

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS –
CORRECTIONAL INDUSTRIES**

FINANCIAL AUDIT

For the year ended June 30, 2014

And

COMPLIANCE EXAMINATION

For the two years ended June 30, 2014

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

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS – CORRECTIONAL INDUSTRIES
FINANCIAL AUDIT
For the year ended June 30, 2014
And
COMPLIANCE EXAMINATION
For the two years ended June 30, 2014**

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AGENCY OFFICIALS

DEPARTMENT OF CORRECTIONS:

Director	Salvadore A. Godinez
Assistant Director	Gladys C. Taylor
Public Safety Shared Services Center Fiscal Deputy Director (6/1/13 to present)	Jared Brunk
Public Safety Shared Services Center Fiscal Deputy Director (6/16/10 to 5/31/13)	Bryan Gleckler
Assistant Deputy Director, Public Safety Shared Services Fiscal Accounting Compliance	Tara Kessler
Chief Internal Auditor, (12/16/13 to present)	Ron Faith
Chief Internal Auditor, Acting (11/16/12 to 12/16/13)	Ron Faith
Chief Internal Auditor (from 8/1/10 to 11/15/12)	Brett Finley

DEPARTMENT OF CORRECTIONS – CORRECTIONAL INDUSTRIES:

Chief Executive Officer (12/1/12 to present)	Jen Aholt
Acting Chief Executive Officer (9/16/12 to 11/30/12)	Rich Mautino
Chief Executive Officer (5/16/10 to 9/15/12)	Timothy Gleason
Assistant Chief Executive Officer (12/1/12 to present)	Rich Mautino
Assistant Chief Executive Officer (9/16/12 to 11/30/12)	Vacant
Assistant Chief Executive Officer (3/1/11 to 9/15/12)	Rich Mautino
Chief Financial Manager (11/16/14 to present)	Vacant
Chief Financial Manager (8/15/13 to 11/15/14)	Caroline Hower
Chief Financial Manager (6/1/13 to 8/14/13)	Vacant
Chief Financial Manager (10/1/12 to 5/31/13)	Jared Brunk
Chief Financial Manager (7/1/12 to 9/30/12)	Vacant

Agency office is located at:

1301 Concordia Court
Springfield, IL 62794-9277



**Illinois
Department of
Corrections**

Pat Quinn
Governor

S. A. Godinez
Director

Illinois Correctional Industries
1301 Concordia Ct, P.O. Box 19277
Springfield, IL 62794-9277

Telephone: (217) 558-2200
TDD: (800) 526-0844

December 11, 2014

West & Company, LLC
919 E. Harris Avenue
Greenville, IL 62246

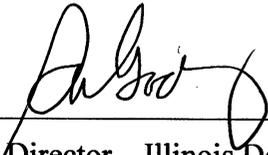
Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the State of Illinois, Department of Corrections – Correctional Industries. We are responsible for and we have established and maintained an effective system of, internal controls over compliance requirements. We have performed an evaluation of the State of Illinois, Department of Corrections – Correctional Industries’ compliance with the following assertions during the two-year period ended June 30, 2014. Based on this evaluation, we assert that during the years ended June 30, 2013 and June 30, 2014, the State of Illinois, Department of Corrections – Correctional Industries has materially complied with the assertions below.

- A. The State of Illinois, Department of Corrections – Correctional Industries has obligated, expended, received and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The State of Illinois, Department of Corrections – Correctional Industries has obligated, expended, received and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The State of Illinois, Department of Corrections – Correctional Industries has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. State revenues and receipts collected by the State of Illinois, Department of Corrections – Correctional Industries are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.
- E. Money or negotiable securities or similar assets handled by the State of Illinois, Department of Corrections – Correctional Industries on behalf of the State or held in trust by the agency have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

Yours very truly,

Illinois Department of Corrections – Correctional Industries



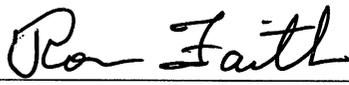
Salvadore A. Godinez, Director – Illinois Department of Corrections



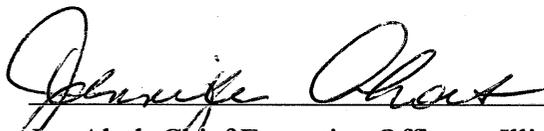
Jarred Brunk, Public Safety Shared Services Center,
Chief Fiscal Deputy Director – Illinois Department of Corrections



Tara Kessler, Asst. Deputy Director, Public Shared Services
Accounting Compliance – Illinois Department of Corrections



Ron Faith, Chief Internal Auditor –
Office of Internal Audit – Illinois Department of Corrections



Jen Aholt Chief Executive Officer – Illinois Department of Corrections – Correctional Industries

**STATE OF ILLINOIS
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For the two years ended June 30, 2014**

COMPLIANCE REPORT

SUMMARY

The compliance testing performed during this examination was conducted in accordance with *Government Auditing Standards* and in accordance with the Illinois State Auditing Act.

ACCOUNTANT'S REPORT

The Independent Accountant's Report on State Compliance, on Internal Control Over Compliance and on Supplementary Information for State Compliance Purposes does not contain a scope limitation, disclaimer, or other significant non-standard language.

SUMMARY OF FINDINGS

<u>Number of</u>	<u>Current</u>	<u>Prior</u>
	<u>Report</u>	<u>Audit</u>
Findings	6	13
Repeated findings	4	5
Prior recommendations implemented or not repeated	9	1

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS (<i>GOVERNMENT AUDITING STANDARDS</i>)			
2014-001	13	Lack of Control Over Information Technology	Significant deficiency

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COMPLIANCE REPORT – SUMMARY (continued)

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS (STATE COMPLIANCE)			
2014-002	14	Failure to Submit Report to Office of the Comptroller	Significant deficiency and noncompliance
2014-003	15	Noncompliance With Property Control Procedures	Significant deficiency and noncompliance
2014-004	17	Failure to Timely Process Cash Receipts	Significant deficiency and noncompliance
2014-005	19	Untimely Posting of Expenditures	Significant deficiency and noncompliance
2014-006	20	Records Were Unavailable	Significant deficiency and noncompliance

In addition, the following findings which are reported as current findings and questioned costs relating to *Government Auditing Standards* also meet the reporting requirements for State Compliance.

2014-001	13	Lack of Control Over Information Technology	Significant deficiency and noncompliance
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COMPLIANCE REPORT – SUMMARY (continued)

PRIOR FINDINGS NOT REPEATED

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
A	21	Inaccurate Financial Reporting
B	21	Inadequate Controls Over Accounts Receivable
C	21	Lack of Collection Efforts Over Farm Leases
D	21	Inappropriate Payroll Expenditures
E	22	All Relevant Costs Not Included in Manufacturing Costs
F	22	Temporary Assignments
G	22	Failure to Comply with the Unified Code of Corrections
H	22	Annual Report Deficiencies
I	23	Inventory Weakness

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COMPLIANCE REPORT – SUMMARY (continued)

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Agency personnel at an exit conference on December 10, 2014.

Attending were:

Department of Corrections

Ron Faith – Chief Internal Auditor

Genna Smith – Internal Auditor

Tara Kessler – Asst. Deputy Director, Public Safety

Shared Services Fiscal Accounting Compliance

Department of Corrections – Correctional Industries

Jen Aholt – Chief Executive Officer

Rich Mautino – Assistant Chief Executive Officer

Wanda Burnett – Accounting Manager

Office of the Auditor General

Kathy Lovejoy – Audit Manager

West & Company, LLC

Janice K. Romack – Partner

Michael Lawler – Manager

Brandon Craycroft – Staff Accountant

The responses to the recommendations were provided by Ron Faith in a letter dated December 11, 2014.

WEST & COMPANY, LLC

MEMBERS

E. LYNN FREESE
RICHARD C. WEST
BRIAN E. DANIELL
JANICE K. ROMACK
DIANA R. SMITH
D. RAIF PERRY
JOHN H. VOGT
JOSHUA D. LOWE

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INDEPENDENT ACCOUNTANT'S REPORT ON STATE COMPLIANCE,
ON INTERNAL CONTROL OVER COMPLIANCE, AND ON
SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

As Special Assistant Auditors for the Auditor General, we have examined the State of Illinois, Department of Corrections – Correctional Industries' compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the two years ended June 30, 2014. The management of the State of Illinois, Department of Corrections – Correctional Industries is responsible for compliance with these requirements. Our responsibility is to express an opinion on the State of Illinois, Department of Corrections – Correctional Industries' compliance based on our examination.

- A. The State of Illinois, Department of Corrections – Correctional Industries has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The State of Illinois, Department of Corrections – Correctional Industries has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The State of Illinois, Department of Corrections – Correctional Industries has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

- D. State revenues and receipts collected by the State of Illinois, Department of Corrections – Correctional Industries are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.
- E. Money or negotiable securities or similar assets handled by the State of Illinois, Department of Corrections – Correctional Industries on behalf of the State or held in trust by the State of Illinois, Department of Corrections – Correctional Industries have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the Audit Guide as adopted by the Auditor General pursuant to the Act; and, accordingly, included examining, on a test basis, evidence about the State of Illinois, Department of Corrections – Correctional Industries’ compliance with those requirements listed in the first paragraph of this report and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the State of Illinois, Department of Corrections – Correctional Industries’ compliance with specified requirements.

In our opinion, the State of Illinois, Department of Corrections – Correctional Industries complied, in all material respects, with the compliance requirements listed in the first paragraph of this report during the two years ended June 30, 2014. However, the results of our procedures disclosed instances of noncompliance with the requirements, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of findings as items 2014-001, 2014-002, 2014-003, 2014-004, 2014-005, and 2014-006.

Internal Control

Management of the State of Illinois, Department of Corrections – Correctional Industries is responsible for establishing and maintaining effective internal control over compliance with the requirements listed in the first paragraph of this report. In planning and performing our examination, we considered the State of Illinois, Department of Corrections – Correctional Industries’ internal control over compliance with the requirements listed in the first paragraph of this report to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide, issued by the Illinois Office of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of the State of Illinois, Department of Corrections – Correctional Industries’ internal control over compliance. Accordingly, we do not express an opinion on the

effectiveness of the State of Illinois Department of Corrections – Correctional Industries’ internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the requirements listed in the first paragraph of this report on a timely basis. *A material weakness in an entity’s internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a requirement listed in the first paragraph of this report will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings as items 2014-001, 2014-002, 2014-003, 2014-004, 2014-005, and 2014-006, that we consider to be significant deficiencies.

As required by the Audit Guide, immaterial findings excluded from this report have been reported in a separate letter to your office.

The State of Illinois, Department of Corrections – Correctional Industries’ responses to the findings identified in our examination are described in the accompanying schedule of findings. We did not examine the State of Illinois, Department of Corrections – Correctional Industries’ responses and, accordingly, we express no opinion on the responses.

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

West + Company, LLC

Greenville, Illinois

December 11, 2014

MEMBERS

E. LYNN FREESE
RICHARD C. WEST
BRIAN E. DANIELL
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable William G. Holland
Auditor General
State of Illinois

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 Working Capital Revolving Fund of the State of Illinois, Department of Corrections – Correctional Industries, as of and for the year ended June 30, 2014, and the related notes to the financial statements and have issued our report thereon dated December 11, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the State of Illinois, Department of Corrections – Correctional Industries' internal control over financial reporting (internal control) of the Working Capital Revolving Fund to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of Illinois, Department of Corrections – Correctional Industries' internal control. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois, Department of Corrections – Correctional Industries' internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be

material weakness or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings as item 2014-001 that we consider to a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Illinois, Department of Corrections – Correctional Industries’ 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

State of Illinois, Department of Corrections – Correctional Industries’ Response to Findings

The State of Illinois, Department of Corrections – Correctional Industries’ response to the finding identified in our audit is described in the accompanying schedule of findings. The State of Illinois, Department of Corrections – Correctional Industries’ 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 State of Illinois, Department of Corrections – Correctional Industries’ internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Illinois, Department of Corrections – Correctional Industries’ internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

West + Company, LLC

Greenville, Illinois

December 11, 2014

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS – CORRECTIONAL INDUSTRIES
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Current Findings – Government Auditing Standards

2014-001 FINDING Lack of Control Over Information Technology

The Illinois Department of Corrections - Correctional Industries (Industries) had not ensured controls over the Information Technology (IT) environment utilized provided sufficient protection.

As a division of the Illinois Department of Corrections (Corrections), Industries relied upon the controls implemented within Corrections' IT environment. However, as part of the financial statement audit of Corrections for the period ended June 30, 2014, the Corrections auditors noted Corrections had not implemented or documented controls over its IT environment.

The inability of Corrections to provide detailed information prevented Corrections' auditors from performing required tests to determine the adequacy of the control environment. As such, Industries' auditors were unable to rely upon the IT environment controls.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires "All State agencies shall establish and maintain a system, or systems, of internal fiscal and administrative controls, which shall provide assurance that: (3) funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation."

The lack of control increases the risk the confidentiality, integrity and availability of systems and data will be compromised. (Finding Code No. 2014-001)

RECOMMENDATION

We recommend Industries work with Corrections to ensure controls are implemented and documented over the IT environment and ensure the controls provide sufficient protection.

INDUSTRIES' RESPONSE

Recommendation accepted. Illinois Correctional Industries will make efforts to communicate to the Department of Corrections the need for controls to be implemented and documented over the IT environment.

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Current Findings - State Compliance

2014-002 FINDING: Failure to Submit Report to Office of the Comptroller

The Illinois Department of Corrections - Correctional Industries (Industries) failed to submit to the Office of the Comptroller a listing of interagency accounts receivable written off.

During our review, we noted Industries had not submitted to the Office of the Comptroller a listing of all interagency receivables written off.

The Statewide Accounting Management System (SAMS) (Procedure 26.40.70) requires agencies to “submit a listing of all such write-offs to the Comptroller within 60 days of taking such action.” In addition, the Fiscal Control and Internal Auditing Act (Act) (30 ILCS 10/3001) requires “All State agencies shall establish and maintain a system, or systems of internal fiscal and administrative controls, which shall provide assurance that: (4) revenues, expenditures and transfer of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State’s resources.”

Industries management stated the listing was not filed due to clerical oversight.

As of June 30, 2013 and 2014, total receivables written off were \$122,834 and \$1,638,203, respectively. Failure to file the required reporting with the Office of the Comptroller resulted in noncompliance with SAMS. (Finding Code No. 2014-002)

RECOMMENDATION

We recommend Industries work with the Office of the Comptroller to file the report on interagency accounts receivable written off within 60 days of being written off.

INDUSTRIES’ RESPONSE

Recommendation accepted. Illinois Correctional Industries fiscal staff will make effort to file required report of interagency write-offs with Office of the Comptroller within 60 days of writing off interagency receivables.

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Current Findings - State Compliance

2014-003 FINDING: Noncompliance With Property Control Procedures

The Illinois Department of Corrections - Correctional Industries (Industries) did not comply with property control procedures.

During our testing of property control records we noted:

- Two of two (100%) capital leases valued at \$65,798 were listed on the property control records as a reconciling item. However, the items, semi-truck and copier, had not been assigned property control tags. The items were, however, properly capitalized on Industries' financial statements.

Industries management stated the capital lease items total was included on their C-15's; reports filed with the Office of the Comptroller; however, they followed the Administrative Directive for leased property to be formally recorded in the property control system and tagged when title has passed.

- Three of 97 (3%) equipment items did not have a property control tag affixed. The items were two water heaters and a forklift valued at \$45,000.

In regards to the untagged property, Industries management stated the water heaters had to be replaced by the vendor and tags did not get applied to the replacement units. Upon notification, Industries placed a tag upon the forklift.

- Industries' own review of property records at the close of fiscal year 2013 and 2014 identified 14 Information Technology (IT) items totaling \$24,761 and 6 IT items totaling \$5,294 respectively which could not be located. Additionally, Industries had not performed an analysis to determine if the IT items were properly secured or contained personally identifiable information.

Industries management stated that the exceptions noted could be attributable to human error, employee oversight, insufficient training and/or shortages of staff.

The Statewide Accounting Management System (SAMS) (Procedure 29.10.10) requires State agencies to maintain detailed records, which is to include tag number among other information. Additionally, the Illinois Administrative Code (44 Ill. Adm. Code 5010.210) states agencies are responsible for marking each piece of State owned equipment in their possession with a unique six digit identification number.

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Current Findings - State Compliance

2014-003 FINDING: Noncompliance With Property Control Procedures (continued)

The State Property Control Act (30 ILCS 605/4) requires State agencies be accountable for the supervision, control and inventory of all items under its control. In addition, Industries had the responsibility to ensure that confidential information is protected from disclosure and that provisions in the Personal Information Protection Act (815 ILCS 530) are followed.

Industries' Capital Assets at June 30, 2014 was \$2,713,775. Failure to record, track, or tag equipment could result in intentional or unintentional misappropriation of capital assets. In addition, failure to analyze information maintained on IT items could result in the risk associated with the potential exposure of confidential information. (Finding Code No. 2014-003, 12-12, 10-3, 08-2)

RECOMMENDATION

We recommend Industries maintain accurate property control records, safeguard, and properly tag equipment in accordance with the SAMS procedures and Statutes. In addition, we recommend Industries perform a detailed analysis to determine if any missing IT items contained confidential information.

INDUSTRIES' RESPONSE

Recommendation accepted. Illinois Correctional Industries will make every effort to ensure capital leases are properly stated on property control records, Agency Reports of State and all property has a control tag affixed.

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS – CORRECTIONAL INDUSTRIES
FINANCIAL AUDIT
For the year ended June 30, 2014
And
COMPLIANCE EXAMINATION
For the two years ended June 30, 2014

Current Findings - State Compliance

2014-004 FINDING: Failure to Timely Process Cash Receipts

The Illinois Department of Corrections - Correctional Industries (Industries) did not pay into the State treasury the gross amount of the money received on a timely basis as required by State law.

During our testing of receipts and refunds for the fiscal year 2013 and 2014, we noted

- Four of nine (44%) refunds totaling \$19,834 were not processed timely.
 - Two refunds totaling \$14,477 were dated November 19, 2012 but were not deposited until January 9, 2014.
 - Two salary refunds totaling \$5,357 were received in August 2012; however the salary reversals were not completed until May 2013.

The State Officers and Employees Money Disposition Act (Act) (30 ILCS 230/2(b)) requires agencies to “pay into the State treasury the gross amount of money so received on the day of actual physical receipt with respect to any single item of receipt exceeding \$10,000, within 24 hours of actual physical receipt with respect to an accumulation of receipts exceeding \$10,000 or more, or within 48 hours of actual physical receipt with respect to an accumulation of receipts exceeding \$500 but less than \$10,000...”. The Act further allows the State Treasurer and State Comptroller to grant time extensions for the deposit of public funds. According to the Statewide Accounting Management System (SAMS) (Procedure 23.20.60), “salary reversals should normally be processed within 45 days of the issue date on the original erroneous warrant. Reversals must be completed no later than the fifteenth day of November.”

Industries management stated the exceptions noted were because the mail was sent to the wrong address and human error. Payroll refund exception was due to waiting for all pieces of the total payroll refund to be in place before submitting for processing.

Industries’ total refunds for fiscal 2013 and 2014 were \$9,896 and \$18,189 respectively. Failure to deposit collections and process refunds in a timely manner results in noncompliance with the State Officers and Employees Money Disposition Act and SAMS. (Finding Code No. 2014-004, 12-06)

RECOMMENDATION

We recommend Industries implement controls to ensure cash receipts and refunds are deposited and processed in a timely manner.

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Current Findings - State Compliance

2014-004 **FINDING:** Failure to Timely Process Cash Receipts (continued)

INDUSTRIES' RESPONSE

Recommendation accepted. Illinois Correctional Industries will make every effort to work with the Department of Corrections to ensure refunds are processed timely and accurately.

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Current Findings - State Compliance

2014-005 FINDING: Untimely Posting of Expenditures

The Illinois Department of Corrections - Correctional Industries (Industries) did not timely post expenditures to the Accounting Information System (AIS).

During our review of payroll expenditures, we noted Industries did not post the bi-monthly payroll expenditure to AIS until the next monthly Comptroller's report was received. Our review of posting dates for payroll vouchers disclosed 49 of 79 (62%) were posted 30 or more days past the payroll service end date. The posting delays ranged from 30-100 days for 44 expenditures and over 100 days for five expenditures.

Industries management stated the exception was due to lack of oversight and competing priorities.

The Fiscal Control and Internal Auditing Act (Act) (30 ILCS 10/3001) requires "All State agencies shall establish and maintain a system, or systems of internal fiscal and administrative controls, which shall provide assurance that: (4) revenues, expenditures and transfer of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources."

Industries' total personal services expenditures were \$9,467,418 for fiscal year 2013 and \$9,892,625 for fiscal year 2014, representing 20% of Industries' total expenditures in each fiscal year. Failure to timely post expenditures to the accounting system could impair Industries' and the Comptroller's ability to take corrective action to ensure accurate accounting of expenditures. (Finding Code 2014-005, 12-04)

RECOMMENDATION

We recommend Industries timely post expenditures to the Accounting Information System.

INDUSTRIES' RESPONSE

Recommendation accepted. Illinois Correctional Industries has other processes in other systems in place. In addition to these other processes, Illinois Correctional Industries will make every effort to ensure for the timely posting of payroll in the Accounting Information System.

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Current Findings - State Compliance

2014-006 FINDING: Records Were Unavailable

Certain Illinois Department of Corrections – Correctional Industries (Industries) payroll records were unavailable or incorrect.

During our review of employee payroll files, we noted:

- 16 of 25 (64%) employees' medical insurance deduction authorizations were unavailable or for the incorrect amount,
- 7 of 23 (30%) employees' union dues deduction authorizations were unavailable, and
- 2 of 19 (11%) employees' various other deductions authorizations were unavailable.

The State Records Act (5 ILCS 160/8) requires preservation of records to contain adequate and proper documentation of agency transactions to furnish information to protect the legal and financial rights of the State and of persons directly affected by the agency's activities. Additionally, Industries' Administrative Directive (02.60.115E2) states upon receipt of completed employee authorization payroll deduction cards, the information is to be entered into the automated payroll system and the card is to be retained in the facility's payroll file or where appropriate for processing and filing to the Central Office Payroll Section.

Industries management stated the exceptions are the result of human errors, lack of resources, inadequate communication and oversight.

Industries had an average of 128 employees at June 30, 2014. Maintaining documentation for payroll deductions is an essential element of internal controls over the record keeping and accounting duties. (Finding Code No. 2014-006, 12-08, 10-5)

RECOMMENDATION

We recommend Industries obtain and maintain accurate employee authorizations for medical insurance deductions and supporting documentation for all payroll deductions.

INDUSTRIES' RESPONSE

Recommendation accepted. Illinois Correctional Industries will make every effort to work with the Department of Corrections and employees to ensure a copy of all deduction authorization forms are retained in Central Office Payroll files.

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS – CORRECTIONAL INDUSTRIES
FINANCIAL AUDIT
For the year ended June 30, 2014
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For the two years ended June 30, 2014

PRIOR FINDINGS NOT REPEATED

A. Finding (Inaccurate Financial Reporting)

During the previous engagement, Industries did not ensure the information utilized to prepare financial statements and the Office of the Comptroller Generally Accepted Accounting Principles (GAAP) packages was accurate for the Working Capital Revolving Fund (Fund 301).

During the current engagement, testing of the financial statements and GAAP packages noted no exceptions. (Finding Code No. 12-01)

B. Finding (Inadequate Controls Over Accounts Receivable)

During the previous engagement, Industries did not maintain adequate internal controls over their accounts receivable.

During the current engagement, our testing of accounts receivable noted internal controls had been implemented. (Finding Code No. 12-02)

C. Finding (Lack of Collection Efforts Farm Leases)

During the previous engagement, Industries failed to pursue collections of past due amounts owed from farm leases.

During the current engagement, our testing results indicated Industries had taken steps to pursue past due amounts from farm leases. (Finding Code No. 12-03)

D. Finding (Inappropriate Payroll Expenditures)

During the previous engagement, Industries inappropriately paid a Manager \$16,875.

During the current engagement, our testing results indicated the manager has paid back all amounts owed and no other inappropriate amounts were noted in the sample of items examined. (Finding Code No. 12-05)

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For the year ended June 30, 2014
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PRIOR FINDINGS NOT REPEATED

E. Finding (All Relevant Costs Not Included in Manufacturing Costs)

During the previous engagement, Industries did not include any occupancy costs for the production facilities they use at the Correctional Centers (Centers) in their computation of the manufacturing cost of its products for Fund 301.

During the current engagement, our testing results indicated Industries included occupancy cost for facilities utilized. (Finding Code No. 12-07, 10-4, 08-10, 06-7)

F. Finding (Temporary Assignments)

During the previous engagement, Industries utilized employees on temporary assignments for periods beyond the time limit.

During the current engagement, our testing of temporary assignments indicated Industries had implemented a process for the tracking of temporary assignments and approval. (Finding Code No. 12-09, 10-6, 08-5, 06-3, 04-4, 02-5, 00-9, 98-7)

G. Finding (Failure to Comply with the Unified Code of Corrections)

During the previous engagement, Industries failed to prevent a committed person from accessing and entering personally identifiable information in computer systems.

During the current engagement, our testing indicated offenders did not have access to personal information. In addition, the Department of Corrections updated and implemented the necessary Administrative Directive to address offender use of computers. (Finding Code No. 12-10)

H. Finding (Annual Report Deficiencies)

During the previous engagement, Industries did not prepare and timely file its annual report in accordance with the Unified Code of Corrections.

During the current engagement, our testing indicated Industries prepared and submitted the annual report in accordance with the Unified Code of Corrections. (Finding Code No. 12-11)

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FINANCIAL AUDIT
For the year ended June 30, 2014
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For the two years ended June 30, 2014

PRIOR FINDINGS NOT REPEATED

I Finding (Inventory Weakness)

During the previous engagement, Industries inventory was not properly valued.

During the current engagement, our testing indicated no significant inventory discrepancies. (Finding Code No. 12-13)

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS – CORRECTIONAL INDUSTRIES
FINANCIAL AUDIT
For the year ended June 30, 2014
And
COMPLIANCE EXAMINATION
For the two years ended June 30, 2014

FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying financial statements of the State of Illinois, Department of Corrections – Correctional Industries was performed by West & Company, LLC.

Based on their audit, the auditors expressed an unmodified opinion on the State of Illinois, Department of Corrections – Correctional Industries’ basic financial statements.

SUMMARY OF FINDINGS

The auditors identified a matter involving the Agency’s internal control over financial reporting that they considered to be a significant deficiency. The significant deficiency is described in the accompanying Schedule of Findings on page 13 of this report as item 2014-001, (Lack of Control Over Information Technology).

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Industries personnel at an exit conference on December 10, 2014.

Attending were:

Department of Corrections

Ron Faith – Chief Internal Auditor

Genna Smith – Internal Auditor

Tara Kessler – Asst. Deputy Director, Public Safety

Shared Services Fiscal Accounting Compliance

Department of Corrections – Correctional Industries

Jen Aholt – Chief Executive Officer

Rich Mautino – Assistant Chief Executive Officer

Wanda Burnett – Accounting Manager

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS – CORRECTIONAL INDUSTRIES
FINANCIAL AUDIT
For the year ended June 30, 2014
And
COMPLIANCE EXAMINATION
For the two years ended June 30, 2014

EXIT CONFERENCE (continued)

Attending were: (continued)

Office of the Auditor General
Kathy Lovejoy – Audit Manager

West & Company, LLC
Janice K. Romack – Partner
Michael Lawler – Manager
Brandon Craycroft – Staff Accountant

Responses to the recommendations were provided by Ron Faith in a letter dated December 11, 2014.

MEMBERS

E. LYNN FREESE
RICHARD C. WEST
BRIAN E. DANIELL
JANICE K. ROMACK
DIANA R. SMITH
D. RAIF PERRY
JOHN H. VOGT
JOSHUA D. LOWE

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INDEPENDENT AUDITOR'S REPORT

Honorable William G. Holland
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 Working Capital Revolving Fund of the State of Illinois, Department of Corrections - Correctional Industries, as of and for the year ended June 30, 2014, and the related notes to the 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 the financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Working Capital Revolving Fund of the State of Illinois, Department of Corrections - Correctional Industries, as of June 30, 2014, the changes in financial position and its cash flows 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 present only the Working Capital Revolving Fund and do not purport to, and do not, present fairly the financial position of the State of Illinois or, the State of Illinois, Department of Corrections - Correctional Industries as of June 30, 2014, the changes in its financial position, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis and budgetary comparison information for the Working Capital Revolving Fund that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the fund financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Working Capital Revolving Fund of the State of Illinois, Department of Corrections – Correctional Industries. The Fiscal Schedules and Analysis, Schedules 1 and 3 through 12 for

the year ended June 30, 2014 is presented for purposes of additional analysis and is not a required part of the financial statements.

The Fiscal Schedules and Analysis, Schedules 1 and 3 through 12 for the year ended June 30, 2014, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the fund financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 for the year ended June 30, 2014 in Fiscal Schedules and Analysis, Schedules 1 and 3 through 12 is fairly stated, in all material respects, in relation to the financial statements as a whole.

The accompanying supplementary information for the year ended June 30, 2013 in the Fiscal Schedules and Analysis Section Schedules 2 through 12 and the Analysis of Operations Section has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

We have also previously audited, in accordance with auditing standards generally accepted in the United States of America, the Working Capital Revolving Fund of the State of Illinois, Department of Corrections - Correctional Industries financial statements for the year ended June 30, 2012 (not presented herein), and have issued our report thereon dated January 2, 2013, which contained a qualified opinion on receivables and charges for sales and services. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information for the year ended June 30, 2012 in the Fiscal Schedules and Analysis Section Schedules 3 through 8 is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2012 financial statements. The accompanying supplementary information for the year ended June 30, 2012 in the Fiscal Schedules and Analysis Section Schedules 3 through 8 has been subjected to the auditing procedures applied in the audit of the 2012 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the effect on the accompanying information of the qualified opinion on the financial statements as described above, the accompanying supplementary information for the year ended June 30, 2012 in the Fiscal Schedules and Analysis Section Schedules 3 through 8 is fairly stated in all material respects in relation to the 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 December 11, 2014 on our consideration of the State of Illinois, Department of Corrections – Correctional Industries' internal control over financial reporting of the Working Capital Revolving Fund 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Illinois, Department of Corrections – Correctional Industries' internal control over financial reporting of the Working Capital Revolving Fund and its 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 the State of Illinois, Department of Corrections – Correctional Industries' management and is not intended to be and should not be used by anyone other than these specified parties.

West + Company, LLC

Greenville, Illinois

December 11, 2014

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS – CORRECTIONAL INDUSTRIES
WORKING CAPITAL REVOLVING FUND
STATEMENT OF NET POSITION
June 30, 2014
(expressed in thousands)

ASSETS

CURRENT ASSETS

Cash	\$ 1,892
Receivables:	
Due from federal government	23
Due from local government	27
Others receivables (net of \$275 allowance)	543
Due from other funds (net of \$214 allowance)	12,375
Due from State of Illinois component units	10
Inventories	7,544
Prepaid expenses	10
Total current assets	22,424
Capital assets – net	2,714
TOTAL ASSETS	25,138

LIABILITIES

CURRENT LIABILITIES

Accounts payable and accrued expenses	3,873
Due to federal government	34
Due to other funds	2,417
Due to State of Illinois component units	2
Lease payable	11
Compensated absences	254
Total current liabilities	6,591

NONCURRENT LIABILITIES

Lease payable	20
Compensated absences	1,050
Total noncurrent liabilities	1,070
TOTAL LIABILITIES	7,661

NET POSITION

Net investment in capital assets	2,683
Unrestricted	14,794
TOTAL NET POSITION	\$ 17,477

See accompanying notes to the financial statements

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS – CORRECTIONAL INDUSTRIES
WORKING CAPITAL REVOLVING FUND
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
For the year ended June 30, 2014
(expressed in thousands)

OPERATING REVENUES:	
Charges for sales and services - net of bad debt	<u>\$ 49,657</u>
Total operating revenues	<u>49,657</u>
OPERATING EXPENSES:	
Cost of sales and services	26,000
Selling, general and administrative expenses	23,495
Depreciation	<u>531</u>
Total operating expenses	<u>50,026</u>
Operating income (loss)	(369)
NONOPERATING REVENUES:	
Other revenues	<u>869</u>
Total nonoperating revenues	<u>869</u>
NONOPERATING EXPENSES:	
Interest expenses	30
Other nonoperating expenses	<u>136</u>
Total nonoperating expenses	<u>166</u>
INCREASE IN NET POSITION	334
NET POSITION, beginning of year	<u>17,143</u>
NET POSITION, end of year	<u><u>\$ 17,477</u></u>

See accompanying notes to the financial statements

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS – CORRECTIONAL INDUSTRIES
WORKING CAPITAL REVOLVING FUND
STATEMENT OF CASH FLOWS
For the year ended June 30, 2014
(expressed in thousands)

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from sales and services	\$ 1,505
Cash received from transactions with other funds	49,963
Payments to suppliers for goods and services	(39,503)
Payments to employees for services	(10,791)
Cash receipts from other operating activities	<u>833</u>
Net cash provided by operating activities	<u>2,007</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Prompt pay interest	<u>(11)</u>
Net cash used for noncapital financing activities	<u>(11)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(1,308)
Payments on capital debt	(11)
Interest paid on capital debt	(4)
Proceeds from the sale of equipment	<u>15</u>
Net cash used for capital and related financing activities	<u>(1,308)</u>
NET INCREASE IN CASH	688
CASH, beginning of year	<u>1,204</u>
CASH, end of year	<u><u>\$ 1,892</u></u>

See accompanying notes to the financial statements

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS – CORRECTIONAL INDUSTRIES
WORKING CAPITAL REVOLVING FUND
STATEMENT OF CASH FLOWS (continued)
For the year ended June 30, 2014
(expressed in thousands)

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating income (loss)	<u>\$ (369)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	531
Provision for uncollectible accounts	625
Cash receipts from other nonoperating income	833
Interest income	3
Changes in assets and liabilities:	
Accounts receivable	61
Due from intergovernmental	37
Due from other funds	1,176
Due from component units	(4)
Inventories	(769)
Prepaid expenses	23
Accounts payable and accrued expenses	(218)
Due to intergovernmental	(81)
Due to other funds	200
Due to component units	(1)
Other liabilities	<u>(40)</u>
Total adjustments	<u>2,376</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 2,007</u></u>

See accompanying notes to the financial statements

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS – CORRECTIONAL INDUSTRIES
WORKING CAPITAL REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

1. DESCRIPTION OF FUND

Illinois Correctional Industries (Industries) is a division of the State of Illinois, Department of Corrections and administers the nonshared proprietary fund – Working Capital Revolving Fund (Fund) (0301) - described below. A nonshared fund is a fund in which a single State agency is responsible for administering substantially all financial transactions of the fund.

The Fund is accounted for as an internal service fund. Internal service funds account for activities that provide goods and services to other funds, departments, or agencies of the State and its component units, or to other governments, on a cost-reimbursement basis where the State is the predominant participant in the activity.

The Fund's revenues and expenses are derived from goods or services produced by factories and service programs and charged to State agencies and other non-state entities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund administered by Industries 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 significant accounting policies.

A. Reporting Entity

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

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

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS – CORRECTIONAL INDUSTRIES
WORKING CAPITAL REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Reporting Entity (continued)

Based upon the required criteria, this Fund does not have any component units, nor is it a component unit of another entity. However, because the Fund is not legally separate from the State of Illinois (State), the financial statements of the fund are included in the financial statements of the State as a proprietary fund. The State of Illinois' Comprehensive Annual Financial Report (CAFR) may be obtained by writing the State Comptroller's Office, Division of Financial Reporting, 315 West Adams Street, Springfield, Illinois, 62704-1871.

The financial statements present only the Working Capital Revolving Fund administered by the State of Illinois, Department of Corrections – Correctional Industries and do not purport to, and do not, present fairly the financial position of the State of Illinois, Department of Corrections as of June 30, 2014, and changes in its financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

B. Basis of Presentation

In governmental accounting, the basic accounting and reporting entity is a fund. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and/or other resources together with all liabilities, obligations, reserves, and equities which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. A statement of net position, statement of revenues, expenses and changes in net position, and statement of cash flows has been presented for this fund, administered by Industries.

Operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

C. Basis of Accounting

The Fund is 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.

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS – CORRECTIONAL INDUSTRIES
WORKING CAPITAL REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Cash

Cash consists principally of deposits held in the State Treasury.

E. Inventories

Inventories consisting of raw materials, work in process, finished goods, and operating supplies are valued at lower of cost or market, on a first in, first out (FIFO) method. Stores inventory consists of fuel, which is principally valued using an average cost method.

F. Interfund Transactions

The individual nonshared proprietary fund has the following types of interfund transactions with other funds of the State.

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 at year-end are reported as interfund receivables and payables in the fund balance sheets or fund statements of net assets.

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

Operating transfers – flows of assets (such as cash or goods) without equivalent flows of assets in return and without requirement for repayment. In proprietary funds, transfers are reported after nonoperating revenues and expenses. For the year ended June 30, 2014, a transfer out of \$136,000 to replace a roof at one of Industries' shops occurred.

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS – CORRECTIONAL INDUSTRIES
WORKING CAPITAL REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Capital Assets

Capital assets are stated at cost. Depreciation (including amortization of capital leases) is computed using the straight-line method at rates calculated to amortize assets over their estimated useful lives.

Capitalization thresholds and the estimated useful lives are as follows:

Asset Category	Capitalization Threshold	Estimated Useful Life
Buildings	\$ 100,000	50
Building Improvements	\$ 25,000	20
Site Improvements	\$ 25,000	20
Equipment	\$ 5,000	3-10

H. Compensated Absences

The liability for compensated absences reported in the Fund consists of unpaid accumulated vacation, sick leave, and holiday balances for Industries' employees. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. The liability has been calculated based on the employees' current salary level and includes salary related costs (e.g., social security and medicare taxes).

Legislation that became effective January 1, 1998 capped the paid sick leave for all State Employees' Retirement System members at December 31, 1997. Employees continue to accrue twelve sick days per year, but will not receive monetary compensation for any additional time earned after December 31, 1997. Sick days earned between 1984 and December 31, 1997 (with 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.

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS – CORRECTIONAL INDUSTRIES
WORKING CAPITAL REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Net Positions

The individual nonshared proprietary fund displays equity in two components as follows:

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

Unrestricted – This consists of net position that does not meet the definition of Net Investment in Capital Assets.

J. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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 these estimates.

K. Change in Accounting Principle

During the fiscal year ended June 30, 2014, Industries adopted GASB Statement 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations.

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS – CORRECTIONAL INDUSTRIES
WORKING CAPITAL REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Future Adoption of GASB Statements

In June 2012, the GASB issued Statement 68, *Accounting and Financial Reporting for Pensions*. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI). The provisions of this Statement are effective for the fiscal year ending June 30, 2015. Management has not determined what impact, if any, this GASB statement might have on its financial statements.

In January 2013, the GASB issued Statement 69, *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This Statement requires the use of carrying values to measure the assets and liabilities in a government merger. This Statement also requires measurements of assets acquired and liabilities assumed generally to be based upon their acquisition values. This Statement also provides guidance for transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. This Statement defines the term operations for purposes of determining the applicability of this Statement and requires the use of carrying values to measure the assets and liabilities in a transfer of operations. This Statement provides accounting and financial reporting guidance for disposals of government operations that have been transferred or sold. This Statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. The provisions of the Statement are effective for fiscal year ended June 30, 2015, with earlier application being encouraged. Management has not determined what impact, if any, this GASB statement might have on its financial statements.

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS – CORRECTIONAL INDUSTRIES
WORKING CAPITAL REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Future Adoption of GASB Statements-continued

In November 2013, the GASB issued Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68 and are effective for the fiscal year ended June 30, 2015. Management has not determined what impact, if any, this statement will have on its financial statements.

3. CASH

Deposits

The State Treasurer is the custodian of the State's cash for funds maintained in the State Treasury. Deposits in the custody of the State Treasurer as of June 30, 2014 totaled \$1,892 (amount expressed in thousands).

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 Industries does not own individual securities. Details on the nature of these investments are available within the State of Illinois' Comprehensive Annual Financial Report.

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS – CORRECTIONAL INDUSTRIES
WORKING CAPITAL REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

4. INTERFUND BALANCES AND ACTIVITIES

Balances Due to/from Other Funds

The following balances (amounts expressed in thousands) as of June 30, 2014 represent amounts due from other departments and State of Illinois funds which represents sales of goods and services:

<u>State Agencies</u>	<u>Amount</u>
Department of Corrections (net of \$209 allowance)	\$ 9,552
Department of Healthcare & Family Services (net of \$5 allowance)	1,022
Department of Human Services	662
Capital Development Board	414
Department of Juvenile Justice	270
Department of Natural Resources	94
Department of Children and Family Services	92
Department of Public Health	77
Department of Veterans' Affairs	45
Department of Central Management Services	27
Department of Transportation	24
Illinois State Police	22
Illinois Math and Science Academy	17
State Employees' Retirement System	12
Office of the Secretary of State	10
Illinois Historic Preservation Agency	8
Department of Commerce and Economic Opportunity	6
Department of Military Affairs	5
Prisoner Review Board	5
Department of Agriculture	3
Office of the Department of Comptroller	2
Office of the State Fire Marshall	2
Department of Financial and Professional Regulation	1
Illinois Criminal Justice Information Authority	1
Illinois Emergency Management Agency	1
Labor Relations Board	1
	<hr/>
Total State Agencies - net	\$ 12,375

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS – CORRECTIONAL INDUSTRIES
WORKING CAPITAL REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

4. INTERFUND BALANCES AND ACTIVITIES (continued)

The following balances (amounts expressed in thousands) as of June 30, 2014 represent amounts due to other departments and State of Illinois funds for the purchase of goods and services:

<u>State Agencies</u>	<u>Amount</u>
Office of the Auditor General	\$ 15
Department of Agriculture	1
Department of Central Management Services	1,592
Department of Corrections	482
Department of Revenue	1
Court of Claims	140
State Employees' Retirement System	<u>186</u>
Total State Agencies	\$ <u>2,417</u>

Balances Due to/from State of Illinois Component Units

The following balances (amounts expressed in thousands) as of June 30, 2014 represent amounts due from State of Illinois component units which represent sales of goods and services:

<u>State of Illinois Component Units</u>	<u>Amount</u>
Illinois State Toll Highway Authority	<u>10</u>
Total State of Illinois Component Units	\$ <u>10</u>

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS – CORRECTIONAL INDUSTRIES
WORKING CAPITAL REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

4. INTERFUND BALANCES AND ACTIVITIES (continued)

The following balance (amounts expressed in thousands) as of June 30, 2014 represent amounts due to State of Illinois component unit for the purchase of sales of goods and services:

<u>State of Illinois Component Units</u>	<u>Amount</u>
Illinois State Toll Highway Authority	\$ 2
Total State of Illinois Component Units	\$ 2

5. INVENTORIES

Inventories (amounts expressed in thousands) as of June 30, 2014, consist of the following:

	<u>Cost</u>	<u>Lower of Cost or Market Adjustment</u>	<u>Net Value</u>
Finished goods	\$ 2,310	\$ (96)	\$ 2,214
Raw materials	4,900	-	4,900
Operating supplies	244	-	244
Work in process	170	-	170
Stores inventory	16	-	16
Total inventories	<u>\$ 7,640</u>	<u>\$ (96)</u>	<u>\$ 7,544</u>

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS – CORRECTIONAL INDUSTRIES
WORKING CAPITAL REVOLVING FUND
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JUNE 30, 2014

6. CAPITAL ASSETS

Capital asset activities (amounts expressed in thousands) for the year ended June 30, 2014 were as follows:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Net</u> <u>Transfers</u>	<u>Balance</u> <u>June 30, 2014</u>
Cost:					
Equipment	\$ 15,752	\$ 1,304	\$ (482)	\$ (31)	\$ 16,543
Building and building improvements	5,862	161	(27)	(136)	5,860
Capital lease	66	-	-	-	66
Non-Internally Generated software	161	-	-	-	161
	<u>21,841</u>	<u>1,465</u>	<u>(509)</u>	<u>(167)</u>	<u>22,630</u>
Accumulated:					
Equipment	14,448	401	(482)	(31)	14,336
Building and building improvements	5,277	119	(18)	-	5,378
Capital lease	30	11	-	-	41
Non-Internally Generated software	161	-	-	-	161
	<u>19,916</u>	<u>531</u>	<u>(500)</u>	<u>(31)</u>	<u>19,916</u>
	<u>\$ 1,925</u>	<u>\$ 934</u>	<u>\$ (9)</u>	<u>\$ (136)</u>	<u>\$ 2,714</u>

7. LONG-TERM OBLIGATIONS

Changes in long-term obligations (amounts expressed in thousands) for the year ended June 30, 2014 were as follows:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Due Within</u> <u>One Year</u>
Other long-term obligations:					
Compensated absences	\$ 1,344	\$ 989	\$ (1,029)	\$ 1,304	\$ 254
Lease payable	42	-	(11)	31	11
Totals	<u>\$ 1,386</u>	<u>\$ 989</u>	<u>\$ (1,040)</u>	<u>\$ 1,335</u>	<u>\$ 265</u>

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS – CORRECTIONAL INDUSTRIES
WORKING CAPITAL REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

7. LONG-TERM OBLIGATIONS (continued)

The future minimum lease payments required under the capital leases and the present value of the net minimum lease payments (amounts expressed in thousands) as of June 30, 2014, are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2015	15
2016	15
2017	<u>7</u>
Total minimum lease payments	37
Less: Amount representing interest	<u>(6)</u>
Present value of minimum lease payments	31
Less: Current maturities of capital lease obligations	<u>(11)</u>
Long-term capital lease obligations	<u><u>\$ 20</u></u>

8. PENSION PLAN

Substantially all of Industries’ full-time employees who are not eligible for participation in another State-sponsored retirement plan participate in the State Employees’ Retirement System (SERS), which is a pension trust fund in the State of Illinois reporting entity. The SERS is a single-employer defined benefit public employee retirement system (PERS) in which State employees participate, except for those covered by State Universities, Teachers, General Assembly, and Judge’s Retirement Systems. The financial position and results of operations of the SERS for fiscal year 2014 are included in State of Illinois’ Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2014. The SERS also issues a separate “CAFR” that may be obtained by writing to the SERS, 2101 South Veterans Parkway, Springfield, Illinois, 62794-9255 or by calling (217) 785-7202.

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

Industries pay employer retirement contributions in the Fund based upon an actuarially determined percentage of their payrolls. For fiscal year 2014, the employer contribution rate was 40.312%. Industries contributions to SERS for the year ended June 30, 2014 were \$4,000 (expressed in thousands).

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS – CORRECTIONAL INDUSTRIES
WORKING CAPITAL REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

9. POST-EMPLOYMENT BENEFITS

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

Public Act 97-0695, effective, July 1, 2012, altered the contributions to be paid by the State, annuitants, survivors, and retired employees under the State Employees Group Insurance Act. This Act requires the Director of Central Management Services to, on an annual basis, determine the amount that the State should contribute. The remainder of the cost of coverage shall be the responsibility of the annuitant, survivor, or retired employee. These costs were to be assessed beginning July 1, 2013. However, four putative class actions were filed challenging the validity of this legislation under, among other things, the pension protection clause of the Illinois Constitution of 1970. The four class actions were consolidated in the circuit court of Sangamon County. The circuit court dismissed each of them for failure to state a cause of action, without certifying any classes. The Illinois Supreme Court allowed direct appeal. On July 3, 2014, the Illinois Supreme Court issued an opinion in the retirement health insurance case. The Illinois Supreme Court disagreed with the circuit court and determined the circuit court should not have dismissed the case. The Supreme Court sent the case back to the circuit court for reconsideration. As a result the Sangamon County Circuit Court has directed all pension systems to discontinue withholding, as soon as possible, the retiree and survivor health insurance premiums that have been in effect since July 2013. The refunding of premiums paid since July 2013 is unresolved and will be decided by the courts.

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

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS – CORRECTIONAL INDUSTRIES
WORKING CAPITAL REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

9. POST-EMPLOYMENT BENEFITS (continued)

A summary of post-employment benefits provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established are included as an integral part of the financial statements of the Department of Central Management Services. A copy of the financial statements of the Department of Central Management Services may be obtained by writing to the Department of Central Management Services, 715 Stratton Building, 401 South Spring Street, Springfield, Illinois, 62606-4100.

10. COMMITMENTS AND CONTINGENCIES

A. Operating Lease Obligations

During fiscal year 2014, Industries leased semi-tractors and office equipment. Rental payments for the semi-tractors and office equipment totaled \$220 (amount expressed in thousands) during the fiscal year. Future minimum payments required by the lease agreements are as follows:

<u>Year Ending June 30,</u>	<u>Operating Leases</u>
2015	\$ 72
2016	68
2017	<u>6</u>
Total minimum payments	<u>\$ 146</u>

B. Litigation

Industries is a party to various lawsuits arising out of the normal conduct of its operations. In the opinion of management and its counsel, its liability, if any, in or arising from this litigation or any other legal proceedings in which Industries is involved, will be paid from a separate appropriation, and therefore, will not have a material adverse effect on the Working Capital Revolving Fund of Industries.

11. RISK MANAGEMENT

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

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS – CORRECTIONAL INDUSTRIES

SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES
FOR THE TWO YEARS ENDED JUNE 30, 2014

SUMMARY

Supplementary Information for State Compliance Purposes presented in this section of the report includes the following:

- Fiscal Schedules and Analysis:

- Schedule of Appropriations, Expenditures and Lapsed Balances – Fiscal Year 2014
- Schedule of Appropriations, Expenditures and Lapsed Balances – Fiscal Year 2013
- Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances
- Schedule of Changes in State Property
- Comparative Schedule of Cash Receipts
- Reconciliation Schedule of Cash Receipts to Deposits Remitted to the State Comptroller
- Analysis of Significant Variations in Expenditures
- Analysis of Significant Variations in Receipts
- Analysis of Significant Lapse Period Spending
- Analysis of Significant Account Balances
 - Accounts Receivable
 - Inventories
- Analysis of Accounts Receivable

- Analysis of Operations (Unaudited):

- Agency Functions and Planning Program (Unaudited)
- Average Number of Employees (Unaudited)
- Annual Cost Statistics (Unaudited)
- Emergency Purchases (Unaudited)
- Working Capital Revolving Fund Activity (Unaudited)
- Memorandum of Understanding (Unaudited)
- Service Efforts and Accomplishments (Unaudited)
 - Sales by Customer (Unaudited)
 - Inmate Assignments (Unaudited)
- Summary of Operations by Industry (Unaudited)
- Farm Leases by Location (Unaudited)

The accountant's report that covers the Supplementary Information for State Compliance Purposes for the year ended June 30, 2014 and June 30, 2012 presented in the Compliance Report Section states that it has been subjected to the auditing procedures applied in the audit of the financial statements and, in the auditor's opinion, is fairly stated, in all material respects, in relation to the financial statements as a whole from which it has been derived. The accountant's report also states the Supplementary Information for State Compliance Purposes for the year ended June 30, 2013 and the Analysis of Operations Section has not been subjected to the auditing procedures applied in the audit of the fund financial statements, and accordingly, they do not express an opinion or provide any assurance on it.

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS – CORRECTIONAL INDUSTRIES
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
Appropriations for Fiscal Year 2014**

FOURTEEN MONTHS ENDED AUGUST 31, 2014

<u>Public Act 98-0050</u>	<u>Appropriations (Net After Transfers)</u>	<u>Expenditures Through 6/30/2014</u>	<u>Lapse Period Expenditures 7/01 - 8/31/14</u>	<u>Total Expenditures</u>	<u>Balances Lapsed</u>
<u>APPROPRIATED FUNDS</u>					
<u>Working Capital Revolving Fund - 301</u>					
Personal services	\$ 11,169,400	\$ 9,428,064	\$ 464,561	\$ 9,892,625	\$ 1,276,775
Student, member and inmate compensation	1,877,400	1,504,543	339,655	1,844,198	33,202
State contributions to State Employee's Retirement	4,502,600	3,812,187	187,427	3,999,614	502,986
State contributions to Social Security	832,500	701,005	34,499	735,504	96,996
Group insurance	3,335,000	2,500,410	199,751	2,700,161	634,839
Contractual services	3,230,516	2,317,914	618,574	2,936,488	294,028
Travel	49,300	29,574	8,082	37,656	11,644
Commodities	26,561,684	23,359,374	2,683,063	26,042,437	519,247
Printing	6,800	4,664	203	4,867	1,933
State property	1,055,800	692,336	139,635	831,971	223,829
Telecommunications services	64,400	28,021	28,261	56,282	8,118
Operation of automotive equipment	1,236,400	800,729	417,917	1,218,646	17,754
Green recycling initiatives	500,000	-	49,205	49,205	450,795
Permanent improvements - lump sum	147,000	24,882	353	25,235	121,765
Refunds	27,400	21,137	2,382	23,519	3,881
GRAND TOTAL	<u>\$ 54,596,200</u>	<u>\$ 45,224,840</u>	<u>\$ 5,173,568</u>	<u>\$ 50,398,408</u>	<u>\$ 4,197,792</u>

Notes:
A: Appropriations, expenditures, and lapsed balances were obtained from records of the State Comptroller and reconciled to Industries' records.
B: Expenditure amounts are vouchers approved for payment by Industries submitted to the State Comptroller for payment to the vendor.

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS – CORRECTIONAL INDUSTRIES
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
Appropriations for Fiscal Year 2013**

FOURTEEN MONTHS ENDED AUGUST 31, 2013

Public Act 97-0731 Public Act 98-0017	Appropriations (Net After Transfers)	Expenditures Through 6/30/2013	Lapse Period Expenditures 7/01 - 8/31/13	Total Expenditures	Balances Lapsed
<u>APPROPRIATED FUNDS</u>					
<u>Working Capital Revolving Fund - 301</u>					
Personal services	\$ 11,131,600	\$ 8,533,608	\$ 933,810	\$ 9,467,418	\$ 1,664,182
Student, member and inmate compensation	1,877,400	1,591,851	148,690	1,740,541	136,859
State contributions to State Employee's Retirement	4,228,600	3,240,136	359,197	3,599,333	629,267
State contributions to Social Security	741,500	641,074	72,003	713,077	28,423
Group insurance	3,335,000	2,745,899	122,293	2,868,192	466,808
Contractual services	3,398,900	2,613,372	422,700	3,036,072	362,828
Travel	44,900	12,583	4,388	16,971	27,929
Commodities	26,051,900	21,808,825	2,822,726	24,631,551	1,420,349
Printing	400	46	-	46	354
State property	1,534,000	156,720	639,081	795,801	738,199
Telecommunications services	54,400	25,872	13,476	39,348	15,052
Operation of automotive equipment	1,368,500	877,750	418,961	1,296,711	71,789
Permanent improvements - lump sum	147,000	-	7,260	7,260	139,740
Refunds	7,400	-	-	-	7,400
GRAND TOTAL	\$ 53,921,500	\$ 42,247,736	\$ 5,964,585	\$ 48,212,321	\$ 5,709,179

Notes:
 A: Appropriations, expenditures, and lapsed balances were obtained from records of the State Comptroller and reconciled to Industries' records.
 B: Expenditure amounts are vouchers approved for payment by Industries submitted to the State Comptroller for payment to the vendor.

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS – CORRECTIONAL INDUSTRIES
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,
EXPENDITURES AND LAPSED BALANCES
 For the Fiscal Years Ended June 30, 2014, 2013, and 2012

	Fiscal Year		
	2014	2013	2012
		PA 97-0731	PA 97-0065
	PA 98-0050	PA 98-0017	PA 97-0685

Working Capital Revolving Fund - 301

Appropriations (Net After Transfers)	\$ 54,596,200	\$ 53,921,500	\$ 51,002,200
Expenditures:			
Personal services	9,892,625	9,467,418	10,404,200
Student, member and inmate compensation	1,844,198	1,740,541	1,928,093
State contributions to State Employee’s Retirement System	3,999,614	3,599,333	3,570,017
State contributions to Social Security	735,504	713,077	780,439
Group insurance	2,700,161	2,868,192	2,528,943
Contractual services	2,936,488	3,036,072	2,250,235
Travel	37,656	16,971	22,025
Commodities	26,042,437	24,631,551	24,923,033
Printing	4,867	46	3,253
State property	831,971	795,801	1,079,444
Telecommunications services	56,282	39,348	51,732
Operation of automotive equipment	1,218,646	1,296,711	1,230,668
Green recycling initiatives	49,205	-	-
Repairs, maintenance and other capital improvements	25,235	7,260	121,067
Refunds	23,519	-	2,389
Total expenditures	50,398,408	48,212,321	48,895,538
Lapsed Balances	\$ 4,197,792	\$ 5,709,179	\$ 2,106,662

Note: FY12 expenditures and lapse period balances do not reflect interest payments approved and submitted after August.

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS – CORRECTIONAL INDUSTRIES
SCHEDULE OF CHANGES IN STATE PROPERTY
For the year ended June 30, 2014**

	<u>Total</u>	<u>Equipment</u>	<u>Building and Building Improvements</u>	<u>Construction in Progress</u>	<u>Capital Lease Equipment</u>
Balance, June 30, 2013	\$ 26,511,145	\$ 19,745,510	\$ 6,705,635	\$ -	\$ 60,000
Additions	1,649,960	1,482,758	161,202	-	6,000
Deletions	(599,958)	(566,413)	(33,545)	-	-
Net Transfers	<u>(331,994)</u>	<u>(195,674)</u>	<u>(136,320)</u>	<u>-</u>	<u>-</u>
Balance, June 30, 2014	<u>\$ 27,229,153</u>	<u>\$ 20,466,181</u>	<u>\$ 6,696,972</u>	<u>\$ -</u>	<u>\$ 66,000</u>

Note: This Schedule was prepared using the State property records required by the Illinois Administrative Code. The capitalization policy in the Code is different than the capitalization policy established by the Office of the Comptroller's guidelines for financial reporting in accordance with generally accepted accounting principles.

Note 2: This Schedule was prepared from Industries' records; reconciled to Industries' report of State property quarterly reports.

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS – CORRECTIONAL INDUSTRIES
SCHEDULE OF CHANGES IN STATE PROPERTY
For the year ended June 30, 2013**

	<u>Total</u>	<u>Equipment</u>	<u>Building and Building Improvements</u>	<u>Construction in Progress</u>	<u>Capital Lease Equipment</u>
Balance, June 30, 2012	\$ 26,969,001	\$ 20,203,156	\$ 6,705,845	\$ -	\$ 60,000
Additions	274,893	274,893	-	-	-
Deletions	(178,351)	(178,141)	(210)	-	-
Net Transfers and Adjustments	<u>(554,398)</u>	<u>(554,398)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance, June 30, 2013	<u>\$ 26,511,145</u>	<u>\$ 19,745,510</u>	<u>\$ 6,705,635</u>	<u>\$ -</u>	<u>\$ 60,000</u>

Note: This Schedule was prepared using the State property records required by the Illinois Administrative Code. The capitalization policy in the Code is different than the capitalization policy established by the Office of the Comptroller's guidelines for financial reporting in accordance with generally accepted accounting principles.

Note 2: This Schedule was prepared from Industries' records; reconciled to Industries' report of State property quarterly reports.

SCHEDULE 5

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS – CORRECTIONAL INDUSTRIES
COMPARATIVE SCHEDULE OF CASH RECEIPTS**

	For the Fiscal Year Ended June 30,		
	2014	2013	2012
WORKING CAPITAL REVOLVING FUND - 301			
Receipts from sales of products	\$ 51,467,761	\$ 43,136,760	\$ 59,111,719
Rent from farm leases	833,211	637,459	597,649
Proceeds from sales of equipment	15,000	-	7,401
Prior year refunds	18,189	9,897	599
Prior year warrant void	-	33,189	-
	<u>\$ 52,334,161</u>	<u>\$ 43,817,305</u>	<u>\$ 59,717,368</u>
Cash receipts per Industries	<u>\$ 52,334,161</u>	<u>\$ 43,817,305</u>	<u>\$ 59,717,368</u>

SCHEDULE 6

**RECONCILIATION SCHEDULE OF CASH RECEIPTS TO DEPOSITS
REMITTED TO THE STATE COMPTROLLER**

Cash receipts per Industries	\$ 52,334,161	\$ 43,817,305	\$ 59,717,368
Budgetary refunds	19,999	-	2,021
Held intergovernmental payments			
Due from:			
Prior year	(1,076,725)	(2,651,533)	(11,450,611)
Current year	185,262	1,076,725	2,651,533
Add deposit in transit, beginning of year	295,012	1,540,100	1,001,667
Less deposit in transit, end of year	(472,513)	(295,012)	(1,540,100)
Other	<u>2</u>	<u>-</u>	<u>1,450</u>
Receipts per Comptroller's records	<u>\$ 51,285,198</u>	<u>\$ 43,487,585</u>	<u>\$ 50,383,328</u>

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS – CORRECTIONAL INDUSTRIES
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
For the two years ended June 30, 2014

The Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances documents the expenditure activities for fiscal years 2014, 2013 and 2012.

Significant variations in expenditures from appropriations are considered to be those varying between years by twenty percent (20%) or more. Following are Industries' explanations for these significant variations.

Contractual Services

Contractual service expenditures increased by \$790,998 in fiscal year 2013 or 35.15% due to the increased need for contracted accounting services in fiscal year 2013, costing a total of \$1,100,993.

Travel

Travel expenditures decreased \$5,054 or 22.95% in fiscal year 2013 due to budget constraints which lead Industries to cut back on travel.

During fiscal year 2014 expenditures increased by \$20,685 or 121.88% was due to resuming normal travel and holding three regional trainings.

Printing

Printing expenditures decreased by \$3,207 or 98.59% in 2013 due to no large purchases of printing items. Items were purchased in bulk and carried over from 2012.

During fiscal year 2014, the increase in expenditures of \$4,821 or 10480.43% was due to new FDA regulations which required the purchase of new printing plates for cartons that Industries produces.

State Property

State property expenditures decreased by \$283,643 or 26.28% in 2013 due to budgetary constraints. Industries held back equipment funds to provide for a 2% transfer to their commodity line.

Telecommunications Services

Telecommunications Services decreased by \$12,384 or 23.94% in 2013 and increased by \$16,934 or 43.04% in 2014 which was due to \$6,100 of fiscal year 2013 telecomm bills being paid through catch-up billing in 2014. Additionally in fiscal year 2012, Dixon had more fax related charges against this line than in subsequent fiscal years because Dixon received new Xerox Multifunction copiers in fiscal year 2013 which stopped the purchase of toner cartridges/rollers for the fax machine.

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS – CORRECTIONAL INDUSTRIES
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
For the two years ended June 30, 2014

Green Initiatives

Green Initiatives increased by \$49,205 or 100% in 2014 due to Industries receiving a green initiative lump sum to be used for green recycling initiatives. Industries was not appropriated these funds in fiscal year 2013 or 2012.

Repairs, Maintenance, and Other Capital Expenditures

Repairs, maintenance and other capital expenditures decreased by \$113,807 or 94% in 2013 due to no significant repairs, maintenance, and other capital expenditures in fiscal year 2013.

During fiscal year 2014, the increase in expenditures of \$17,975 or 247.59% was due to the fact that there were significant repairs, maintenance, and other capital expenditures in fiscal year 2014 as compared to fiscal year 2013.

Refunds

Refunds decreased by \$2,389 or 100% in 2013 and increased by \$23,519 or 100% in fiscal year 2014 due to the fluctuating nature of refunds. There will always be fluctuations in refunds from year to year.

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS – CORRECTIONAL INDUSTRIES
ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS
For the two years ended June 30, 2014**

Significant variations in receipts are considered to be those varying between years by twenty percent (20%). Following are Industries' explanations for these significant variations.

Rent from farm leases

Receipts from the rent of farm ground increased by \$195,752 or 30.71% in fiscal year 2014. The variances were caused by several farm leases ending and were competitively rebid which resulted in an increase in the amount of cash rent per acre.

State property sales

Receipts from state property sales increased by \$15,000 or 100% in fiscal year 2014 which was due to the sale of a box machine.

Miscellaneous

Miscellaneous receipts increased by \$23,905 or 323% in fiscal year 2013 and a decrease of \$27,742 or 88.62% in 2014 due to a change in mailing practices which resulted in a refund of prepaid postage in fiscal year 2013, which did not occur in fiscal year 2014.

Reimbursement/Jury Duty & Recoveries

Receipts from reimbursement/jury duty and recoveries decreased by \$11,921 or 99.45% in fiscal year 2013 due to Industries not receiving retirement refunds as compared to fiscal year 2012.

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS – CORRECTIONAL INDUSTRIES
ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING
For the two years ended June 30, 2014**

Industries lapse period spending of \$5,173,568 for fiscal year 2014 and \$5,989,286 for fiscal year 2013, as shown in the Schedule of Appropriations, Expenditures and Lapsed Balances, represented 10% and 12% of the total expenditures, respectively. Following are Industries' explanations for lapse period spending which exceeded twenty percent (20%) of the total expenditure line item.

Fiscal Year 2014

Contractual services

Lapse period spending of \$618,574 or 21.07% was due to the timing of the need for services and receipt of invoices from the vendors.

Travel

Lapse period spending of \$8,082 or 21.46% was due to Industries having several projects that required travel during the end of fiscal year 2014.

Telecommunications services

Lapse period spending of \$28,261 or 50.21% was due to when shops submitted payment to Shared Services.

Operation of automotive equipment

Lapse period spending of \$417,917 or 34.29% was due to the timing of purchases, the need of fuel, and availability of funds.

Green recycling initiatives

Lapse period spending of \$49,205 or 100% was due to planning and procurement of items for these programs which were not purchased until late in the fiscal year. The lump sum was new to Industries in fiscal year 2014.

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS – CORRECTIONAL INDUSTRIES
ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING
For the two years ended June 30, 2014**

Fiscal Year 2013

Travel

Lapse period spending of \$4,388 or 34.87% was due to the amount of time the employee submits his/her travel reimbursements to the Central Office and having them properly recorded and vouchered by the Illinois Office of Comptroller.

State property

Lapse period spending of \$639,081 or 407.79% was due to the purchase of a peterbilt trash truck (\$157,500), purchase of five balers (\$114,775), three trailers for deliveries (\$190,065), and other well needed equipment.

Telecommunications services

Lapse period spending of \$13,476 or 52.09% was due to timing of purchases and the availability of funds.

Operation of automotive equipment

Lapse period spending of \$418,961 or 47.73% was due to the timing of purchases, the need for fuel, and availability of funds.

Repairs, maintenance and other capital improvements

Lapse period spending of \$7,260 or 100% was due timing of purchases, need for equipment, and availability of funds.

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS – CORRECTIONAL INDUSTRIES
ANALYSIS OF SIGNIFICANT ACCOUNT BALANCES
For the two years ended June 30, 2014

SCHEDULE 10

ACCOUNTS RECEIVABLE

Accounts receivable represents amounts due from sales of goods and services to State agencies, local governments and others. As of June 30, 2014 and 2013, Industries had reported accounts receivable of \$13,467,423 and \$16,348,634, respectively. The following represents an analysis of accounts receivable by customer at June 30, 2014 and June 30, 2013. Amounts due from other funds are included in these accounts receivable amounts.

	2014	2013
Department of Corrections	\$ 9,564,061	\$ 11,995,963
Department of Healthcare and Family Services	1,021,869	1,911,098
Department of Commerce and Economic Opportunity	5,844	977
Department of Human Services	666,477	705,467
Central Management Services	26,699	26,046
Illinois State Treasurer	-	285
Secretary of State	10,473	3,028
Department of Employment Security	-	8,782
Department of Juvenile Justice	269,546	243,992
Department of Natural Resources	94,419	22,095
Department of Transportation	24,113	61,202
Department of Children and Family Services	92,447	19,344
Department of Public Health	76,876	28,911
Department of Revenue	-	20,000
Illionio Appellate Court	-	1,442
Property Tax Appeal Board	-	571
State Board of Elections	-	1,140
Illinois State Police	433,869	15,265
Office of Executive Inspector General		143
Office of the Comptroller	2,332	2,807
Financial & Professional Regulation	636	2,251
Executive Ethics Commission	-	5,033
Workers Compensation Commission	-	1,427
Deaf and Hard of Hearing Commission	-	1,440
Illinois School for the Deaf	-	463
Capital Development Board	3,150	-
Historic Preservation Agency	7,875	422
Environmental Protection Agency	-	1,091
Department of Agriculture	3,072	110
Department of Veterans' Affairs	44,886	50,642
Illinois Sentencing/Policy Advisory Board	1,236	-
Prisoner Review Board	4,655	29,379
Illinois Emergency Management Agency	1,125	578
State Employee Retirement System	1,362	-
State and Local Labor Relations Board	560	592
Office of State Fire Marshall	1,880	-

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS – CORRECTIONAL INDUSTRIES
ANALYSIS OF SIGNIFICANT ACCOUNT BALANCES - CONTINUED
For the two years ended June 30, 2014

SCHEDULE 10

ACCOUNTS RECEIVABLE (continued)

Illinois Mathematics & Science Academy	\$ 17,085	\$ -
Illinois State Toll Highway Authority	10,388	4,632
Department of Military Affairs	4,990	7,026
Local Government Units	33,693	43,058
State Colleges and Universities	903	628
Land Leases	628,537	646,098
Not for Profit Organizations	87,969	101,329
Due from Other State Agencies	207,818	221,855
Other	116,578	162,022
	<u>116,578</u>	<u>162,022</u>
Accounts Receivable Gross Balance	<u>\$ 13,467,423</u>	<u>\$ 16,348,634</u>

INVENTORIES

SCHEDULE 11

Inventories represent the amount of goods on hand that are to be used in the process of manufacturing finished goods, finished goods that are ready to be sold, or operating supplies that are used in producing goods or services. The inventories of finished goods, work in process, raw materials and operating supplies are stated at the lower of cost or market. Stores inventory consists of fuel and automotive supplies and is principally valued using an average cost method. The following represent inventories by component as of June 30, 2014 and June 30, 2013.

	<u>2014</u>	<u>2013</u>
Finished goods	\$ 2,213,796	\$ 1,846,670
Work in process	169,498	148,712
Raw materials	4,899,762	4,225,761
Operating supplies	243,808	528,897
Fuel inventory	16,771	24,816
	<u>16,771</u>	<u>24,816</u>
	<u>\$ 7,543,635</u>	<u>\$ 6,774,856</u>

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS – CORRECTIONAL INDUSTRIES
ANALYSIS OF SIGNIFICANT ACCOUNT BALANCES - CONTINUED
For the two years ended June 30, 2014

ANALYSIS OF ACCOUNTS RECEIVABLE

SCHEDULE 12

	<u>2014</u>	<u>2013</u>
Current		
31 - 90 days old	\$ 11,082,346	\$ 11,174,143
91 - 180 days old	1,151,270	1,972,754
Over 180 days old	<u>1,233,807</u>	<u>3,201,737</u>
Accounts receivable gross balance	13,467,423	16,348,634
Less estimated uncollectibles	<u>488,851</u>	<u>1,525,211</u>
Accounts receivable net balance	<u><u>\$ 12,978,572</u></u>	<u><u>\$ 14,823,423</u></u>

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS – CORRECTIONAL INDUSTRIES
ANALYSIS OF OPERATIONS
For the two years ended June 30, 2014

AGENCY FUNCTIONS AND PLANNING PROGRAM (UNAUDITED)

AGENCY FUNCTIONS

The Department of Corrections - Illinois Correctional Industries (Industries) operates as a productive enterprise employing offenders from institutions under the jurisdiction of the Illinois Department of Corrections. Industries programs are supported by revenues derived from the sale of its products and services. Tax-supported institutions and non-profit organizations comprise the majority of the market.

The Illinois Procurement Code (30 ILCS 500/45-30) requires state agencies give Industries preference when procuring items manufactured by Industries. County, municipal units and other public institutions qualify as Industries customers. Not-for-profit corporations chartered in Illinois, as well as individuals, may also purchase Industries produced goods and services.

The Director of the Illinois Department of Corrections is S. A. Godinez. The Chief Executive Officer of the Illinois Correctional Industries is Jen Aholt, who reports directly to the Director.

The mission of the Department of Corrections is to protect the public from criminal offenders through a system of incarceration and supervision which securely segregates offenders from society, assures offenders of their constitutional rights and maintains programs to enhance the success of offenders' reentry to society. Industries supports this mission with its vision to operate respected Correctional Industry programs accountable to the citizens of Illinois and beneficial to incarcerated individuals and their customers.

PLANNING PROGRAM

Industries has developed the following strategies to achieve its vision:

- 1) Direct future growth in areas where Industries displays maximum strength and ability;
- 2) Employ people and facilities that enhance these areas;
- 3) Improve continuously on these areas through education and knowledge;
- 4) Avoid participation in areas where Industries cannot make worthy and unique contributions;
- 5) Make total quality Industries way of doing business; and
- 6) Make a fair profit on current operations to meet its obligations, sustain growth and reach Industries' goals.

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS – CORRECTIONAL INDUSTRIES
ANALYSIS OF OPERATIONS
For the two years ended June 30, 2014

AGENCY FUNCTIONS AND PLANNING PROGRAM (UNAUDITED) (continued)

Industries strives to adhere the following values in achieving their vision:

Reentry: We recognize the value of vocational training for offenders in that it assist them in their reentry into society by increasing their chances of gaining employment therefore reducing the likelihood of reoffending.

Public Safety: We improve the security of correctional facilities by providing needed programming to occupy and employ inmates during their incarceration while also reducing recidivism.

Partnership: We build alliances with our customers, vendors and Illinois businesses which allow our quality products and training to evolve with the market place and the needs of our stakeholders.

Personnel: We strive to create a team environment which recognizes and respects the commitment of our employees to the offenders we train, the products we make and the State we serve.

The management team of Industries, composed of the Chief Executive Officer, Assistant Chief Executive Officer, Chief Fiscal Manager and Facility Managers, meet regularly to discuss the planning process and progress of its operations toward the achievement of its vision.

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS – CORRECTIONAL INDUSTRIES
ANALYSIS OF OPERATIONS
For the two years ended June 30, 2014

AVERAGE NUMBER OF EMPLOYEES (UNAUDITED)

The following is an analysis of the average number of civilian (non-inmate) employees for the last three fiscal years:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Department Central Office	26	26	28
Illinois River	12	14	14
Centralia	4	4	3
Danville	2	2	3
Decatur	3	2	3
Dixon	7	5	8
Dwight	-	-	5
East Moline	5	5	7
Galesburg-Hill	10	11	7
Graham	3	2	3
Jacksonville	1	1	1
Lincoln Sewing	3	3	2
Lincoln Central District	8	9	4
Logan	3	3	2
Menard	9	12	8
Shawnee	4	3	4
Sheridan	3	4	1
Stateville	3	4	2
Vandalia	7	8	8
Pana	-	-	10
Western Illinois	<u>6</u>	<u>6</u>	<u>6</u>
Total average employees	<u><u>119</u></u>	<u><u>124</u></u>	<u><u>129</u></u>

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS – CORRECTIONAL INDUSTRIES
ANALYSIS OF OPERATIONS
For the two years ended June 30, 2014**

ANNUAL COST STATISTICS (UNAUDITED)

COMMODITIES EXPENDITURES (UNAUDITED)

The following is an analysis of commodities expenditures for fiscal years 2014, 2013 and 2012:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Clothing	\$ 2,412,970	\$ 2,318,652	\$ 2,668,388
Food and beverage	18,824,115	18,374,953	17,886,167
Recycling	21,282	14,999	4,159
Furniture	1,128,154	566,412	363,397
Cleaning and laundry	1,136,195	955,099	998,594
Eye glasses	1,882,990	2,030,079	2,447,101
Metal products	502,291	92,761	168,606
Other	134,440	298,136	210,128
 Total	 <u><u>\$ 26,042,437</u></u>	 <u><u>\$ 24,651,091</u></u>	 <u><u>\$ 24,746,540</u></u>

Note: 2012 commodities expenditures have been reclassified from the prior report in order to conform to the current presentation.

ADMINISTRATIVE COSTS (UNAUDITED)

The following schedule of administrative costs, prepared by Industries, consists of Central Administration expenses.

	<u>For the Fiscal Year Ended June 30,</u>	
	<u>2014</u>	<u>2013</u>
Central Administration:		
Marketing	\$ 807,842	\$ 945,546
Fiscal	1,644,414	3,481,503
Chief Administrative Office Section	1,531,155	1,164,269
Planning	5,570	6,534
Services	1,057,319	1,160,061
	 <u><u>\$ 5,046,300</u></u>	 <u><u>\$ 6,757,913</u></u>

(The Central Administration costs shown above are included in shop costs shown in the next schedule.)

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS – CORRECTIONAL INDUSTRIES
ANALYSIS OF OPERATIONS
For the two years ended June 30, 2014

ANNUAL COST STATISTICS (UNAUDITED)

ADMINISTRATIVE COSTS (UNAUDITED) (continued)

Administration expenses incurred at the shops and each shops allocation of Central Administration expenses shown in the previous schedule are as follows:

	For the Fiscal Year Ended June 30,	
	2014	2013
Shops:		
Illinois River	\$ 2,678,882	\$ 2,894,073
Centralia	1,316,472	938,461
Danville	530,481	423,272
Decatur	615,339	536,896
Dixon	2,900,755	2,426,845
East Moline	912,413	1,166,582
Hill	3,952,797	3,365,735
Graham	587,116	533,723
Jacksonville	1,515	-
Lincoln	712,251	878,179
Logan	389,939	858,286
Menard	3,074,100	2,657,810
Western	2,862,699	2,714,572
Shawnee	954,107	624,699
Stateville	898,557	695,644
Vandalia	2,251,295	2,244,157
Central Administrative Expenses	42,232	2,369,955
Administrative expenses not allocated to individual shops	(1,186,185)	(2,119,820)
	<u>\$ 23,494,765</u>	<u>\$ 23,209,069</u>
Total selling, general and administrative expenses	<u>\$ 23,494,765</u>	<u>\$ 23,209,069</u>
Total operating expenses	<u>\$ 50,026,050</u>	<u>\$ 48,793,374</u>
Percent of administrative expenses to total operating expenses	<u>46.97%</u>	<u>47.57%</u>

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS – CORRECTIONAL INDUSTRIES
ANALYSIS OF OPERATIONS
For the two years ended June 30, 2014**

EMERGENCY PURCHASES (UNAUDITED)

Industries reported the following emergency purchases to the Office of the Auditor General during Fiscal Years 2013 and 2014:

<u>Description of Emergency Purchases – FY 2013</u>	<u>Estimated Cost</u>	<u>Actual Cost</u>
Purchase of corrugated sheets of paper		\$ 104,542
Shipment of goods		194,241
Purchase of non-woven polyester		38,667
Purchase of eyeglass frames		337,694
Purchase of eyeglass frames		60,199
Purchase of eyeglass frames		384,119
Purchase of laundry chemicals		26,784
Purchase of laundry chemicals		10,230
Purchase of wheat & white flour		247,563
Purchase of mineral oil		30,885
Purchase of dry yeast		107,877
Purchase of white and wheat flour		363,940
Purchase of white icing and fruit filling		17,120
Purchase of sweet dough base, bread base, and cake donut		107,908
Purchase of sweet dough base, bread base, and cake donut		128,080
Purchase of terry cloth		167,670
Purchase of white jersey material		85,202
Purchase of 66' wide sheet material		92,000
Purchase of black, gray, and white fleece material		191,849
Purchase of casing and cook bags		167,270
Purchase of meat chipping machine		46,347
Purchase of loop mop material		39,750
Purchase of black tubular fleece		40,702
Purchase of white tubular knit yarn		60,329
Purchase of white terry cloth		46,632
Purchase of white tubular knit yarn		41,700
Purchase of 2013 Peterbilt trash truck		157,500
Purchase of white broadcloth material		181,391
Remove and replace roof on Vandalia buildings		136,320
Purchase of lean beef trim		640,270
Purchase of lean beef trim		528,071
Purchase of chicken trim		516,025
Purchase of chicken trim		1,303,706
Purchase of meat casings and cook bags		47,408
Purchase of meat casings and cook bags		71,142

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS – CORRECTIONAL INDUSTRIES
ANALYSIS OF OPERATIONS
For the two years ended June 30, 2014**

EMERGENCY PURCHASES (UNAUDITED) (continued)

<u>Description of Emergency Purchases – FY 2014</u>	<u>Estimated Cost</u>	<u>Actual Cost</u>
Purchase of soy products	\$ 190,789	
Purchase of soy products	474,402	
Purchase of wheat and white flour		844,943
Purchase of frozen biscuits and pound cake mix		94,192
Purchase of forklift/pallet jack		39,761
Purchase of wheat and white flour		40,375
Purchase of hotdog seasoning		14,042
Purchase of boneless fresh hams and boneless cured hams		51,538
Purchase of chicken		213,120
Purchase of casings and cook bags		210,928
Purchase of chicken patty seasoning		46,098

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS – CORRECTIONAL INDUSTRIES
ANALYSIS OF OPERATIONS
For the two years ended June 30, 2014

WORKING CAPITAL REVOLVING FUND ACTIVITY (UNAUDITED)

The following is a summary of overall activity in the Working Capital Revolving Fund:

	For the Fiscal Year Ended June 30,		
	2014	2013	2012
Gross profit	\$ 24,282,093	\$ 24,121,004	\$ 23,674,377
Selling, general and administrative expenses	<u>24,680,950</u>	<u>25,328,889</u>	<u>22,782,714</u>
Operating income	(398,857)	(1,207,885)	891,663
Other income (expenses), net	<u>868,742</u>	<u>759,882</u>	<u>594,864</u>
Income before transfer	469,885	(448,003)	1,486,527
Net transfers	<u>(136,320)</u>	<u>(472,157)</u>	<u>-</u>
Net income (loss) after transfer	333,565	(920,160)	1,486,527
Net assets, beginning of year	<u>17,142,602</u>	<u>18,062,762</u>	<u>16,576,235</u>
Net assets, end of year	<u><u>\$ 17,476,167</u></u>	<u><u>\$ 17,142,602</u></u>	<u><u>\$ 18,062,762</u></u>

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS – CORRECTIONAL INDUSTRIES
ANALYSIS OF OPERATIONS
For the two years ended June 30, 2014**

MEMORANDUMS OF UNDERSTANDING

FY	MOU# or Name	Parties Involved Other Than Industries	Dates Involved	Description of memorandum Requirements
2013	Facility Closure Agreement	AFSCME, IDOC/IDJJ Employees	Four years from the date of closure of various facilities.	This is a four-year Memorandum of Understanding that outlines procedures for the transfer of Illinois Department of Corrections and Illinois Department of Juvenile Justice employees in the event of closure of the various employer's facilities.

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS – CORRECTIONAL INDUSTRIES
ANALYSIS OF OPERATIONS
For the two years ended June 30, 2014**

SERVICE EFFORTS AND ACCOMPLISHMENTS (UNAUDITED)

SALES BY CUSTOMER (UNAUDITED)

The following is an analysis of net sales by customer type:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Illinois Department of Corrections	\$ 35,809,648	\$ 36,077,774	\$ 35,365,201
Illinois Department of Human Services	1,635,981	1,519,281	1,706,169
Illinois Department of Transportation	115,075	110,884	155,940
Other State Agencies	12,342,462	11,395,058	13,689,259
Local Governments	218,644	145,455	154,843
Colleges and Universities	66,663	81,867	239,697
Not-for-Profit Organizations	571,990	512,250	510,249
Other Customers	700,316	596,971	527,035
	<u>51,460,779</u>	<u>50,439,540</u>	<u>52,348,393</u>
Less intershop sales	<u>(1,209,722)</u>	<u>(1,235,160)</u>	<u>(1,591,328)</u>
Total sales	<u><u>\$ 50,251,057</u></u>	<u><u>\$ 49,204,380</u></u>	<u><u>\$ 50,757,065</u></u>

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS – CORRECTIONAL INDUSTRIES
ANALYSIS OF OPERATIONS
For the two years ended June 30, 2014**

SERVICE EFFORTS AND ACCOMPLISHMENTS (UNAUDITED)

INMATE ASSIGNMENTS (UNAUDITED)

In fiscal year 2014, Illinois Correctional Industries filled 91% of industry assignments throughout the year while in fiscal year 2013 Industries filled 84% of industry assignments.

The first column, Average Available, reflects the established number of positions for a shop working at full capacity. When a shop is not working at full capacity, it is generally due to lack of sales, inmates being confined to their cells (uninterested in assignments, illness or lockdown), or vacancies due to routine turnover.

<u>Industry</u>	<u>Fiscal Year 2014</u>		<u>Fiscal Year 2013</u>	
	<u>Average Available</u>	<u>Average Working</u>	<u>Average Available</u>	<u>Average Working</u>
Centralia Administration	6	5	5	5
Centralia Mattress	7	7	12	9
Centralia Recycling	11	11	12	11
Centralia Sewing	12	12	15	11
Danville Administration	1	1	1	1
Danville Boxes	10	10	9	9
Danville Recycling	2	2	-	-
Danville Silkscreen/Embroidery	40	35	30	27
Decatur Administration	2	2	1	1
Decatur Sewing	33	30	38	36
Decatur Dog Grooming	6	4	5	5
Dixon Administration	5	5	5	5
Dixon Optical	96	96	95	95
Dwight Administration	-	-	3	1
Dwight Sewing	-	-	50	21
Dwight Helping Paws	-	-	12	12
East Moline Administration	4	4	4	4
East Moline Laundry	39	38	40	40
East Moline Metal Furniture	-	-	5	5
Graham Administration	3	3	3	2
Graham Furniture	27	27	34	27
Graham State Garage	8	6	8	6
Hill Administration	6	6	2	2
Hill Meat Processing	29	28	32	29
Hill Milk/Juice Processing	30	30	35	35

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS – CORRECTIONAL INDUSTRIES
ANALYSIS OF OPERATIONS
For the two years ended June 30, 2014

SERVICE EFFORTS AND ACCOMPLISHMENTS (UNAUDITED)

INMATE ASSIGNMENTS (UNAUDITED) (continued)

<u>Industry</u>	<u>Fiscal Year 2014</u>		<u>Fiscal Year 2013</u>	
	<u>Average Available</u>	<u>Average Working</u>	<u>Average Available</u>	<u>Average Working</u>
Illinois River Administration	13	13	20	17
Illinois River Bakery	132	106	125	102
Jacksonville Sales Center	2	2	7	7
Jacksonville Engraving/AutoCAD	9	9	3	3
Lincoln Sewing Administration	-	-	2	2
Lincoln Sewing	-	-	14	14
Lincoln Administration	-	-	2	2
Lincoln Furniture	8	7	8	7
Lincoln Sign Shop	5	4	7	6
Lincoln Warehouse Administration	1	1	1	1
Lincoln Warehouse Central Distribution	5	5	5	4
Logan Administration	-	-	3	2
Logan Furniture/Refinishing	-	-	18	9
Logan Helping Paws	15	15	-	-
Logan Recycling	18	18	-	-
Menard Farm Administration	-	-	6	5
Menard Broom and Wax	15	12	15	15
Menard Knit	60	50	63	63
Menard Farm Meat Processing	15	13	15	7
Menard Farm Waste Removal/Recycling	29	20	29	13
Shawnee Administration	4	3	3	3
Shawnee Metal Furniture	25	23	16	16
Sheridan Recycling	2	2	4	4
Sheridan Garment Cutting	12	12	18	18
Stateville Administration	3	3	4	4
Stateville Furniture	11	11	10	10
Stateville Soap	7	7	7	7
Vandalia Administration	3	3	5	2
Vandalia Meat Processing	24	24	30	27
Vandalia Milk/Juice/Oil Processing	15	15	30	20
Vandalia Recycling	10	10	8	8
Western Illinois Administration	8	8	5	5
Western Illinois Food Processing	62	60	105	76
	<u>890</u>	<u>818</u>	<u>1,044</u>	<u>878</u>

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS – CORRECTIONAL INDUSTRIES
ANALYSIS OF OPERATIONS**

SUMMARY OF OPERATIONS BY INDUSTRY (UNAUDITED)

Fiscal Year 2014

<u>Industry/Shop</u>	<u>Revenue</u>	<u>Cost of Sales and Services</u>	<u>Selling, General and Administrative Expenses</u>	<u>Depreciation</u>	<u>Other Income (Expenses) and Transfers</u>	<u>Factory Manufacturing Overhead</u>	<u>Increase (Decrease) in Net Position</u>	<u>Average # of Inmate Workers</u>
Illinois River Bakery	\$ 6,604,220	\$ 3,274,466	\$ 2,304,533	\$ 56,615	\$ -	\$ 316,269	\$ 652,337	106
Lincoln Furniture	774,744	597,173	530,142	-	-	151,844	(504,415)	7
Lincoln Sign Shop	29,297	24,629	10,870	11,238	-	8,158	(25,598)	4
Decatur Sewing/Garment	364,437	217,621	299,129	-	(98,461)	217,748	(468,522)	30
Decatur Dog Grooming	-	34,700	(34,700)	-	-	-	-	4
Lincoln Warehouse & Trucking	48,902	5,054,162	(5,034,585)	29,325	-	-	-	5
Jacksonville Engraving	3,563	171,349	(167,786)	-	-	-	-	9
Centralia Mattress	576,474	312,233	364,533	-	-	135,055	(235,347)	7
Centralia Sewing/Garment	590,444	283,685	295,477	-	(350,521)	154,392	(493,631)	12
Graham Furniture	400,302	68,378	356,144	-	-	223,792	(248,012)	27
Graham Vehicle	39,282	7,565	2,112	-	-	5,067	24,538	6
Menard Broom, Wax & Soap	829,090	452,063	448,543	7,308	-	3	(78,827)	12
Menard Knit	2,259,162	1,208,057	837,548	2,350	(182,744)	(3)	28,466	50
Menard Meat/Food Processing	1,999,704	1,180,826	732,301	13,326	-	246,823	(173,572)	13
Menard Waste Removal/Recycling	363,055	29,880	491,594	21,786	-	89,776	(269,981)	20
Logan Helping Paws	-	144,431	(144,431)	-	-	-	-	15
Sheridan Garment Cutting	699,181	1,333,545	(635,806)	1,442	-	-	-	12

(Continued)

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS – CORRECTIONAL INDUSTRIES
ANALYSIS OF OPERATIONS**

SUMMARY OF OPERATIONS BY INDUSTRY (UNAUDITED)

Fiscal Year 2014 (continued)

Industry/Shop	Revenue	Cost of Sales and Services	Selling, General and Administrative Expenses	Depreciation	Other Income (Expenses) and Transfers	Factory Manufacturing Overhead	Increase (Decrease) in Net Position	Average # of Inmate Workers
Stateville Furniture	\$ 635,658	\$ 384,482	\$ 222,829	\$ 26,061	\$ -	\$ 105,023	\$ (102,737)	11
Stateville Soap	738,112	516,229	358,022	20,467	-	166,156	(322,762)	7
Vandalia Milk/Juice Processing	2,255,307	1,666,883	1,047,987	32,429	-	63,575	(555,567)	15
Vandalia Meat/Food Processing	2,930,094	1,852,679	1,035,652	1,002	-	68,786	(28,025)	24
East Moline Laundry	712,869	63,262	683,575	21,262	-	207,576	(262,806)	38
Danville Boxes	237,989	152,357	42,286	-	-	131,967	(88,621)	10
Danville Silkscreening & Embroidery	400,615	237,865	224,592	1,194	(4,080)	122,298	(189,414)	35
Dixon Optical	9,450,039	2,178,598	2,453,625	23,190	-	423,939	4,370,687	96
Hill Meat/Food Processing	3,636,119	2,181,139	1,140,446	23,945	-	97,267	193,322	28
Hill Milk/Juice Processing	6,765,287	4,343,653	2,343,082	145,447	-	202,610	(269,505)	30
Western Illinois Meat/Food Processing	7,303,706	4,944,392	2,650,433	23,744	-	188,522	(503,385)	60
Shawnee Metal Furniture	726,357	256,941	802,151	1,939	-	135,368	(470,042)	23
Recycling	86,771	34,217	415,057	5,545	-	9,389	(377,437)	49
Total	<u>51,460,780</u>	<u>33,207,460</u>	<u>14,075,355</u>	<u>469,615</u>	<u>(635,806)</u>	<u>3,471,400</u>	<u>(398,856)</u>	<u>765</u>
Other income (expenses), net	-	-	-	-	732,422	-	732,422	
Grand Total	<u>\$ 51,460,780</u>	<u>\$ 33,207,460</u>	<u>\$ 14,075,355</u>	<u>\$ 469,615</u>	<u>\$ 96,616</u>	<u>\$ 3,471,400</u>	<u>\$ 333,566</u>	

Note: During fiscal year 2014, Industries had an average of 53 inmate workers in administrative positions at various locations, bringing the total number of inmate workers to 818.

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS – CORRECTIONAL INDUSTRIES
ANALYSIS OF OPERATIONS**

SUMMARY OF OPERATIONS BY INDUSTRY (UNAUDITED)

Fiscal Year 2013

<u>Industry/Shop</u>	<u>Revenue</u>	<u>Cost of Sales and Services</u>	<u>Selling, General and Administrative Expenses</u>	<u>Depreciation</u>	<u>Other Income (Expenses) and Transfers</u>	<u>Factory Manufacturing Overhead</u>	<u>Increase (Decrease) in Net Position</u>	<u>Average # of Inmate Workers</u>
Illinois River Bakery	\$ 6,099,904	\$ 3,579,132	\$ 2,521,855	\$ 44,559	\$ -	\$ 328,759	\$ (374,401)	102
Lincoln Furniture	324,197	307,516	537,945	-	-	148,469	(669,733)	7
Lincoln Sign Shop	159	3,270	21,763	8,965	-	7,245	(41,084)	6
Lincoln Sewing	160,787	94,049	146,784	-	(3,354)	3,654	(87,054)	14
Decatur Sewing/Garment	146,135	160,951	266,800	4,201	(79,201)	186,694	(551,712)	36
Decatur Dog Grooming	-	12,035	(12,035)	-	-	-	-	5
Lincoln Warehouse & Trucking	2,841,996	5,254,946	(2,443,019)	30,069	-	-	-	4
Jacksonville Engraving	2,021	159,643	(157,622)	-	-	-	-	3
Centralia Mattress	521,817	348,165	272,562	-	-	143,949	(242,859)	9
Centralia Sewing/Garment	406,657	186,035	170,798	-	(241,565)	104,407	(296,148)	11
Graham Furniture	406,571	120,488	328,182	-	-	197,766	(239,865)	27
Graham Vehicle	37,265	8,125	2,172	-	-	5,604	21,364	6
Dwight Sewing/Garment	579,860	334,939	342,972	4,676	(4,746)	174,481	(281,954)	21
Dwight Helping Paws	3,530	149,672	(146,142)	-	-	-	-	12
Menard Broom, Wax & Soap	654,901	431,447	467,721	7,308	-	8,834	(260,409)	15
Menard Knit	1,948,287	1,388,641	797,695	755	(121,209)	23,590	(383,603)	63
Menard Meat/Food Processing	1,831,120	1,019,704	577,439	9,820	-	159,251	64,906	7
Menard Waste Removal/Recycling	361,339	23,837	437,890	4,965	-	41,335	(146,688)	13
Logan Helping Paws	28,699	16,580	187,546	-	-	133,503	(308,930)	9
Sheridan Garment Cutting	821,096	1,269,409	(450,075)	1,762	-	-	-	18

(Continued)

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS – CORRECTIONAL INDUSTRIES
ANALYSIS OF OPERATIONS**

SUMMARY OF OPERATIONS BY INDUSTRY (UNAUDITED)

Fiscal Year 2013 (continued)

Industry/Shop	Revenue	Cost of Sales and Services	Selling, General and Administrative Expenses	Depreciation	Other Income (Expenses) and Transfers	Factory Manufacturing Overhead	Increase (Decrease) in Net Position	Average # of Inmate Workers
Stateville Furniture	\$ 100,264	\$ 80,591	\$ 206,374	\$ 27,533	\$ -	\$ 69,427	\$ (283,661)	10
Stateville Soap	607,324	517,834	218,805	20,467	-	153,040	(302,822)	7
Vandalia Milk/Juice Processing	1,762,274	1,629,727	1,054,084	28,029	-	132,979	(1,082,545)	20
Vandalia Meat/Food Processing	2,910,419	1,335,720	902,092	2,074	-	123,648	546,885	27
East Moline Laundry	664,994	64,371	948,261	21,340	-	181,495	(550,473)	40
East Moline Metal Furniture	32,882	26,948	8,583	-	-	6,903	(9,552)	5
Danville Boxes	458,533	304,320	130,286	-	-	90,668	(66,741)	9
Danville Silkscreening & Embroidery	216,026	107,825	150,671	-	-	51,259	(93,729)	27
Dixon Optical	9,444,249	2,200,544	2,194,289	20,378	-	212,178	4,816,860	95
Hill Meat/Food Processing	3,448,125	1,856,249	927,098	6,366	-	68,359	590,053	29
Hill Milk/Juice Processing	6,774,568	4,413,470	2,070,164	136,698	-	157,049	(2,813)	35
Western Illinois Meat/Food Processing	6,571,924	4,804,807	2,539,530	8,833	-	166,209	(947,455)	76
Shawnee Metal Furniture	229,386	115,299	455,628	8,119	-	151,949	(501,609)	16
Recycling	42,232	11,273	20,657	739	-	3,686	5,877	30
Total	<u>50,439,541</u>	<u>32,337,562</u>	<u>15,697,753</u>	<u>397,656</u>	<u>(450,075)</u>	<u>3,236,390</u>	<u>(1,679,895)</u>	<u>814</u>
Other income (expenses), net	-	-	-	-	759,740	-	759,740	
Grand Total	<u>\$ 50,439,541</u>	<u>\$ 32,337,562</u>	<u>\$ 15,697,753</u>	<u>\$ 397,656</u>	<u>\$ 309,665</u>	<u>\$ 3,236,390</u>	<u>\$ (920,155)</u>	

Note: During fiscal year 2013, Industries had an average of 64 inmate workers in administrative positions at various locations, bringing the total number of inmate workers to 878.

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS – CORRECTIONAL INDUSTRIES
ANALYSIS OF OPERATIONS
For the two years ended June 30, 2014**

FARM LEASES BY LOCATION (UNAUDITED)

<u>Location</u>	<u>Acres</u>	<u>Expiration Date</u>	<u>Annual Billing</u>	<u>Past Due Receivable at June 30,</u>	
				<u>2013</u>	<u>2014</u>
Dixon	102.68	12/31/2014	\$ 18,500	\$ -	\$ -
Dwight	33.75	12/31/2015	14,411	-	-
Grayville	N/A	N/A	-	2,583	2,583
Kewanee	4.00	12/31/2014	400	-	-
Lawrence	62.21	12/31/2015	12,131	306	-
Menard	305.80	12/31/2015	42,148	-	-
Menard	583.40	12/31/2015	42,886	-	-
Pontiac	311.13	12/31/2014	87,586	-	-
Stateville	589.28	12/31/2015	252,801	190,380	190,380
Tamms	81.62	12/31/2015	1,200	-	-
Vandalia	906.79	12/31/2015	294,707	52,772	-
Vienna	364.52	12/31/2015	60,510	-	-
Vienna	219.49	12/31/2015	36,435	-	-
Vienna	N/A	N/A	-	5,774	5,774
Vienna	N/A	N/A	-	27,749	32,260
Total			<u>\$ 863,715</u>	<u>\$ 279,564</u>	<u>\$ 230,997</u>

Detail on past due receivable:

180 - 360 Days past due	\$ 80,521	\$ 410
Over 1 year past due	<u>199,043</u>	<u>230,587</u>
Total	<u>\$ 279,564</u>	<u>\$ 230,997</u>

The Illinois Department of Central Management Services (CMS) is responsible for the negotiation of the lease arrangements including determining fair market conditions and customary practices for the lease arrangements. CMS has a practice of obtaining bids in order to obtain fair market conditions. CMS and Industries were in legal proceedings to collect \$222,640 of the past due receivables at June 30, 2014.

Rent for the above leases is negotiated as a flat rate per acre per year. As expressly written in the leases, annual rent for most of the lease agreements is due each December first for that calendar year. Lessees are responsible for all taxes and other expenses for the purpose of cultivating the farm. Lessees have no reporting requirements to the State.