

**OFFICE OF THE SECRETARY OF STATE
FINANCIAL AUDIT
For the Year Ended June 30, 2017**

STATEMENT OF NET POSITION (in thousands)	2017	2016
Assets		
Unexpended appropriations.....	\$ 32,678	\$ 10,995
Cash equity with State Treasurer.....	310,125	295,768
Securities lending collateral of State Treasurer.....	5,594	2,417
Taxes and other receivables, net.....	5,772	6,615
Intergovernmental receivables, net.....	78	18
Due from other State funds.....	21	2
Inventories.....	3,606	3,208
Capital assets.....	189,256	198,270
Deferred outflows of resources.....	294,774	119,240
Other.....	4,661	4,363
Total assets and deferred outflows of resources.....	846,565	640,896
Liabilities		
Accounts payable and accrued liabilities.....	35,605	21,000
Intergovernmental payables.....	19,152	9,204
Due to other State funds or component units.....	1,869	3,063
Unearned revenue.....	32,222	17,118
Obligations under securities lending of State Treasurer.....	5,594	2,417
Net pension liability.....	1,482,072	1,224,257
Deferred inflows of resources.....	80,963	74,319
Long-term obligations.....	15,397	16,838
Total liabilities and deferred inflows of resources.....	1,672,874	1,368,216
Net position		
Net investment in capital assets.....	189,256	198,270
Restricted.....	6,725	5,890
Unrestricted.....	(1,022,290)	(931,480)
Total net position.....	\$ (826,309)	\$ (727,320)
STATEMENT OF ACTIVITIES (in thousands)	2017	2016
Expenses		
General government.....	\$ 504,908	\$ 449,351
Program revenues		
Charges for Services.....	2,103,843	2,067,916
Operating grant revenues.....	4,800	6,156
Net program revenues.....	1,603,735	1,624,721
General revenues		
Interest and investment income.....	117	37
Other taxes.....	208,529	208,054
Other.....	2,670	717
Total general revenues.....	211,316	208,808
Other sources (uses)		
Appropriations from State resources.....	378,546	310,457
Receipts collected and transmitted to State Treasury.....	(2,235,578)	(2,213,933)
Other.....	(57,008)	(33,741)
Total other sources (uses).....	(1,914,040)	(1,937,217)
Change in net position.....	\$ (98,989)	\$ (103,688)
AGENCY DIRECTOR		
During Examination Period: The Honorable Jesse White		
Currently: The Honorable Jesse White		

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

**FAILURE TO IDENTIFY FINANCIAL STATEMENT
REPORTING ERRORS**

The Office did not identify the required adjustments necessary to ensure the Office's audited financial statements were accurately presented in accordance with generally accepted accounting principles (GAAP).

The government-wide adjustments were materially misstated by approximately \$340,000,000.

The Office's financial statements were originally submitted to the Illinois Office of the Comptroller with errors. The government-wide adjustments on the Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to Statement of Activities were materially misstated by approximately \$340,000,000, primarily due to incorrect pension adjustments. In addition, the governmental funds balance sheet did not balance because total assets and deferred outflows of resources did not equal total liabilities, deferred inflows of resources and fund balances by \$6,000 on the Statement of Net Position and Governmental Funds Balance Sheet. The Office submitted revised financial statements with the previous issues corrected, however, additional misstatements were noted. (Finding 1, pages 62-63).

We recommended the Office implement internal control procedures to assess the risk of material misstatements of the Office's financial statements and devote adequate resources to identify such misstatements during the financial statement preparation and review process.

Office agrees with auditors

Office officials agreed with the recommendation and stated corrective measures will be taken in order to ensure that documentation of Office financial reporting procedures is current and complete, and that appropriate resources are utilized to ensure a more accurate and timely review of reports prior to submission.

AUDITOR'S OPINION

The auditors stated the financial statements of the Agency as of and for the year ended June 30, 2017 are fairly stated in all material respects.

This financial audit was conducted by Kerber, Eck & Braeckel LLP.

SIGNED ORIGINAL ON FILE

JANE CLARK
Division Director

This report is transmitted in accordance with Section 3-14 of the Illinois State Auditing Act.

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

FJM:sdw