended June 30, 2016. As of the current year measurement date of June 30, 2016, the Department's proportion was 3.2397%, which was a decrease of 0.0911% from its proportion measured as of the prior year measurement date of June 30, 2015.

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For the year ended June 30, 2017, the Department recognized pension expense of \$123.614 million which is reported in the General government function of the Statement of Activities. The Department recognized a pension benefit for this amount which is reported in Appropriations from State resources in the General Revenue Fund as well as the General revenues section of the Statement of Activities. Of these amounts, \$31,273 represents contributions made by SERS on behalf of the Department. At June 30, 2017, the Department reported deferred outflows and deferred inflows of resources related to the pension liability, as of the measurement date of June 30, 2016, from the following sources (amounts expressed in thousands):

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 1,694	\$ 27,052
Changes of assumptions	170,039	-
Net difference between projected and actual investment earnings on pension plan investments	23,485	-
Changes in proportion	96,537	63,293
Department contributions subsequent to the measurement date	27,916	-
<b>Total</b>	<b>\$ 319,671</b>	<b>\$ 90,345</b>

\$27.916 reported as deferred outflows of resources related to pensions resulting from Department contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized as pension expense as follows (amounts expressed in thousands):

<b>Year ended June 30,</b>	
2018	\$ 71,389
2019	60,621
2020	45,775
2021	23,625
Total	<b>\$ 201,410</b>

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***Actuarial Methods and Assumptions.*** The total pension liability was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Mortality: 105 percent of the RP 2014 Healthy Annuitant mortality table, sex distinct, with rates projected to 2015; generational mortality improvement factors were added.

Inflation: 2.75%

Investment Rate of Return: 7.00%, net of pension plan investment expense, including inflation.

Salary increases: Salary increase rates based on age related productivity and merit rates plus inflation.

Post-retirement benefit increases of 3.00%, compounded, for Tier 1 and the lesser of 3.00% or one-half of the annual increase in the Consumer Price Index for Tier 2.

Retirement Age: Experience-based table of rates specific to the type of eligibility condition. Table was last updated for the June 30, 2014, valuation pursuant to an experience study of the period July 1, 2009 to June 30, 2013.

The long-term expected real rate of return on pension plan investments was determined based on the simulated average 20-year annualized geometric return for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage. For each major asset class that is included in the pension plan's target asset allocation, calculated as of the measurement date of June 30, 2016, the best estimates of the geometric real rates of return are summarized in the following table:

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June 30, 2017

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	23%	5.80%
Developed Foreign Equity	13%	6.10%
Emerging Market Equity	7%	8.50%
Private Equity	9%	7.40%
Hedge Funds	3%	3.60%
Intermediate Investment Grade Bonds	11%	1.60%
Long-term Government Bonds	3%	1.60%
TIPS	5%	1.30%
High Yield and Bank Loans	5%	4.80%
Opportunistic Debt	4%	4.80%
Emerging Market Debt	2%	4.10%
Real Estate	10%	4.50%
Infrastructure	5%	5.90%
<b>Total</b>	<b>100%</b>	<b>5.04%</b>

**Discount Rate.** A discount rate of 6.64% was used to measure the total pension liability as of the measurement date of June 30, 2016, as compared to a discount rate of 7.02% used to measure the total liability as of the prior year measurement date. The June 30, 2016, single blended discount rate was based on the expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 2.85%, based on an index of 20 year general obligation bonds with an average AA credit rating as published by the Federal Reserve. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions will be made based on the statutorily required rates under Illinois law. Based on these assumptions, the pension plan's fiduciary net position and future contributions will be sufficient to finance the benefit payments through the year 2072. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2072, and the municipal bond rate was applied to all benefit payments after that date.

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***Sensitivity of the Net Pension Liability to Changes in the Discount Rate.*** The net pension liability for the plan was calculated using the stated discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate as shown below (amounts expressed in thousands):

	<b>1% Decrease 5.64%</b>	<b>Discount Rate 6.64%</b>	<b>1% Increase 7.64%</b>
Department's proportionate share of the net pension liability	\$ 1,335,106	\$1,106,222	\$ 919,446

***Payables to the pension plan.*** At June 30, 2017, the Department reported a payable of \$928 thousand to SERS for the outstanding amount of contributions to the pension plans required for the year ended June 30, 2017.

**(10) 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 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 also receive life insurance coverage equal to the annual salary of the last day of employment until age 60, at which time the benefit becomes \$5,000.

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

A summary of post-employment benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established are included as an integral part of the financial statements of the Department of Central Management Services. A copy of the financial statements of the Department of Central Management Services may be obtained by writing to the Department of Central Management Services, 704 Stratton Office Building, Springfield, Illinois, 62706.

**STATE OF ILLINOIS  
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Notes to Financial Statements

June 30, 2017

**(11) Tax Abatements**

The State provides tax abatements through two programs—the Economic Development for a Growing Economy (EDGE) Program and the Angel Investment Credit Program:

Under the Economic Development for a Growing Economy Tax Credit Act (35 ILCS 10/), special tax incentives are provided to encourage businesses to locate or expand operations in Illinois when there is active consideration of a competing location in another state. EDGE Program can provide tax credits to qualifying businesses equal to the amount of state income taxes withheld from the salaries of employees in the newly created jobs. Non-refundable credits can be used against corporate income taxes paid or individual income taxes paid if the business is organized as a pass-through entity. Abatements are obtained through application by a business to the Department of Commerce and Economic Opportunity and claimed on tax returns filed with the Department of Revenue. Applicants must show that if not for the credit, the project would not occur in Illinois by demonstrating that at least one other State is being considered for the project and receipt of tax credits is essential to the applicant's decision to create and/or retain jobs in the State. An applicant must agree to make an investment of at least \$5 million in capital improvements and create a minimum of 25 new full time jobs in Illinois. For a company with 100 or fewer employees, a business must agree to make a capital investment of \$1 million and create at least 5 new full time jobs in Illinois. Credits awarded may be carried forward for 10 taxable years. The Act provides for the recapture of abated taxes in the event a taxpayer does not fulfill the commitment it makes in return for the tax abatement. A taxpayer claiming the credit must hold the investment in the State for the full term of the agreement. If, during the term of the agreement, the project is moved from the State or otherwise ceased, the State can recapture the abated tax requiring the taxpayer to repay the full value of the credit previously claimed.

The Angel Investment Credit Program is authorized under Section 220 of the Illinois Income Tax Act (35 ILCS 5/). The program was created to promote job growth and expand capital investment in Illinois by offering credits to interested businesses or individuals who make an investment in qualified innovative and new business ventures. Tax credits for qualified investors are equal to 25% of their investment made in the qualified business ventures and can be applied against corporate and individual income taxes. Abatements are obtained through application to the Department of Commerce and Economic Opportunity and claimed on tax returns filed with the Department of Revenue. In addition to investing in qualified new ventures, applicants must meet various requirements including supplying information demonstrating the venture provides the potential to increase jobs and capital investment in Illinois. Credits awarded may be carried forward for 5 taxable years. The Act provides for the recapture of abated taxes in the event a taxpayer does not fulfill the commitment it makes in return for the tax abatement. A taxpayer claiming the credit must hold the investment in the State for no less than 3 years. If, during the 3-year period, the qualified new business venture is moved from the State or otherwise ceased, the State can recapture the abated tax requiring the taxpayer to repay the full value of the credit previously claimed.

For the fiscal year ended June 30, 2017, the State abated income taxes totaling \$179.067 million and \$2.262 million under the EDGE and Angel Investment Credit Programs, respectively. The State Revenue Sharing Act (30 ILCS 115/) requires specific portions of income tax revenues to be shared with Illinois municipalities and counties. Taxes abated under the EDGE Program reduced the amount shared by \$13.373 million. Taxes abated under the Angel Investment Credit Program reduced the amount shared by \$0.163 million.

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Notes to Financial Statements

June 30, 2017

**(12) Fund Balance**

**(a) Fund Balances**

At June 30, 2017, the Department's fund balance restrictions (amounts expressed in thousands) were for the following purposes:

	<b>General Fund</b>	<b>Nonmajor Special Revenue Funds</b>	<b>Total</b>
Nonspendable purpose:			
Inventory	\$ 106	\$ -	\$ 106
Total Nonspendable	\$ 106	\$ -	\$ 106
Restricted purpose:			
General Government	\$ -	\$ 16,601	\$ 16,601
Total Restricted	\$ -	\$ 16,601	\$ 16,601
Committed purpose:			
General Government	\$ 7	\$ 19,592	\$ 19,599
Health and Social Services	-	489,994	489,994
Employment and Economic Development	-	4,660	4,660
Environment and Business Regulation	-	34,592	34,592
Education	171,228	33,957	205,185
Capital Outlay	17,754	164,637	182,391
Total Committed	\$ 188,989	\$ 747,432	\$ 936,421
Total Unassigned	\$ (2,240,014)	\$ (518,512)	\$ (2,758,526)
Total fund balances (deficit)	\$ (2,050,919)	\$ 245,521	\$ (1,805,398)

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June 30, 2017

**(b) Fund Deficits**

The General Fund (\$2.051) billion and the following nonmajor governmental funds had fund deficits at June 30, 2017, as noted: Road (\$27.808) million, Public Utility (\$20) thousand, Illinois Gaming Law Enforcement (\$357) thousand, State and Local Sales Tax Reform (\$40.000) million, County and Mass Transit District (\$40.000) million, Local Government Tax (\$172.000) million, Local Government Distributive (\$5.100) million and Personal Property Tax Replacement (\$233.227) million. The fund deficit in the General Fund will be eliminated through the collection and allocation of future State revenues to the Department. The fund deficit of the Road, Public Utility, Illinois Gaming Law Enforcement, Local Government Distributive, and the Personal Property Tax Replacement funds will be eliminated through future revenues earned. The fund deficit of the State and Local Sales Tax Reform, County and Mass Transit District, and Local Government Tax funds will be managed through future revenues earned.

**(13) Risk Management**

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

The Department's risk management activities are financed through appropriations to the Illinois Department of Central Management Services and are accounted for in the general fund of the State. The claims are not considered to be a liability of the Department; and accordingly, have not been reported in the Department's financial statements for the year ended June 30, 2017.

**(14) Commitments and Contingencies**

**(a) Operating leases**

The Department leases certain office space under annual agreements which require the Department to make monthly lease payments. Rent expense under operating leases was \$2.336 million for the year ended June 30, 2017.

**(b) 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.

**STATE OF ILLINOIS  
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June 30, 2017

**(15) Subsequent Event**

The Department collects individual and corporate income taxes as well as replacement taxes pursuant to statutory authority. Replacement taxes, less estimated refunds, are deposited into the Personal Property Tax Replacement Fund and paid to local governments. In fiscal year 2015, the Department classified certain collections of individual and corporate income taxes as replacement taxes and as a result overpaid \$166.831 million to local governments. The Department discovered the error in fiscal year 2016. Legislation was signed into law later that year appropriating \$100.000 million from the Personal Property Tax Replacement Fund to local community college and school districts. The appropriations were fully expended in fiscal year 2017. The expenditures were made in lieu of recovery from local governments. Similar legislation was signed into law in July 2017 appropriating the remaining \$66.831 million from the Personal Property Tax Replacement Fund to local community college and school districts for fiscal year 2018 expenditures. As of the date of this report, February 21, 2018, the appropriations have been fully expended. These expenditures were made in lieu of recovery from local governments. The combined fiscal year 2017 and 2018 expenditures fully address the \$166.831 million overpayment. The State now considers the matter resolved.

**SUPPLEMENTARY INFORMATION**

State of Illinois  
Department of Revenue

Combining Schedule of Accounts  
General Fund

June 30, 2017 (Expressed in Thousands)

	General Revenue Account 0001	Common School Special 0005	Education Assistance 0007	Illinois Sports Facility 0225	Income Tax Refund 0278	Common School 0412	Municipal Economic Development 0650	Budget Stabilization 0686	Capital Projects 0694	Eliminations	Total
<b>ASSETS</b>											
Unexpended appropriations	\$ 7,482	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7	\$ -	\$ -	\$ 7,489
Cash equity in State Treasury	273,512	109,877	11,163	12,181	30,444	6,996	-	-	109	-	444,282
Taxes receivable, net	784,919	113,933	41,955	1,431	87,238	1,362	-	-	17,856	-	1,048,694
Other receivables, net	258	-	-	-	-	-	-	-	-	-	258
Due from other Department funds	8,218	2,207	-	-	54,308	-	-	-	-	(1,431)	63,302
Due from other State funds	-	-	-	-	2,328	-	-	-	-	-	2,328
Inventories	106	-	-	-	-	-	-	-	-	-	106
<b>Total assets</b>	<b>\$ 1,074,495</b>	<b>\$ 226,017</b>	<b>\$ 53,118</b>	<b>\$ 13,612</b>	<b>\$ 174,318</b>	<b>\$ 8,358</b>	<b>\$ -</b>	<b>\$ 7</b>	<b>\$ 17,965</b>	<b>\$ (1,431)</b>	<b>\$ 1,566,459</b>
<b>LIABILITIES</b>											
Accounts payable and accrued liabilities	214,025	63,395	-	-	-	3,007	-	-	211	-	280,638
Income tax refunds payable	-	-	-	-	1,344,702	-	-	-	-	-	1,344,702
Intergovernmental payables	469	-	-	7,270	-	-	-	-	-	-	7,739
Due to other Department funds	379,181	-	-	-	1,431	-	-	-	-	(1,431)	379,181
Due to other State funds	691,584	-	-	6,342	1,216	-	-	-	-	-	699,142
Due to State of Illinois Component Units	20	-	-	-	-	-	-	-	-	-	20
Unearned revenue	504,687	-	35,085	-	148,673	-	-	-	-	-	688,445
<b>Total liabilities</b>	<b>1,789,966</b>	<b>63,395</b>	<b>35,085</b>	<b>13,612</b>	<b>1,496,022</b>	<b>3,007</b>	<b>-</b>	<b>-</b>	<b>211</b>	<b>(1,431)</b>	<b>3,399,867</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>											
Unavailable revenue	170,842	202	14,550	-	31,891	26	-	-	-	-	217,511
<b>Total deferred inflows of resources</b>	<b>170,842</b>	<b>202</b>	<b>14,550</b>	<b>-</b>	<b>31,891</b>	<b>26</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>217,511</b>
<b>Total liabilities and deferred inflows of resources</b>	<b>1,960,808</b>	<b>63,597</b>	<b>49,635</b>	<b>13,612</b>	<b>1,527,913</b>	<b>3,033</b>	<b>-</b>	<b>-</b>	<b>211</b>	<b>(1,431)</b>	<b>3,617,378</b>
<b>FUND BALANCES (DEFICITS)</b>											
Nonspendable - Inventory	106	-	-	-	-	-	-	-	-	-	106
Committed	-	162,420	3,483	-	-	5,325	-	7	17,754	-	188,989
Unassigned	(886,419)	-	-	-	(1,353,595)	-	-	-	-	-	(2,240,014)
Total fund balances (deficits)	(886,313)	162,420	3,483	-	(1,353,595)	5,325	-	7	17,754	-	(2,050,919)
<b>Total liabilities, deferred inflows of resources and fund balances (deficits)</b>	<b>\$ 1,074,495</b>	<b>\$ 226,017</b>	<b>\$ 53,118</b>	<b>\$ 13,612</b>	<b>\$ 174,318</b>	<b>\$ 8,358</b>	<b>\$ -</b>	<b>\$ 7</b>	<b>\$ 17,965</b>	<b>\$ (1,431)</b>	<b>\$ 1,566,459</b>

State of Illinois  
Department of Revenue

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

For the Year Ended June 30, 2017 (Expressed in Thousands)

	General Revenue Account 0001	Common School Special 0005	Education Assistance 0007	Illinois Sports Facility 0225	Income Tax Refund 0278	Common School 0412	Municipal Economic Development 0650	Budget Stabilization 0686	Capital Projects 0694	Eliminations	Total
<b>REVENUES</b>											
Income taxes	\$ 11,796,838	\$ -	\$ 1,104,841	\$ -	\$ (51,737)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,849,942
Sales taxes	5,950,935	2,039,479	-	-	-	-	-	-	58,063	-	8,048,477
Public utility taxes	851,023	-	-	-	-	69,837	5	-	-	-	920,865
Other taxes	525,215	-	-	6,342	-	78,095	-	-	123,598	-	733,250
Licenses and fees	8,382	-	-	-	-	180	-	-	-	-	8,562
Other charges for services	2,080	-	-	-	-	-	-	-	-	-	2,080
Other	1,630	-	-	-	-	-	-	-	-	-	1,630
<b>Total revenues</b>	<b>19,136,103</b>	<b>2,039,479</b>	<b>1,104,841</b>	<b>6,342</b>	<b>(51,737)</b>	<b>148,112</b>	<b>5</b>	<b>-</b>	<b>181,661</b>	<b>-</b>	<b>22,564,806</b>
<b>EXPENDITURES</b>											
General government	108,502	-	-	-	170	-	-	3,743	-	-	112,415
Employment and economic development	-	-	-	5,000	-	-	-	-	-	-	5,000
Capital outlay	2,633	-	-	-	-	-	-	-	-	-	2,633
<b>Total expenditures</b>	<b>111,135</b>	<b>-</b>	<b>-</b>	<b>5,000</b>	<b>170</b>	<b>-</b>	<b>-</b>	<b>3,743</b>	<b>-</b>	<b>-</b>	<b>120,048</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>19,024,968</b>	<b>2,039,479</b>	<b>1,104,841</b>	<b>1,342</b>	<b>(51,907)</b>	<b>148,112</b>	<b>5</b>	<b>(3,743)</b>	<b>181,661</b>	<b>-</b>	<b>22,444,758</b>
<b>OTHER SOURCES (USES) OF FINANCIAL RESOURCES</b>											
Appropriations from State resources	123,464	-	-	-	-	-	-	5,000	-	-	128,464
Lapsed appropriations	(11,941)	-	-	-	-	-	-	-	-	-	(11,941)
Receipts collected and transmitted to State Treasury	(20,406,652)	-	(1,094,831)	-	-	(145,994)	-	-	(180,873)	-	(21,828,350)
Amount of SAMS transfers-in	(5,989)	-	-	-	-	(2,051,844)	-	-	-	-	(2,057,833)
Amount of SAMS transfers-out	1,356,046	-	-	-	-	-	-	-	-	-	1,356,046
Transfers-in	2,159	-	-	5,000	54,308	2,051,844	-	-	-	(2,053,275)	60,036
Transfers-out	(353,082)	(2,051,844)	-	(6,342)	(64,780)	-	-	-	-	2,053,275	(422,773)
<b>Net other sources (uses) of financial resources</b>	<b>(19,295,995)</b>	<b>(2,051,844)</b>	<b>(1,094,831)</b>	<b>(1,342)</b>	<b>(10,472)</b>	<b>(145,994)</b>	<b>-</b>	<b>5,000</b>	<b>(180,873)</b>	<b>-</b>	<b>(22,776,351)</b>
<b>Net change in fund balances</b>	<b>(271,027)</b>	<b>(12,365)</b>	<b>10,010</b>	<b>-</b>	<b>(62,379)</b>	<b>2,118</b>	<b>5</b>	<b>1,257</b>	<b>788</b>	<b>-</b>	<b>(331,593)</b>
Fund balances (deficits), July 1, 2016	(615,286)	174,785	(6,527)	-	(1,291,216)	3,207	(5)	(1,250)	16,966	-	(1,719,326)
<b>FUND BALANCES (DEFICITS), JUNE 30, 2017</b>	<b>\$ (886,313)</b>	<b>\$ 162,420</b>	<b>\$ 3,483</b>	<b>\$ -</b>	<b>\$ (1,353,595)</b>	<b>\$ 5,325</b>	<b>\$ -</b>	<b>\$ 7</b>	<b>\$ 17,754</b>	<b>\$ -</b>	<b>\$ (2,050,919)</b>

State of Illinois  
Department of Revenue

Combining Balance Sheet -  
Nonmajor Governmental Funds

June 30, 2017 (Expressed in Thousands)

Special Revenue

	Road 0011	Motor Fuel Tax 0012	Public Utility 0059	Underground Storage Tank 0072	Compassionate Use of Medical Cannabis 0075	Illinois Gaming Law Enforcement 0085	IDOR Federal Trust 0140	Rental Housing Support Program 0150	State & Local Sales Tax Reform 0186
<b>ASSETS</b>									
Unexpended appropriations	\$ -	\$ 14,044	\$ -	\$ 194	\$ -	\$ -	\$ -	\$ -	\$ -
Cash equity in State Treasury	-	403	-	4	5	15	41	31,277	51,639
Cash and cash equivalents	-	-	-	-	-	-	-	-	-
Securities lending collateral equity with State Treasurer	-	-	-	-	-	-	-	-	-
Taxes receivable, net	-	113,078	1	6,409	287	278	-	-	10,133
Intergovernmental receivables	-	-	-	-	-	-	-	-	-
Other receivables, net	-	-	-	-	-	-	-	-	-
Due from other Department funds	-	-	-	-	-	-	-	-	-
Due from other State funds	-	-	-	-	-	-	-	-	-
Loans and notes receivable, long-term	-	-	-	-	-	-	-	-	-
Due from State of Illinois component units	-	-	-	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ -</b>	<b>\$ 127,525</b>	<b>\$ 1</b>	<b>\$ 6,607</b>	<b>\$ 292</b>	<b>\$ 293</b>	<b>\$ 41</b>	<b>\$ 31,277</b>	<b>\$ 61,772</b>
<b>LIABILITIES</b>									
Accounts payable and accrued liabilities	-	14,441	20	41	-	32	10	-	-
Intergovernmental payables	-	62	-	3	-	618	-	-	21,623
Obligations under securities lending of State Treasurer	-	-	-	-	-	-	-	-	-
Due to other Department fiduciary funds	-	-	-	-	-	-	-	-	-
Due to other State fiduciary funds	-	581	-	27	-	-	-	-	-
Due to other Department funds	-	-	-	-	-	-	-	-	80,149
Due to other State funds	27,808	2,578	-	122	-	-	-	-	-
Due to State of Illinois component units	-	-	-	-	-	-	-	14,686	-
Unearned revenue	-	-	-	-	-	-	31	-	-
<b>Total liabilities</b>	<b>27,808</b>	<b>17,662</b>	<b>20</b>	<b>193</b>	<b>-</b>	<b>650</b>	<b>41</b>	<b>14,686</b>	<b>101,772</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>									
Unavailable revenue	-	-	1	-	31	-	-	-	-
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>31</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total liabilities and deferred inflows of resources</b>	<b>27,808</b>	<b>17,662</b>	<b>21</b>	<b>193</b>	<b>31</b>	<b>650</b>	<b>41</b>	<b>14,686</b>	<b>101,772</b>
<b>FUND BALANCES (DEFICITS)</b>									
Restricted	-	-	-	-	-	-	-	16,591	-
Committed	-	109,863	-	6,414	261	-	-	-	-
Unassigned	(27,808)	-	(20)	-	-	(357)	-	-	(40,000)
Total fund balances (deficits)	(27,808)	109,863	(20)	6,414	261	(357)	-	16,591	(40,000)
<b>Total liabilities, deferred inflows of resources and fund balances (deficits)</b>	<b>\$ -</b>	<b>\$ 127,525</b>	<b>\$ 1</b>	<b>\$ 6,607</b>	<b>\$ 292</b>	<b>\$ 293</b>	<b>\$ 41</b>	<b>\$ 31,277</b>	<b>\$ 61,772</b>

(Continued)

State of Illinois  
Department of Revenue

Combining Balance Sheet -  
Nonmajor Governmental Funds

June 30, 2017 (Expressed in Thousands)

	Special Revenue							
	RTA Occupation and Use Tax Replacement	County & Mass Transit	Local Govt Tax	Emergency Public Health	Illinois Affordable Housing Trust	Used Tire Management	Natural Areas Acquisition	Open Space Lands Acquisition & Development
	0187	0188	0189	0240	0286	0294	0298	0299
<b>ASSETS</b>								
Unexpended appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash equity in State Treasury	-	55,960	234,909	2	71,302	9	616	1,438
Cash and cash equivalents	-	-	-	-	-	-	-	-
Securities lending collateral equity with State Treasurer	-	-	-	-	21,550	-	-	-
Taxes receivable, net	-	858	6,005	-	-	-	-	-
Intergovernmental receivables	-	-	-	-	-	-	-	-
Other receivables, net	-	-	-	813	66	3,090	-	-
Due from other Department funds	6,830	-	-	-	-	-	-	-
Due from other State funds	-	-	3,300	-	-	-	-	-
Loans and notes receivable, long-term	-	-	-	-	-	-	-	-
Due from State of Illinois component units	-	-	-	-	345,483	-	-	-
<b>Total assets</b>	<b>\$ 6,830</b>	<b>\$ 56,818</b>	<b>\$ 244,214</b>	<b>\$ 815</b>	<b>\$ 438,401</b>	<b>\$ 3,099</b>	<b>\$ 616</b>	<b>\$ 1,438</b>
<b>LIABILITIES</b>								
Accounts payable and accrued liabilities	-	-	-	-	318	-	76	177
Intergovernmental payables	6,830	60,576	407,386	-	-	-	-	-
Obligations under securities lending of State Treasurer	-	-	-	-	21,550	-	-	-
Due to other Department fiduciary funds	-	36,242	-	-	-	-	-	-
Due to other State fiduciary funds	-	-	-	-	-	-	-	-
Due to other Department funds	-	-	8,828	-	-	166	-	-
Due to other State funds	-	-	-	-	-	-	-	-
Due to State of Illinois component units	-	-	-	-	24,380	-	-	-
Unearned revenue	-	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>6,830</b>	<b>96,818</b>	<b>416,214</b>	<b>-</b>	<b>46,248</b>	<b>166</b>	<b>76</b>	<b>177</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Unavailable revenue	-	-	-	1	-	5	-	-
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>5</b>	<b>-</b>	<b>-</b>
<b>Total liabilities and deferred inflows of resources</b>	<b>6,830</b>	<b>96,818</b>	<b>416,214</b>	<b>1</b>	<b>46,248</b>	<b>171</b>	<b>76</b>	<b>177</b>
<b>FUND BALANCES (DEFICITS)</b>								
Restricted	-	-	-	-	-	-	-	-
Committed	-	-	-	814	392,153	2,928	540	1,261
Unassigned	-	(40,000)	(172,000)	-	-	-	-	-
Total fund balances (deficits)	-	(40,000)	(172,000)	814	392,153	2,928	540	1,261
<b>Total liabilities, deferred inflows of resources and fund balances (deficits)</b>	<b>\$ 6,830</b>	<b>\$ 56,818</b>	<b>\$ 244,214</b>	<b>\$ 815</b>	<b>\$ 438,401</b>	<b>\$ 3,099</b>	<b>\$ 616</b>	<b>\$ 1,438</b>

(Continued)

State of Illinois  
Department of Revenue

Combining Balance Sheet -  
Nonmajor Governmental Funds

June 30, 2017 (Expressed in Thousands)

	Special Revenue						
	Tax Compliance and Administration 0384	Local Government Distributive 0515	Drycleaner Environmental Response 0548	Supplemental Low Income Energy Assistance 0550	Renewable Energy Resource 0564	School Infrastructure 0568	International Tourism 0621
<b>ASSETS</b>							
Unexpended appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash equity in State Treasury	16,743	8,487	2	3	-	2,537	299
Cash and cash equivalents	-	-	-	-	-	-	-
Securities lending collateral equity with State Treasurer	2,152	-	-	-	-	-	-
Taxes receivable, net	6,036	25,249	72	8,054	-	935	808
Intergovernmental receivables	-	-	-	-	-	-	-
Other receivables, net	18	-	-	-	473	-	-
Due from other Department funds	138	442,912	-	-	-	-	-
Due from other State funds	89	-	-	-	-	-	-
Loans and notes receivable, long-term	-	-	-	-	-	-	-
Due from State of Illinois component units	-	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 25,176</b>	<b>\$ 476,648</b>	<b>\$ 74</b>	<b>\$ 8,057</b>	<b>\$ 473</b>	<b>\$ 3,472</b>	<b>\$ 1,107</b>
<b>LIABILITIES</b>							
Accounts payable and accrued liabilities	1,621	-	-	34	2	2,931	-
Intergovernmental payables	202	476,541	-	-	-	-	-
Obligations under securities lending of State Treasurer	2,152	-	-	-	-	-	-
Due to other Department fiduciary funds	-	-	-	-	-	-	-
Due to other State fiduciary funds	216	-	-	-	-	-	-
Due to other Department funds	-	-	-	-	-	-	-
Due to other State funds	1,302	107	-	-	-	-	-
Due to State of Illinois component units	36	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>5,529</b>	<b>476,648</b>	<b>-</b>	<b>34</b>	<b>2</b>	<b>2,931</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable revenue	55	5,100	1	-	-	26	-
<b>Total deferred inflows of resources</b>	<b>55</b>	<b>5,100</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>26</b>	<b>-</b>
<b>Total liabilities and deferred inflows of resources</b>	<b>5,584</b>	<b>481,748</b>	<b>1</b>	<b>34</b>	<b>2</b>	<b>2,957</b>	<b>-</b>
<b>FUND BALANCES (DEFICITS)</b>							
Restricted	-	-	-	-	-	-	-
Committed	19,592	-	73	8,023	471	515	1,107
Unassigned	-	(5,100)	-	-	-	-	-
Total fund balances (deficits)	19,592	(5,100)	73	8,023	471	515	1,107
<b>Total liabilities, deferred inflows of resources and fund balances (deficits)</b>	<b>\$ 25,176</b>	<b>\$ 476,648</b>	<b>\$ 74</b>	<b>\$ 8,057</b>	<b>\$ 473</b>	<b>\$ 3,472</b>	<b>\$ 1,107</b>

(Continued)

State of Illinois  
Department of Revenue

Combining Balance Sheet -  
Nonmajor Governmental Funds

June 30, 2017 (Expressed in Thousands)

	Special Revenue							
	Fund for the Advancement of Education	Commitment to Human Services	Personal Property Tax Replacement	Dram Shop	Local Government Video Gaming	Foreclosure Prevention	Abandoned Residential Property Municipality Relief	Senior Citizen Real Estate Deferred Tax
	0640	0644	0802	0821	0842	0891	0892	0930
<b>ASSETS</b>								
Unexpended appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash equity in State Treasury	-	-	258,421	7,658	5,522	4,343	15,340	11,237
Cash and cash equivalents	-	-	-	-	-	-	-	-
Securities lending collateral equity with State Treasurer	-	-	34,095	-	-	-	-	-
Taxes receivable, net	45,153	45,145	60,479	-	5,199	-	-	-
Intergovernmental receivables	-	-	-	-	-	388	145	-
Other receivables, net	-	-	104	181	-	-	-	14,306
Due from other Department funds	-	-	-	-	-	-	-	-
Due from other State funds	-	-	-	-	-	-	-	-
Loans and notes receivable, long-term	-	-	-	-	-	-	-	39,683
Due from State of Illinois component units	-	-	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 45,153</b>	<b>\$ 45,145</b>	<b>\$ 353,099</b>	<b>\$ 7,839</b>	<b>\$ 10,721</b>	<b>\$ 4,731</b>	<b>\$ 15,485</b>	<b>\$ 65,226</b>
<b>LIABILITIES</b>								
Accounts payable and accrued liabilities	-	-	24,869	225	-	-	-	-
Intergovernmental payables	-	-	230,724	14	10,721	-	-	-
Obligations under securities lending of State Treasurer	-	-	34,095	-	-	-	-	-
Due to other Department fiduciary funds	-	-	-	-	-	-	-	-
Due to other State fiduciary funds	-	-	406	81	-	-	-	-
Due to other Department funds	-	-	54,308	-	-	-	-	-
Due to other State funds	-	-	691	53	-	-	-	-
Due to State of Illinois component units	-	-	-	-	-	89	126	-
Unearned revenue	5,175	5,175	221,445	-	-	-	-	-
<b>Total liabilities</b>	<b>5,175</b>	<b>5,175</b>	<b>566,538</b>	<b>373</b>	<b>10,721</b>	<b>89</b>	<b>126</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Unavailable revenue	6,536	6,528	19,788	181	-	-	-	14,306
<b>Total deferred inflows of resources</b>	<b>6,536</b>	<b>6,528</b>	<b>19,788</b>	<b>181</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,306</b>
<b>Total liabilities and deferred inflows of resources</b>	<b>11,711</b>	<b>11,703</b>	<b>586,326</b>	<b>554</b>	<b>10,721</b>	<b>89</b>	<b>126</b>	<b>14,306</b>
<b>FUND BALANCES (DEFICITS)</b>								
Restricted	-	-	-	-	-	-	-	-
Committed	33,442	33,442	-	7,285	-	4,642	15,359	50,920
Unassigned	-	-	(233,227)	-	-	-	-	-
Total fund balances (deficits)	33,442	33,442	(233,227)	7,285	-	4,642	15,359	50,920
<b>Total liabilities, deferred inflows of resources and fund balances (deficits)</b>	<b>\$ 45,153</b>	<b>\$ 45,145</b>	<b>\$ 353,099</b>	<b>\$ 7,839</b>	<b>\$ 10,721</b>	<b>\$ 4,731</b>	<b>\$ 15,485</b>	<b>\$ 65,226</b>

(Continued)

State of Illinois  
Department of Revenue

Combining Balance Sheet -  
Nonmajor Governmental Funds

June 30, 2017 (Expressed in Thousands)

Special Revenue

	Build Illinois 0960	Local Tourism 0969	Build Illinois Bond 0971	Evidence Fund 1369	Eliminations	Total
<b>ASSETS</b>						
Unexpended appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,238
Cash equity in State Treasury	15,300	970	-	-	-	794,482
Cash and cash equivalents	-	-	-	10	-	10
Securities lending collateral equity with State Treasurer	-	-	-	-	-	57,797
Taxes receivable, net	46,402	2,583	-	-	-	383,164
Intergovernmental receivables	-	-	-	-	-	533
Other receivables, net	-	-	-	-	-	19,051
Due from other Department funds	9,450	-	-	-	(80,149)	379,181
Due from other State funds	-	-	-	-	-	3,389
Loans and notes receivable, long-term	-	-	-	-	-	39,683
Due from State of Illinois component units	-	-	-	-	-	345,483
<b>Total assets</b>	<b>\$ 71,152</b>	<b>\$ 3,553</b>	<b>\$ -</b>	<b>\$ 10</b>	<b>\$ (80,149)</b>	<b>\$ 2,037,011</b>
<b>LIABILITIES</b>						
Accounts payable and accrued liabilities	16,330	-	-	-	-	61,127
Intergovernmental payables	-	-	-	-	-	1,215,300
Obligations under securities lending of State Treasurer	-	-	-	-	-	57,797
Due to other Department fiduciary funds	-	-	-	-	-	36,242
Due to other State fiduciary funds	-	-	-	-	-	1,311
Due to other Department funds	-	-	-	-	(80,149)	63,302
Due to other State funds	-	-	-	-	-	32,661
Due to State of Illinois component units	-	-	-	-	-	39,317
Unearned revenue	-	-	-	-	-	231,826
<b>Total liabilities</b>	<b>16,330</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(80,149)</b>	<b>1,738,883</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue	48	-	-	-	-	52,607
<b>Total deferred inflows of resources</b>	<b>48</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>52,607</b>
<b>Total liabilities and deferred inflows of resources</b>	<b>16,378</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(80,149)</b>	<b>1,791,490</b>
<b>FUND BALANCES (DEFICITS)</b>						
Restricted	-	-	-	10	-	16,601
Committed	54,774	3,553	-	-	-	747,432
Unassigned	-	-	-	-	-	(518,512)
Total fund balances (deficits)	54,774	3,553	-	10	-	245,521
<b>Total liabilities, deferred inflows of resources and fund balances (deficits)</b>	<b>\$ 71,152</b>	<b>\$ 3,553</b>	<b>\$ -</b>	<b>\$ 10</b>	<b>\$ (80,149)</b>	<b>\$ 2,037,011</b>

(Concluded)

State of Illinois  
Department of Revenue

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

For the Year Ended June 30, 2017 (Expressed in Thousands)

Special Revenue

	Road 0011	Motor Fuel Tax 0012	Public Utility 0059	Underground Storage Tank 0072	Compassionate Use of Medical Cannabis 0075	Illinois Gaming Law Enforcement 0085	IDOR Federal Trust 0140	Rental Housing Support Program 0150	State & Local Sales Tax Reform 0186
<b>REVENUES</b>									
Federal operating grants	\$ -	\$ 35	\$ -	\$ -	\$ -	\$ -	\$ 14	\$ -	\$ -
Income taxes	-	-	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	2,135	-	-	-	125,795
Motor fuel taxes	-	1,230,530	-	73,989	-	-	-	-	-
Public utility taxes, net	-	-	6,872	-	-	-	-	-	-
Other taxes, net	-	-	-	-	-	1,546	-	15,063	-
License and fees	-	922	-	-	-	247	-	-	-
Other charges for services	-	-	-	-	-	-	-	-	-
Interest and other investment income	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
<b>Total revenues</b>	-	1,231,487	6,872	73,989	2,135	1,793	14	15,063	125,795
<b>EXPENDITURES</b>									
General government	-	42,774	-	1,773	-	-	14	30,951	-
Health and social services	-	-	-	-	-	-	-	-	-
Environmental and business regulation	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	620	-	-	85,812
Debt service - principal	-	3	-	-	-	-	-	-	-
Capital outlay	-	443	-	-	-	-	-	-	-
<b>Total expenditures</b>	-	43,220	-	1,773	-	620	14	30,951	85,812
<b>Excess (deficiency) of revenues over (under) expenditures</b>	-	1,188,267	6,872	72,216	2,135	1,173	-	(15,888)	39,983
<b>OTHER SOURCES (USES) OF FINANCIAL RESOURCES</b>									
Appropriations from State resources	-	94,033	-	1,906	-	1,408	-	-	-
Lapsed appropriations	-	(6,092)	-	(125)	-	(711)	-	-	-
Receipts collected and transmitted to State Treasury	-	(1,275,439)	(6,855)	(73,951)	(1,957)	(1,859)	-	-	-
Amount of SAMS transfers-in	-	-	(3)	-	-	-	-	-	-
Amount of SAMS transfers-out	-	-	-	-	-	-	-	-	-
Transfers-in	-	-	3	-	-	-	-	-	-
Transfers-out	(27,808)	6	-	-	-	-	-	-	(38,467)
<b>Net other sources (uses) of financial resources</b>	(27,808)	(1,187,492)	(6,855)	(72,170)	(1,957)	(1,162)	-	-	(38,467)
<b>Net change in fund balances</b>	(27,808)	775	17	46	178	11	-	(15,888)	1,516
Fund balances (deficits), July 1, 2016	-	109,088	(37)	6,368	83	(368)	-	32,479	(41,516)
<b>FUND BALANCES (DEFICITS), JUNE 30, 2017</b>	\$ (27,808)	\$ 109,863	\$ (20)	\$ 6,414	\$ 261	\$ (357)	\$ -	\$ 16,591	\$ (40,000)

(Continued)

State of Illinois  
Department of Revenue

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

For the Year Ended June 30, 2017 (Expressed in Thousands)

Special Revenue

	RTA Occupation and Use Tax Replacement 0187	County & Mass Transit 0188	Local Govt Tax 0189	Emergency Public Health 0240	Illinois Affordable Housing Trust 0286	Used Tire Management 0294	Natural Areas Acquisition 0298	Open Space Lands Acquisition & Development 0299
<b>REVENUES</b>								
Federal operating grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Income taxes	-	-	-	-	-	-	-	-
Sales taxes	41,389	371,053	1,813,739	-	-	-	-	-
Motor fuel taxes	-	-	-	-	-	-	-	-
Public utility taxes, net	-	-	-	-	-	-	-	-
Other taxes, net	-	-	-	-	38,737	-	11,620	27,114
License and fees	-	-	-	3,647	-	13,931	-	-
Other charges for services	-	-	-	-	-	-	-	-
Interest and other investment income	-	-	-	-	1,970	-	-	-
Other	-	-	-	-	14,965	-	-	-
<b>Total revenues</b>	<b>41,389</b>	<b>371,053</b>	<b>1,813,739</b>	<b>3,647</b>	<b>55,672</b>	<b>13,931</b>	<b>11,620</b>	<b>27,114</b>
<b>EXPENDITURES</b>								
General government	-	-	-	-	14,639	-	-	-
Health and social services	-	-	-	-	13,639	-	-	-
Environmental and business regulation	-	-	-	-	-	-	-	-
Intergovernmental	41,389	370,460	1,811,887	-	-	-	-	-
Debt service - principal	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>41,389</b>	<b>370,460</b>	<b>1,811,887</b>	<b>-</b>	<b>28,278</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>-</b>	<b>593</b>	<b>1,852</b>	<b>3,647</b>	<b>27,394</b>	<b>13,931</b>	<b>11,620</b>	<b>27,114</b>
<b>OTHER SOURCES (USES) OF FINANCIAL RESOURCES</b>								
Appropriations from State resources	-	-	-	-	-	-	-	-
Lapsed appropriations	-	-	-	-	-	-	-	-
Receipts collected and transmitted to State Treasury	-	-	-	(3,659)	-	(13,976)	(11,483)	(26,794)
Amount of SAMS transfers-in	-	-	-	-	-	-	-	-
Amount of SAMS transfers-out	-	-	-	-	-	720	-	-
Transfers-in	-	-	-	-	-	-	-	-
Transfers-out	-	-	-	-	-	(728)	-	-
<b>Net other sources (uses) of financial resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,659)</b>	<b>-</b>	<b>(13,984)</b>	<b>(11,483)</b>	<b>(26,794)</b>
<b>Net change in fund balances</b>	<b>-</b>	<b>593</b>	<b>1,852</b>	<b>(12)</b>	<b>27,394</b>	<b>(53)</b>	<b>137</b>	<b>320</b>
Fund balances (deficits), July 1, 2016	-	(40,593)	(173,852)	826	364,759	2,981	403	941
<b>FUND BALANCES (DEFICITS), JUNE 30, 2017</b>	<b>\$ -</b>	<b>\$ (40,000)</b>	<b>\$ (172,000)</b>	<b>\$ 814</b>	<b>\$ 392,153</b>	<b>\$ 2,928</b>	<b>\$ 540</b>	<b>\$ 1,261</b>

(Continued)

State of Illinois  
Department of Revenue

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

For the Year Ended June 30, 2017 (Expressed in Thousands)

	Special Revenue						
	Tax Compliance and Administration 0384	Local Government Distributive 0515	Drycleaner Environmental Response 0548	Supplemental Low Income Energy Assistance 0550	Renewable Energy Resource 0564	School Infrastructure 0568	International Tourism 0621
<b>REVENUES</b>							
Federal operating grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Income taxes	6,169	1,243,354	-	-	-	-	-
Sales taxes	17,442	252,681	-	-	-	-	-
Motor fuel taxes	-	-	-	-	-	-	-
Public utility taxes, net	1,329	-	-	96,966	-	57,837	-
Other taxes, net	7,881	-	299	-	-	14,665	5,666
License and fees	68	-	1,329	-	5,490	-	-
Other charges for services	141	-	-	-	-	-	-
Interest and other investment income	54	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
<b>Total revenues</b>	<b>33,084</b>	<b>1,496,035</b>	<b>1,628</b>	<b>96,966</b>	<b>5,490</b>	<b>72,502</b>	<b>5,666</b>
<b>EXPENDITURES</b>							
General government	18,151	-	-	-	-	-	-
Health and social services	-	-	-	-	-	-	-
Environmental and business regulation	-	-	-	-	-	-	-
Intergovernmental	-	1,496,135	-	-	-	-	-
Debt service - principal	-	-	-	-	-	-	-
Capital outlay	1,100	-	-	-	-	-	-
<b>Total expenditures</b>	<b>19,251</b>	<b>1,496,135</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>13,833</b>	<b>(100)</b>	<b>1,628</b>	<b>96,966</b>	<b>5,490</b>	<b>72,502</b>	<b>5,666</b>
<b>OTHER SOURCES (USES) OF FINANCIAL RESOURCES</b>							
Appropriations from State resources	-	-	-	-	-	-	-
Lapsed appropriations	-	-	-	-	-	-	-
Receipts collected and transmitted to State Treasury	-	-	(1,638)	(97,264)	(5,507)	(72,132)	(5,525)
Amount of SAMS transfers-in	-	-	-	-	-	-	-
Amount of SAMS transfers-out	-	-	-	-	-	-	-
Transfers-in	1,000	-	-	-	-	-	-
Transfers-out	-	(5,000)	-	-	-	-	-
<b>Net other sources (uses) of financial resources</b>	<b>1,000</b>	<b>(5,000)</b>	<b>(1,638)</b>	<b>(97,264)</b>	<b>(5,507)</b>	<b>(72,132)</b>	<b>(5,525)</b>
<b>Net change in fund balances</b>	<b>14,833</b>	<b>(5,100)</b>	<b>(10)</b>	<b>(298)</b>	<b>(17)</b>	<b>370</b>	<b>141</b>
Fund balances (deficits), July 1, 2016	4,759	-	83	8,321	488	145	966
<b>FUND BALANCES (DEFICITS), JUNE 30, 2017</b>	<b>\$ 19,592</b>	<b>\$ (5,100)</b>	<b>\$ 73</b>	<b>\$ 8,023</b>	<b>\$ 471</b>	<b>\$ 515</b>	<b>\$ 1,107</b>

(Continued)

State of Illinois  
Department of Revenue

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

For the Year Ended June 30, 2017 (Expressed in Thousands)

	Special Revenue							
	Fund for the Advancement of Education 0640	Commitment to Human Services 0644	Personal Property Tax Replacement 0802	Dram Shop 0821	Local Government Video Gaming 0842	Foreclosure Prevention 0891	Abandoned Residential Property Municipality Relief 0892	Senior Citizen Real Estate Deferred Tax 0930
<b>REVENUES</b>								
Federal operating grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Income taxes	457,049	457,049	1,440,677	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Motor fuel taxes	-	-	-	-	-	-	-	-
Public utility taxes, net	-	-	219,537	-	-	-	-	-
Other taxes, net	-	-	-	-	60,102	-	-	-
License and fees	-	-	-	9,755	-	-	7,102	-
Other charges for services	-	-	-	879	-	2,625	-	-
Interest and other investment income	-	-	780	-	-	-	-	2,091
Other	-	-	-	42	-	-	-	-
<b>Total revenues</b>	<b>457,049</b>	<b>457,049</b>	<b>1,660,994</b>	<b>10,676</b>	<b>60,102</b>	<b>2,625</b>	<b>7,102</b>	<b>2,091</b>
<b>EXPENDITURES</b>								
General government	-	-	69,883	114	-	4,281	9,763	-
Health and social services	-	-	-	-	-	-	-	-
Environmental and business regulation	-	-	-	6,572	-	-	-	-
Intergovernmental	-	-	1,607,509	-	60,102	-	-	-
Debt service - principal	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>1,677,392</b>	<b>6,686</b>	<b>60,102</b>	<b>4,281</b>	<b>9,763</b>	<b>-</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>457,049</b>	<b>457,049</b>	<b>(16,398)</b>	<b>3,990</b>	<b>-</b>	<b>(1,656)</b>	<b>(2,661)</b>	<b>2,091</b>
<b>OTHER SOURCES (USES) OF FINANCIAL RESOURCES</b>								
Appropriations from State resources	-	-	-	-	-	-	-	-
Lapsed appropriations	-	-	-	-	-	-	-	-
Receipts collected and transmitted to State Treasury	(465,200)	(465,200)	-	-	-	-	-	-
Amount of SAMS transfers-in	-	-	-	-	-	-	-	-
Amount of SAMS transfers-out	-	-	-	-	-	-	-	-
Transfers-in	-	-	62,025	-	-	-	-	-
Transfers-out	-	-	(54,308)	-	-	-	-	-
<b>Net other sources (uses) of financial resources</b>	<b>(465,200)</b>	<b>(465,200)</b>	<b>7,717</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(8,151)</b>	<b>(8,151)</b>	<b>(8,681)</b>	<b>3,990</b>	<b>-</b>	<b>(1,656)</b>	<b>(2,661)</b>	<b>2,091</b>
Fund balances (deficits), July 1, 2016	41,593	41,593	(224,546)	3,295	-	6,298	18,020	48,829
<b>FUND BALANCES (DEFICITS), JUNE 30, 2017</b>	<b>\$ 33,442</b>	<b>\$ 33,442</b>	<b>\$ (233,227)</b>	<b>\$ 7,285</b>	<b>\$ -</b>	<b>\$ 4,642</b>	<b>\$ 15,359</b>	<b>\$ 50,920</b>

(Continued)

State of Illinois  
Department of Revenue

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

For the Year Ended June 30, 2017 (Expressed in Thousands)

	Special Revenue					
	Build Illinois 0960	Local Tourism 0969	Build Illinois Bond 0971	Evidence Fund 1369	Eliminations	Total
<b>REVENUES</b>						
Federal operating grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 49
Income taxes	-	-	-	-	-	3,604,298
Sales taxes	482,071	-	-	-	-	3,106,305
Motor fuel taxes	-	-	-	-	-	1,304,519
Public utility taxes, net	-	-	-	-	-	382,541
Other taxes, net	143,552	18,351	-	-	-	344,596
License and fees	-	-	-	-	-	42,491
Other charges for services	-	-	-	-	-	3,645
Interest and other investment income	-	-	-	-	-	4,895
Other	-	-	-	8	-	15,015
<b>Total revenues</b>	<b>625,623</b>	<b>18,351</b>	<b>-</b>	<b>8</b>	<b>-</b>	<b>8,808,354</b>
<b>EXPENDITURES</b>						
General government	-	-	-	1	-	192,344
Health and social services	-	-	-	-	-	13,639
Environmental and business regulation	-	-	-	-	-	6,572
Intergovernmental	-	-	-	-	-	5,473,914
Debt service - principal	-	-	-	-	-	3
Capital outlay	-	-	-	-	-	1,543
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>5,688,015</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>625,623</b>	<b>18,351</b>	<b>-</b>	<b>7</b>	<b>-</b>	<b>3,120,339</b>
<b>OTHER SOURCES (USES) OF FINANCIAL RESOURCES</b>						
Appropriations from State resources	-	-	-	-	-	97,347
Lapsed appropriations	-	-	-	-	-	(6,928)
Receipts collected and transmitted to State Treasury	(614,488)	(17,898)	-	-	-	(3,160,825)
Amount of SAMS transfers-in	(37,800)	-	-	-	-	(37,803)
Amount of SAMS transfers-out	-	-	-	-	-	720
Transfers-in	37,800	-	-	-	(38,467)	62,361
Transfers-out	-	-	-	-	38,467	(87,838)
<b>Net other sources (uses) of financial resources</b>	<b>(614,488)</b>	<b>(17,898)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,132,966)</b>
<b>Net change in fund balances</b>	<b>11,135</b>	<b>453</b>	<b>-</b>	<b>7</b>	<b>-</b>	<b>(12,627)</b>
Fund balances (deficits), July 1, 2016	43,639	3,100	-	3	-	258,148
<b>FUND BALANCES (DEFICITS), JUNE 30, 2017</b>	<b>\$ 54,774</b>	<b>\$ 3,553</b>	<b>\$ -</b>	<b>\$ 10</b>	<b>\$ -</b>	<b>\$ 245,521</b>

(Concluded)

State of Illinois  
Department of Revenue

Combining Statement of Fiduciary Net Position -  
Agency Funds

June 30, 2017 (Expressed in Thousands)

	Agency						
	County Water Commission Tax 0084	Non-Home Rule Municipal ROT 0088	Home Rule Municipal Soft Drink ROT 0097	Municipal Wireless Service Emergency 0125	Home Rule Municipal ROT 0138	Home Rule County ROT 0139	Business District ROT 0160
<b>ASSETS</b>							
Cash equity in State Treasury	\$ 380	\$ 23,917	\$ 2,523	\$ 1,943	\$ 123,726	\$ 113,293	\$ 3,485
Cash and cash equivalents	-	-	-	-	-	-	-
Securities lending collateral equity with State Treasurer	103	5,604	-	-	23,016	22,462	-
Taxes receivable, net	42	9,704	208	-	70,616	40,549	2,167
Other receivables, net	-	17	-	44	70	69	-
Due from other Department funds	-	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 525</b>	<b>\$ 39,242</b>	<b>\$ 2,731</b>	<b>\$ 1,987</b>	<b>\$ 217,428</b>	<b>\$ 176,373</b>	<b>\$ 5,652</b>
<b>LIABILITIES</b>							
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental payables	422	33,638	2,731	1,987	194,412	153,911	5,652
Obligations under securities lending of State Treasurer	103	5,604	-	-	23,016	22,462	-
Other liabilities	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>\$ 525</b>	<b>\$ 39,242</b>	<b>\$ 2,731</b>	<b>\$ 1,987</b>	<b>\$ 217,428</b>	<b>\$ 176,373</b>	<b>\$ 5,652</b>

(Continued)

State of Illinois  
Department of Revenue

Combining Statement of Fiduciary Net Position -  
Agency Funds

June 30, 2017 (Expressed in Thousands)

	Agency						
	County Option Motor Fuel Tax 0190	County Public Safety ROT 0219	Sports Facility Tax Trust 0229	Private Vehicle Use Home Rule 0263	Metropolitan Pier & Expo. Auth. Trust 0337	Illinois Tourism Tax 0452	School Facility Occupation Tax 0498
<b>ASSETS</b>							
Cash equity in State Treasury	\$ 6,069	\$ 16,491	\$ -	\$ 4,070	\$ 38,837	\$ 6,316	\$ 19,163
Cash and cash equivalents	-	-	-	-	-	-	-
Securities lending collateral equity with State Treasurer	1,381	-	-	-	8,193	-	-
Taxes receivable, net	2,444	3,425	-	775	16,245	695	3,782
Other receivables, net	4	-	-	-	25	-	-
Due from other Department funds	-	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 9,898</b>	<b>\$ 19,916</b>	<b>\$ -</b>	<b>\$ 4,845</b>	<b>\$ 63,300</b>	<b>\$ 7,011</b>	<b>\$ 22,945</b>
<b>LIABILITIES</b>							
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ 67	\$ -	\$ -
Intergovernmental payables	8,517	19,916	-	4,845	55,040	7,011	22,945
Obligations under securities lending of State Treasurer	1,381	-	-	-	8,193	-	-
Other liabilities	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>\$ 9,898</b>	<b>\$ 19,916</b>	<b>\$ -</b>	<b>\$ 4,845</b>	<b>\$ 63,300</b>	<b>\$ 7,011</b>	<b>\$ 22,945</b>

(Continued)

State of Illinois  
Department of Revenue

Combining Statement of Fiduciary Net Position -  
Agency Funds

June 30, 2017 (Expressed in Thousands)

	Agency						
	Flood Prevention Occupation Tax 0558	Tax Suspense Trust 0583	Metro East Park & Recreation 0717	Municipal Telecom 0719	RTA Sales Tax Trust 0812	Metro East Mass Transit District Tax 0841	Tennessee Valley Authority Local Trust 0861
<b>ASSETS</b>							
Cash equity in State Treasury	\$ 2,888	\$ 20	\$ 1,280	\$ 50,336	\$ 151,530	\$ 5,103	\$ 19
Cash and cash equivalents	-	-	-	-	-	-	-
Securities lending collateral equity with State Treasurer	-	-	-	-	29,818	1,160	-
Taxes receivable, net	212	-	-	59	40,822	3,097	-
Other receivables, net	-	-	-	-	91	4	-
Due from other Department funds	-	-	-	-	36,242	-	-
<b>Total assets</b>	<b>\$ 3,100</b>	<b>\$ 20</b>	<b>\$ 1,280</b>	<b>\$ 50,395</b>	<b>\$ 258,503</b>	<b>\$ 9,364</b>	<b>\$ 19</b>
<b>LIABILITIES</b>							
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental payables	3,100	-	1,280	50,395	228,685	8,204	19
Obligations under securities lending of State Treasurer	-	-	-	-	29,818	1,160	-
Other liabilities	-	20	-	-	-	-	-
<b>Total liabilities</b>	<b>\$ 3,100</b>	<b>\$ 20</b>	<b>\$ 1,280</b>	<b>\$ 50,395</b>	<b>\$ 258,503</b>	<b>\$ 9,364</b>	<b>\$ 19</b>

(Continued)

**State of Illinois**  
**Department of Revenue**

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

June 30, 2017 (Expressed in Thousands)

	<u>Agency</u>			
	<b>Municipal Automobile Renting Tax 0868</b>	<b>County Automobile Renting Tax 0869</b>	<b>Surety Bond 1151</b>	<b>Total</b>
<b>ASSETS</b>				
Cash equity in State Treasury	\$ 1,153	\$ 37	\$ -	\$ 572,579
Cash and cash equivalents	-	-	418	418
Securities lending collateral equity with State Treasurer	241	9	-	91,987
Taxes receivable, net	575	16	-	195,433
Other receivables, net	1	-	-	325
Due from other Department funds	-	-	-	36,242
<b>Total assets</b>	<b>\$ 1,970</b>	<b>\$ 62</b>	<b>\$ 418</b>	<b>\$ 896,984</b>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 14	\$ -	\$ -	\$ 81
Intergovernmental payables	1,715	53	-	804,478
Obligations under securities lending of State Treasurer	241	9	-	91,987
Other liabilities	-	-	418	438
<b>Total liabilities</b>	<b>\$ 1,970</b>	<b>\$ 62</b>	<b>\$ 418</b>	<b>\$ 896,984</b>

(Concluded)

**State of Illinois**  
**Department of Revenue**

**Combining Statement of Changes in Assets and Liabilities -  
Agency Funds**

For the Year Ended June 30, 2017 (Expressed in Thousands)

	Balance at July 1, 2016	Additions	Deletions	Balance at June 30, 2017
<b>County Water Commission Tax (0084)</b>				
<b>ASSETS</b>				
Cash equity in State Treasury	\$ 6,660	\$ 600	\$ 6,880	\$ 380
Securities lending collateral equity with State Treasurer	1,222	9,701	10,820	103
Taxes receivable, net	137	494	589	42
Other receivables, net	2	9	11	-
<b>Total assets</b>	<b>\$ 8,021</b>	<b>\$ 10,804</b>	<b>\$ 18,300</b>	<b>\$ 525</b>
<b>LIABILITIES</b>				
Intergovernmental payables	\$ 6,799	\$ 503	\$ 6,880	\$ 422
Obligations under securities lending of State Treasurer	1,222	9,701	10,820	103
<b>Total liabilities</b>	<b>\$ 8,021</b>	<b>\$ 10,204</b>	<b>\$ 17,700</b>	<b>\$ 525</b>
<b>Non-Home Rule Municipal ROT (0088)</b>				
<b>ASSETS</b>				
Cash equity in State Treasury	\$ 24,142	\$ 129,336	\$ 129,561	\$ 23,917
Securities lending collateral equity with State Treasurer	4,597	164,018	163,011	5,604
Taxes receivable, net	8,659	130,250	129,205	9,704
Other receivables, net	8	140	131	17
<b>Total assets</b>	<b>\$ 37,406</b>	<b>\$ 423,744</b>	<b>\$ 421,908</b>	<b>\$ 39,242</b>
<b>LIABILITIES</b>				
Intergovernmental payables	\$ 32,809	\$ 130,390	\$ 129,561	\$ 33,638
Obligations under securities lending of State Treasurer	4,597	164,018	163,011	5,604
<b>Total liabilities</b>	<b>\$ 37,406</b>	<b>\$ 294,408</b>	<b>\$ 292,572</b>	<b>\$ 39,242</b>
<b>Home Rule Municipal Soft Drink ROT (0097)</b>				
<b>ASSETS</b>				
Cash equity in State Treasury	\$ 2,391	\$ 9,879	\$ 9,747	\$ 2,523
Taxes receivable, net	972	9,115	9,879	208
<b>Total assets</b>	<b>\$ 3,363</b>	<b>\$ 18,994</b>	<b>\$ 19,626</b>	<b>\$ 2,731</b>
<b>LIABILITIES</b>				
Intergovernmental payables	\$ 3,363	\$ 9,115	\$ 9,747	\$ 2,731
<b>Total liabilities</b>	<b>\$ 3,363</b>	<b>\$ 9,115</b>	<b>\$ 9,747</b>	<b>\$ 2,731</b>
<b>Municipal Wireless Service Emergency (0125)</b>				
<b>ASSETS</b>				
Cash equity in State Treasury	\$ 1,709	\$ 7,757	\$ 7,523	\$ 1,943
Other receivables, net	33	7,768	7,757	44
<b>Total assets</b>	<b>\$ 1,742</b>	<b>\$ 15,525</b>	<b>\$ 15,280</b>	<b>\$ 1,987</b>
<b>LIABILITIES</b>				
Intergovernmental payables	\$ 1,742	\$ 7,768	\$ 7,523	\$ 1,987
<b>Total liabilities</b>	<b>\$ 1,742</b>	<b>\$ 7,768</b>	<b>\$ 7,523</b>	<b>\$ 1,987</b>

(Continued)

**State of Illinois**  
**Department of Revenue**

**Combining Statement of Changes in Assets and Liabilities -**  
**Agency Funds**

For the Year Ended June 30, 2017 (Expressed in Thousands)

	Balance at July 1, 2016	Additions	Deletions	Balance at June 30, 2017
<b>Home Rule Municipal ROT (0138)</b>				
<b>ASSETS</b>				
Cash equity in State Treasury	\$ 116,456	\$ 1,028,433	\$ 1,021,163	\$ 123,726
Securities lending collateral equity with State Treasurer	17,116	618,944	613,044	23,016
Taxes receivable, net	78,727	1,019,842	1,027,953	70,616
Other receivables, net	31	519	480	70
<b>Total assets</b>	<b>\$ 212,330</b>	<b>\$ 2,667,738</b>	<b>\$ 2,662,640</b>	<b>\$ 217,428</b>
<b>LIABILITIES</b>				
Intergovernmental payables	\$ 195,214	\$ 1,020,361	\$ 1,021,163	\$ 194,412
Obligations under securities lending of State Treasurer	17,116	618,944	613,044	23,016
<b>Total liabilities</b>	<b>\$ 212,330</b>	<b>\$ 1,639,305</b>	<b>\$ 1,634,207</b>	<b>\$ 217,428</b>
<b>Home Rule County ROT (0139)</b>				
<b>ASSETS</b>				
Cash equity in State Treasury	\$ 139,768	\$ 784,543	\$ 811,018	\$ 113,293
Securities lending collateral equity with State Treasurer	26,234	850,217	853,989	22,462
Taxes receivable, net	14,855	809,537	783,843	40,549
Other receivables, net	47	722	700	69
<b>Total assets</b>	<b>\$ 180,904</b>	<b>\$ 2,445,019</b>	<b>\$ 2,449,550</b>	<b>\$ 176,373</b>
<b>LIABILITIES</b>				
Intergovernmental payables	\$ 154,670	\$ 810,259	\$ 811,018	\$ 153,911
Obligations under securities lending of State Treasurer	26,234	850,217	853,989	22,462
<b>Total liabilities</b>	<b>\$ 180,904</b>	<b>\$ 1,660,476</b>	<b>\$ 1,665,007</b>	<b>\$ 176,373</b>
<b>Business District ROT (0160)</b>				
<b>ASSETS</b>				
Cash equity in State Treasury	\$ 3,086	\$ 20,174	\$ 19,775	\$ 3,485
Taxes receivable, net	829	21,512	20,174	2,167
<b>Total assets</b>	<b>\$ 3,915</b>	<b>\$ 41,686</b>	<b>\$ 39,949</b>	<b>\$ 5,652</b>
<b>LIABILITIES</b>				
Intergovernmental payables	\$ 3,915	\$ 21,512	\$ 19,775	\$ 5,652
<b>Total liabilities</b>	<b>\$ 3,915</b>	<b>\$ 21,512</b>	<b>\$ 19,775</b>	<b>\$ 5,652</b>
<b>County Option Motor Fuel Tax (0190)</b>				
<b>ASSETS</b>				
Cash equity in State Treasury	\$ 5,896	\$ 33,743	\$ 33,570	\$ 6,069
Securities lending collateral equity with State Treasurer	1,097	39,047	38,763	1,381
Taxes receivable, net	3,070	33,086	33,712	2,444
Other receivables, net	2	33	31	4
<b>Total assets</b>	<b>\$ 10,065</b>	<b>\$ 105,909</b>	<b>\$ 106,076</b>	<b>\$ 9,898</b>
<b>LIABILITIES</b>				
Intergovernmental payables	\$ 8,968	\$ 33,119	\$ 33,570	\$ 8,517
Obligations under securities lending of State Treasurer	1,097	39,047	38,763	1,381
<b>Total liabilities</b>	<b>\$ 10,065</b>	<b>\$ 72,166</b>	<b>\$ 72,333</b>	<b>\$ 9,898</b>

(Continued)

**State of Illinois**  
**Department of Revenue**

**Combining Statement of Changes in Assets and Liabilities -  
Agency Funds**

For the Year Ended June 30, 2017 (Expressed in Thousands)

	Balance at July 1, 2016	Additions	Deletions	Balance at June 30, 2017
<b>County Public Safety ROT (0219)</b>				
<b>ASSETS</b>				
Cash equity in State Treasury	\$ 17,240	\$ 91,509	\$ 92,258	\$ 16,491
Taxes receivable, net	2,562	92,372	91,509	3,425
<b>Total assets</b>	<b>\$ 19,802</b>	<b>\$ 183,881</b>	<b>\$ 183,767</b>	<b>\$ 19,916</b>
<b>LIABILITIES</b>				
Intergovernmental payables	\$ 19,802	\$ 92,372	\$ 92,258	\$ 19,916
<b>Total liabilities</b>	<b>\$ 19,802</b>	<b>\$ 92,372</b>	<b>\$ 92,258</b>	<b>\$ 19,916</b>
<b>Sports Facility Tax Trust (0229)</b>				
<b>ASSETS</b>				
Cash equity in State Treasury	\$ -	\$ 5,044	\$ 5,044	\$ -
Taxes receivable, net	219	4,825	5,044	-
<b>Total assets</b>	<b>\$ 219</b>	<b>\$ 9,869</b>	<b>\$ 10,088</b>	<b>\$ -</b>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 217	\$ -	\$ 217	\$ -
Intergovernmental payables	2	4,825	4,827	-
<b>Total liabilities</b>	<b>\$ 219</b>	<b>\$ 4,825</b>	<b>\$ 5,044</b>	<b>\$ -</b>
<b>Private Vehicle Use Home Rule (0263)</b>				
<b>ASSETS</b>				
Cash equity in State Treasury	\$ 3,798	\$ 18,143	\$ 17,871	\$ 4,070
Taxes receivable, net	620	18,298	18,143	775
<b>Total assets</b>	<b>\$ 4,418</b>	<b>\$ 36,441</b>	<b>\$ 36,014</b>	<b>\$ 4,845</b>
<b>LIABILITIES</b>				
Intergovernmental payables	\$ 4,418	\$ 18,298	\$ 17,871	4,845
<b>Total liabilities</b>	<b>\$ 4,418</b>	<b>\$ 18,298</b>	<b>\$ 17,871</b>	<b>\$ 4,845</b>
<b>Metro Pier &amp; Exposition Authority Trust (0337)</b>				
<b>ASSETS</b>				
Cash equity in State Treasury	\$ 43,811	\$ 152,242	\$ 157,216	\$ 38,837
Securities lending collateral equity with State Treasurer	8,304	143,916	144,027	8,193
Taxes receivable, net	15,593	152,789	152,137	16,245
Other receivables, net	15	115	105	25
<b>Total assets</b>	<b>\$ 67,723</b>	<b>\$ 449,062</b>	<b>\$ 453,485</b>	<b>\$ 63,300</b>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 253	\$ 67	\$ 253	\$ 67
Intergovernmental payables	59,166	152,837	156,963	55,040
Obligations under securities lending of State Treasurer	8,304	143,916	144,027	8,193
<b>Total liabilities</b>	<b>\$ 67,723</b>	<b>\$ 296,820</b>	<b>\$ 301,243</b>	<b>\$ 63,300</b>

(Continued)

**State of Illinois**  
**Department of Revenue**

**Combining Statement of Changes in Assets and Liabilities -  
Agency Funds**

For the Year Ended June 30, 2017 (Expressed in Thousands)

	Balance at July 1, 2016	Additions	Deletions	Balance at June 30, 2017
<b>Illinois Tourism Tax (0452)</b>				
<b>ASSETS</b>				
Cash equity in State Treasury	\$ 5,760	\$ 25,328	\$ 24,772	\$ 6,316
Taxes receivable, net	2,892	23,131	25,328	695
<b>Total assets</b>	<b>\$ 8,652</b>	<b>\$ 48,459</b>	<b>\$ 50,100</b>	<b>\$ 7,011</b>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 110	-	\$ 110	-
Intergovernmental payables	8,542	23,131	24,662	7,011
<b>Total liabilities</b>	<b>\$ 8,652</b>	<b>\$ 23,131</b>	<b>\$ 24,772</b>	<b>\$ 7,011</b>
<b>School Facility Occupation Tax (0498)</b>				
<b>ASSETS</b>				
Cash equity in State Treasury	\$ 19,370	\$ 86,985	\$ 87,192	\$ 19,163
Taxes receivable, net	1,697	89,070	86,985	3,782
<b>Total assets</b>	<b>\$ 21,067</b>	<b>\$ 176,055</b>	<b>\$ 174,177</b>	<b>\$ 22,945</b>
<b>LIABILITIES</b>				
Intergovernmental payables	\$ 21,067	\$ 89,070	\$ 87,192	\$ 22,945
<b>Total liabilities</b>	<b>\$ 21,067</b>	<b>\$ 89,070</b>	<b>\$ 87,192</b>	<b>\$ 22,945</b>
<b>Flood Prevention Occupation Tax (0558)</b>				
<b>ASSETS</b>				
Cash equity in State Treasury	\$ 2,881	\$ 11,628	\$ 11,621	\$ 2,888
Taxes receivable, net	567	11,273	11,628	212
<b>Total assets</b>	<b>\$ 3,448</b>	<b>\$ 22,901</b>	<b>\$ 23,249</b>	<b>\$ 3,100</b>
<b>LIABILITIES</b>				
Intergovernmental payables	\$ 3,448	\$ 11,273	\$ 11,621	\$ 3,100
<b>Total liabilities</b>	<b>\$ 3,448</b>	<b>\$ 11,273</b>	<b>\$ 11,621</b>	<b>\$ 3,100</b>
<b>Tax Suspense Trust (0583)</b>				
<b>ASSETS</b>				
Cash equity in State Treasury	\$ 1	\$ 30	\$ 11	\$ 20
<b>Total assets</b>	<b>\$ 1</b>	<b>\$ 30</b>	<b>\$ 11</b>	<b>\$ 20</b>
<b>LIABILITIES</b>				
Other liabilities	\$ 1	\$ 30	\$ 11	\$ 20
<b>Total liabilities</b>	<b>\$ 1</b>	<b>\$ 30</b>	<b>\$ 11</b>	<b>\$ 20</b>
<b>Metro East Park and Recreation (0717)</b>				
<b>ASSETS</b>				
Cash equity in State Treasury	\$ 1,337	\$ 4,463	\$ 4,520	\$ 1,280
Taxes receivable, net	219	4,244	4,463	-
<b>Total assets</b>	<b>\$ 1,556</b>	<b>\$ 8,707</b>	<b>\$ 8,983</b>	<b>\$ 1,280</b>
<b>LIABILITIES</b>				
Intergovernmental payables	\$ 1,556	\$ 4,244	\$ 4,520	\$ 1,280
<b>Total liabilities</b>	<b>\$ 1,556</b>	<b>\$ 4,244</b>	<b>\$ 4,520</b>	<b>\$ 1,280</b>

(Continued)

**State of Illinois**  
**Department of Revenue**

**Combining Statement of Changes in Assets and Liabilities -**  
**Agency Funds**

For the Year Ended June 30, 2017 (Expressed in Thousands)

	Balance at July 1, 2016	Additions	Deletions	Balance at June 30, 2017
<b>Municipal Telecommunications (0719)</b>				
<b>ASSETS</b>				
Cash equity in State Treasury	\$ 22,881	\$ 237,150	\$ 209,695	\$ 50,336
Taxes receivable, net	1,084	200,430	201,455	59
Due from other Department funds	35,695	-	35,695	-
<b>Total assets</b>	<b>\$ 59,660</b>	<b>\$ 437,580</b>	<b>\$ 446,845</b>	<b>\$ 50,395</b>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 5,680	-	\$ 5,680	-
Intergovernmental payables	53,980	200,430	204,015	50,395
<b>Total liabilities</b>	<b>\$ 59,660</b>	<b>\$ 200,430</b>	<b>\$ 209,695</b>	<b>\$ 50,395</b>
<b>RTA Sales Tax Trust (0812)</b>				
<b>ASSETS</b>				
Cash equity in State Treasury	\$ 106,030	\$ 1,326,303	\$ 1,280,803	\$ 151,530
Securities lending collateral equity with State Treasurer	13,045	555,903	539,130	29,818
Taxes receivable, net	92,942	1,134,033	1,186,153	40,822
Other receivables, net	23	461	393	91
Due from other Department funds	34,349	141,650	139,757	36,242
<b>Total assets</b>	<b>\$ 246,389</b>	<b>\$ 3,158,350</b>	<b>\$ 3,146,236</b>	<b>\$ 258,503</b>
<b>LIABILITIES</b>				
Intergovernmental payables	\$ 233,344	\$ 1,276,144	\$ 1,280,803	\$ 228,685
Obligations under securities lending of State Treasurer	13,045	555,903	539,130	29,818
<b>Total liabilities</b>	<b>\$ 246,389</b>	<b>\$ 1,832,047</b>	<b>\$ 1,819,933</b>	<b>\$ 258,503</b>
<b>Metro East Mass Transit Dist. Tax (0841)</b>				
<b>ASSETS</b>				
Cash equity in State Treasury	\$ 5,233	\$ 30,984	\$ 31,114	\$ 5,103
Securities lending collateral equity with State Treasurer	966	34,168	33,974	1,160
Taxes receivable, net	1,513	32,541	30,957	3,097
Other receivables, net	2	29	27	4
<b>Total assets</b>	<b>\$ 7,714</b>	<b>\$ 97,722</b>	<b>\$ 96,072</b>	<b>\$ 9,364</b>
<b>LIABILITIES</b>				
Intergovernmental payables	\$ 6,748	\$ 32,570	\$ 31,114	\$ 8,204
Obligations under securities lending of State Treasurer	966	34,168	33,974	1,160
<b>Total liabilities</b>	<b>\$ 7,714</b>	<b>\$ 66,738</b>	<b>\$ 65,088</b>	<b>\$ 9,364</b>
<b>Tennessee Valley Authority Local Trust (0861)</b>				
<b>ASSETS</b>				
Cash equity in State Treasury	\$ -	\$ 253	\$ 234	\$ 19
<b>Total assets</b>	<b>\$ -</b>	<b>\$ 253</b>	<b>\$ 234</b>	<b>\$ 19</b>
<b>LIABILITIES</b>				
Intergovernmental payables	\$ -	\$ 253	\$ 234	\$ 19
<b>Total liabilities</b>	<b>\$ -</b>	<b>\$ 253</b>	<b>\$ 234</b>	<b>\$ 19</b>

(Continued)

**State of Illinois**  
**Department of Revenue**

**Combining Statement of Changes in Assets and Liabilities -  
Agency Funds**

For the Year Ended June 30, 2017 (Expressed in Thousands)

	Balance at July 1, 2016	Additions	Deletions	Balance at June 30, 2017
<b>Municipal Automobile Renting Tax (0868)</b>				
<b>ASSETS</b>				
Cash equity in State Treasury	\$ 1,181	\$ 6,936	\$ 6,964	\$ 1,153
Securities lending collateral equity with State Treasurer	208	7,867	7,834	241
Taxes receivable, net	680	6,825	6,930	575
Other receivables, net	-	7	6	1
<b>Total assets</b>	<b>\$ 2,069</b>	<b>\$ 21,635</b>	<b>\$ 21,734</b>	<b>\$ 1,970</b>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ -	\$ 14	\$ -	\$ 14
Intergovernmental payables	1,861	6,818	6,964	1,715
Obligations under securities lending of State Treasurer	208	7,867	7,834	241
<b>Total liabilities</b>	<b>\$ 2,069</b>	<b>\$ 14,699</b>	<b>\$ 14,798</b>	<b>\$ 1,970</b>
<b>County Automobile Renting Tax (0869)</b>				
<b>ASSETS</b>				
Cash equity in State Treasury	\$ 48	\$ 217	\$ 228	\$ 37
Securities lending collateral equity with State Treasurer	9	287	287	9
Taxes receivable, net	24	209	217	16
<b>Total assets</b>	<b>\$ 81</b>	<b>\$ 713</b>	<b>\$ 732</b>	<b>\$ 62</b>
<b>LIABILITIES</b>				
Intergovernmental payables	\$ 72	\$ 209	\$ 228	\$ 53
Obligations under securities lending of State Treasurer	9	287	287	9
<b>Total liabilities</b>	<b>\$ 81</b>	<b>\$ 496</b>	<b>\$ 515</b>	<b>\$ 62</b>
<b>Surety Bond (1151)</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 519	\$ 4	\$ 105	\$ 418
<b>Total assets</b>	<b>\$ 519</b>	<b>\$ 4</b>	<b>\$ 105</b>	<b>\$ 418</b>
<b>LIABILITIES</b>				
Other liabilities	\$ 519	\$ 4	\$ 105	\$ 418
<b>Total liabilities</b>	<b>\$ 519</b>	<b>\$ 4</b>	<b>\$ 105</b>	<b>\$ 418</b>
<b>Total - All Agency Funds</b>				
<b>ASSETS</b>				
Cash equity in State Treasury	\$ 529,679	\$ 4,011,680	\$ 3,968,780	\$ 572,579
Cash and cash equivalents	519	4	105	418
Securities lending collateral equity with State Treasurer	72,798	2,424,068	2,404,879	91,987
Taxes receivable, net	227,861	3,793,876	3,826,304	195,433
Other receivables, net	163	9,803	9,641	325
Due from other Department funds	70,044	141,650	175,452	36,242
<b>Total assets</b>	<b>\$ 901,064</b>	<b>\$ 10,381,081</b>	<b>\$ 10,385,161</b>	<b>\$ 896,984</b>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 6,260	\$ 81	\$ 6,260	\$ 81
Intergovernmental payables	821,486	3,945,501	3,962,509	804,478
Obligations under securities lending of State Treasurer	72,798	2,424,068	2,404,879	91,987
Other liabilities	520	34	116	438
<b>Total liabilities</b>	<b>\$ 901,064</b>	<b>\$ 6,369,684</b>	<b>\$ 6,373,764</b>	<b>\$ 896,984</b>

(Concluded)

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

Honorable Frank J. Mautino  
Auditor General  
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the State of Illinois, Department of Revenue (Department), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Department’s basic financial statements and have issued our report thereon dated February 21, 2018.

### **Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings as item 2017-001 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings as item 2017-002 to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Department's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as item 2017-002.

### **Department's Response to Findings**

The Department's response to the findings identified in our audit is described in the accompanying schedule of findings. The Department's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **Purpose of this Report**

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

**SIGNED ORIGINAL ON FILE**

Springfield, Illinois  
February 21, 2018

## SCHEDULE OF FINDINGS

### CURRENT FINDINGS – Government Auditing Standards

**2017-001 FINDING** (Inadequate controls over changes to GenTax)

The Department of Revenue (Department) did not maintain adequate controls over changes to the enterprise-wide tax system (GenTax). During fiscal year 2017, GenTax processed over 13.3 million tax returns and \$38.3 billion in payments from taxpayers.

We selected a sample of GenTax changes to determine if the Department complied with its change control policy. Our testing noted the changes did not comply, as follows:

- Prior to commencement, change requests were to be reviewed and assigned by the Department’s Production Support Management. However, 25 of 54 (46%) change requests were not reviewed by Production Support Management.

The Department’s Standards Guide, SQR Assignment, required each change request to be reviewed and assigned by Production Support Management.

- The Department’s Standards Guide, Creation, required a change request to contain an example of the requested correspondence or data request. However, we noted 4 of 8 (50%) changes did not contain the requested correspondence or data request.
- The Department’s Standards Guide required changes to be tested at various stages of the change process. However, we were unable to determine the adequacy of the testing conducted; as the Department’s Standards Guide did not document the detailed testing that was required to be conducted or the testing documentation requirements. We did however, note:
  - 32 of 41 (78%) change requests did not contain documentation of testing by the developer.
  - 32 of 41 (78%) change requests did not contain documentation of testing by the contact person in the test environment.
  - 33 of 41 (80%) change requests did not contain documentation of testing by the contact person prior to moving the change request into the production environment.
- The Department’s Standards Guide required approval and “sign-off” at various stages of the change requests. However, we noted:
  - 32 of 45 (71%) change requests were not approved by the contact person at the pre-production stage.

- 19 of 45 (42%) change requests were not approved by the contact person prior to being moved to the production environment. Additionally, 2 of 45 (4%) change requests were not approved by the developer prior to moving the change into the production environment.
- The Department's Standards Guide, Implementation, required Production Support Team Leads to approve the change and to migrate the change into the production environment. However, we noted 6 of 37 (16%) changes were not approved by Production Support. In addition, 6 of 37 (16%) changes did not contain documentation of approval.
- The Department's Standards Guide, Closure, required the contact person to verify the change was working correctly and to close the change request. However, we noted 6 of 45 (13%) change requests were not verified and closed by the contact person.

It should be noted that audit fieldwork was completed and a draft finding was presented to the Department on January 31, 2018. The Department presented, the auditors accepted, and tested additional information related to the change control policy on February 7, 2018. The results of testing the additional information are noted above.

**In addition, as part of our testing, we requested from the Department a listing of programmers and Production Support Team Leaders. The listing was utilized to ensure only authorized developers were completing changes and authorized individuals approved the changes. However, during our testing, we noted developers and Production Support Team Leaders which were not included in the listing.**

Due to these conditions, we were unable to conclude the Department's population records related to programmers and Production Support Team Leaders were sufficiently precise and detailed under the Professional Standards promulgated by the American Institute of Certified Public Accountants (AU-C §330, AU-C §530).

A change control process is a systematic approach to managing changes to all environments unauthorized and malicious changes do not occur. The process ensures all changes are tracked, documented, evaluated, approved, rejected or deferred.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to ensure State's resources are used efficiently and effectively.

Generally accepted information technology guidance endorses the implementation of suitable change management procedures to control changes to computer systems. Effective change management procedures reduce the risk of unauthorized, improper, or erroneous changes to computer systems.

According to the Department, the Department's Standards Guide – Change Control Process was developed to address changes to all the Department's applications, not just GenTax. As such, certain requirements of the Standards Guide may not be applicable to all applications changes.

Failure to implement and maintain adequate controls over changes may lead to improper changes, which may result in inaccurate data and availability issues. (Finding Code No. 2017-001)

**RECOMMENDATION**

We recommend the Department maintain adequate controls over changes to GenTax. Specifically, the Department should update the Standards Guide to ensure all requirements are addressed and that all changes comply.

**DEPARTMENT RESPONSE**

The Department accepts the auditor's recommendation. We will modify our Standards Guide to more fully address all applicable changes. While we are lacking in our documentation, we believe adequate procedures were followed.

**2017-002 FINDING** (Inadequate controls over the administration of income tax abatements resulting from tax credits)

The Department of Revenue (Department) did not maintain adequate controls over income tax abatements resulting from tax credits issued under the Economic Development for a Growing Economy (EDGE) and the Angel Investment Credit (AIC) programs administered by the Department of Commerce and Economic Opportunity. Both programs meet the definition of a tax abatement for financial reporting purposes under Paragraph 4 of Statement No. 77 of the Governmental Accounting Standards Board, *Tax Abatement Disclosures* (GASB 77).

During testing of a sample of tax credits, we noted:

- The administration of the EDGE and AIC programs are implemented through a shared function between the Department and the Department of Commerce and Economic Opportunity. The Department of Commerce and Economic Opportunity was unable to provide the auditors with signed agreements for 2 of 40 (5%) EDGE and AIC tax credits tested. Without the agreements, we were unable to compare them to the Certificates of Verification provided by the Department. As a result, we could not determine if the tax credits, totaling \$791,763, were valid and proper.

While Department officials indicated they are not a party to the initial agreement and are not therefore responsible to either maintain a copy of the agreement or ensure a copy of the agreement is maintained by the Department of Commerce and Economic Opportunity, we noted the Department cannot fulfill its note disclosure requirements under GASB 77 without ensuring an agreement exists. Under GASB 77, Paragraph 5, the Department is responsible for ensuring disclosure for tax abatements within the notes to its financial statements commences in the period that the tax abatement agreement is entered into and continues until the tax abatement agreement expires.

Further, the State Records Act (5 ILCS 160/8) requires the head of each State agency to preserve records containing adequate and proper documentation of the decisions and essential transactions of the agency designed to furnish information to protect the legal and financial rights of the State and of persons directly affected by the agency's activities.

- The Department did not obtain a Certificate of Verification from a taxpayer for 1 of 40 (3%) tax credits tested. While the credit was not used to reduce taxes paid in the current year because there was no tax due reported on the return, we did note the Department's procedures allow for the possibility that the credit could be used in future tax years without first obtaining a copy of the certificate from the taxpayer. Accordingly, taxes totaling \$3,246,166 could be abated in the future without the Department determining that the related credit is valid and proper.

The Economic Development for a Growing Economy Tax Credit Act (Act) (35 ILCS 10/5-55) requires taxpayers claiming the EDGE credit to submit a Certificate of Verification to the Department. The taxpayer receives its Certificate of Verification from the Director of the Department of Commerce and Economic Opportunity only after the taxpayer has provided proof to the Department of Commerce and Economic Opportunity the project has substantially achieved the level of (1) new full-time jobs, (2) level of annual payroll, and (3) level of capital investment as specified in the agreement between the State and the taxpayer under the Act (35 ILCS 10/5-50).

Further, the *IL-1120 Instructions* published by the Department state taxpayers must attach a copy of the credit certificate issued by the Department of Commerce and Economic Opportunity to their return to claim the credit.

Department officials stated while its procedures do prevent the improper abatement of taxes in the first year, the procedures do leave open the possibility that taxes could be abated in subsequent years without first obtaining the Certificate of Verification from the taxpayer. Department officials further stated their procedures should be strengthened to prevent improper abatement of taxes in subsequent years.

- The Department misreported 1 of 40 (3%) Angel Investment Credits (AIC) tested within its tax abatement footnote within its draft financial statements. This error caused the Department to overstate income taxes abated under the AIC program by \$2.888 million (representing 56% of the amount originally reported) and overstate the amount of income taxes abated which are shared with local governments by \$205 thousand. Department management corrected this financial reporting error within the Department's final financial statements.

GASB 77, Paragraph 7, requires the Department to provide note disclosure within its financial statements reporting the total gross amount, on an accrual basis, by which the Department's tax revenues were reduced during the reporting period as a result of tax abatement agreements.

Department officials stated the miscalculation noted was the result of human error.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department to establish and maintain a system, or systems, of internal administrative and fiscal controls to provide assurance revenues applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial reports and to maintain accountability over the State's resources.

Failure to implement and maintain adequate controls over the EDGE and AIC programs may result in the improper abatement of taxes owed, reducing the amount of taxes collected by the State, and represents noncompliance with State law. Further, failure to ensure the proper reporting of tax abatements could materially misstate the Department's financial statements and the State's Comprehensive Annual Financial Report. (Finding Code No. 2017-002)

## **RECOMMENDATION**

We recommend the Department obtain each taxpayer's Certificate of Verification prior to allowing the taxpayer's credit and retain this documentation within its files supporting the taxpayer's return. Further, we recommend the Department review its financial reporting process and make any changes needed to ensure tax abatements are properly reported within its financial statements. Finally, the Department should work with the Department of Commerce and Economic Opportunity to ensure all necessary source documentation, including the original agreements, is retained for the EDGE and AIC programs.

## **DEPARTMENT RESPONSE**

The Department accepts the auditor's recommendation. We will evaluate our procedures and make any necessary changes including working more closely with the Department of Commerce and Economic Opportunity to ensure source documentation is maintained and appropriate information is shared between the two agencies.

**PRIOR YEAR FINDINGS NOT REPEATED**

A. **FINDING.** (Lack of controls over GenTax)

The prior audit noted the Department failed to implement adequate change management, disaster recovery, and security controls over the enterprise wide tax system (GenTax).

During the current audit, auditors noted the Department had developed a disaster recovery plan and conducted testing over GenTax. The Department had also developed and followed procedures regarding access control rights to GenTax. While the Department established change management standards to control the change process over GenTax, the auditors noted the Department did not maintain adequate controls over changes performed during the year. The change management weaknesses are documented in Finding 2017-001. (Finding Code No. 2016-001)