



**STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE**

FINANCIAL AUDIT

For the Year Ended June 30, 2018

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

SIKICH.COM

STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE
FINANCIAL AUDIT
For the Year Ended June 30, 2018

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STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE
FINANCIAL AUDIT
For the Year Ended June 30, 2018

AGENCY OFFICIALS

Secretary of State	The Honorable Jesse White
Deputy Secretary of State/Chief of Staff	Thomas N. Benigno
Director of Internal Audit	Stell Mallios
General Counsel	Irene Lyons
Inspector General	James B. Burns
Director of Budget and Fiscal Management/Chief Fiscal Officer	Jacqueline Price
Chief Deputy Director/Director of Accounting Revenue	John Gryzmski

The Secretary of State offices are located throughout the State of Illinois. The Secretary of State financial records are processed and maintained in the Howlett Building, Springfield, Illinois 62756. Executive Offices of the Secretary of State are located at Room 213, Capitol Building, Springfield, Illinois 62756 and Suite 5-400 100 W. Randolph, Chicago, Illinois 60601.

STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE
FINANCIAL AUDIT
For the Year Ended June 30, 2018

FINANCIAL STATEMENT REPORT

SUMMARY

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

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

SUMMARY OF FINDINGS

The auditors identified a matter involving the Office's internal control over financial reporting that they consider to be a material weakness. The material weakness is described in the accompanying Schedule of Findings on pages 70-71 of this report as item 2018-001, Failure to Identify Financial Statement Reporting Errors.

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Office personnel at an exit conference on February 14, 2019. Attending were:

Office of the Secretary of State

John Grzynski (via phone)	Chief Deputy Director/Director of Accounting Revenue
Terri Coombes (via phone)	Deputy Chief of Staff
Stell Mallios (via phone)	Chief Internal Auditor
Jacqueline Price	Director, Budget and Fiscal Management
Amanda Trimmer	Deputy Director, Budget and Fiscal Management
Shawn Reardon	GAAP Coordinator

Office of the Auditor General

Stephanie Wildhaber	Audit Manager
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Sikich LLP

Amy L. Sherwood	Partner
Megan Cochran	Director
Anna Cadmus	Senior Accountant

The responses to the recommendations were provided by Shawn Reardon, GAAP Coordinator, on behalf of John Grzynski, Director of Accounting Revenue in correspondence dated February 8, 2019.

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INDEPENDENT AUDITOR'S REPORT

Honorable Frank J. Mautino
Auditor General
State of Illinois

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the State of Illinois, Office of the Secretary of State, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the State of Illinois, Office of the Secretary of State's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information for the State of Illinois, Office of the Secretary of State, as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2, the financial statements of the State of Illinois, Office of the Secretary of State are intended to present the financial position and the changes in financial position of only that portion of the governmental activities, each major fund, and the aggregate remaining fund information of the State that is attributable to the transactions of the State of Illinois, Office of the Secretary of State. They do not purport to, and do not, present fairly the financial position of the State of Illinois as of June 30, 2018, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Change in Accounting Principle

The Office adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, during the year ended June 30, 2018. Statement No. 75 established standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, expenses and expenditures. The adoption of this statement required the Office to restate governmental activities net position by \$(969.147) million at June 30, 2017.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2019 on our consideration of the State of Illinois, Office of the Secretary of State's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State of Illinois, Office of the Secretary of State's 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, Office of the Secretary of State's internal control over financial reporting and compliance.

Restricted Use of this Auditor's Report

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

SIGNED ORIGINAL ON FILE

Springfield, Illinois
April 15, 2019

BASIC FINANCIAL STATEMENTS

**STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE**

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
(Expressed in Thousands)

June 30, 2018

	General Fund	Road Fund	Other Nonmajor Funds	Total Governmental Funds	Adjustments	Statement of Net Position
ASSETS						
Unexpended appropriations	\$ 36,013	\$ 332	\$ 70	\$ 36,415	\$ -	\$ 36,415
Cash equity with State Treasurer	64,401	143,401	221,843	429,645	-	429,645
Cash and cash equivalents	96	-	13	109	-	109
Securities lending collateral of State Treasurer	-	-	13,703	13,703	-	13,703
Taxes receivable, net	2,390	-	-	2,390	-	2,390
Intergovernmental receivables, net	-	-	44	44	-	44
Other receivables, net	39	2,183	1,867	4,089	-	4,089
Due from other State funds	38	-	565	603	-	603
Due from other Office funds	8,017	-	12,932	20,949	(20,949)	-
Inventories	296	-	8,116	8,412	-	8,412
Prepaid expenses	-	-	-	-	3,762	3,762
Capital assets not being depreciated	-	-	-	-	6,737	6,737
Capital assets being depreciated, net	-	-	-	-	176,922	176,922
Total assets	<u>\$ 111,290</u>	<u>\$ 145,916</u>	<u>\$ 259,153</u>	<u>\$ 516,359</u>	<u>166,472</u>	<u>682,831</u>
DEFERRED OUTFLOWS OF RESOURCES						
Pensions	-	-	-	-	176,151	176,151
OPEB	-	-	-	-	83,409	83,409
Total assets and deferred outflows of resources	<u>111,290</u>	<u>145,916</u>	<u>259,153</u>	<u>516,359</u>	<u>426,032</u>	<u>942,391</u>

STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
(Expressed in Thousands)

June 30, 2018

	General Fund	Road Fund	Other Nonmajor Funds	Total Governmental Funds	Adjustments	Statement of Net Position
LIABILITIES						
Accounts payable and accrued liabilities	\$ 41,838	\$ 333	\$ 4,716	\$ 46,887	\$ -	\$ 46,887
Intergovernmental payables	9,060	-	319	9,379	-	9,379
Due to other State fiduciary funds	204	2	674	880	-	880
Due to other Office funds	-	14,582	6,367	20,949	(20,949)	-
Due to other State funds	1,624	-	64	1,688	-	1,688
Due to State of Illinois component units	6	-	303	309	-	309
Unearned revenue	4,683	12,239	7,411	24,333	-	24,333
Obligations under securities lending of State Treasurer	-	-	13,703	13,703	-	13,703
Long-term obligations:						
Net Pension Liability	-	-	-	-	1,416,813	1,416,813
Total OPEB Liability	-	-	-	-	1,002,616	1,002,616
Compensated absences, current portion	-	-	-	-	1,940	1,940
Compensated absences, long-term portion	-	-	-	-	12,628	12,628
Capital lease obligations, current portion	-	-	-	-	482	482
Capital lease obligations, long-term portion	-	-	-	-	1,807	1,807
Total liabilities	57,415	27,156	33,557	118,128	2,415,337	2,533,465
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	-	-	19	19	(19)	-
Pensions	-	-	-	-	111,050	111,050
OPEB	-	-	-	-	108,197	108,197
Total liabilities and deferred inflows of resources	57,415	27,156	33,576	118,147	2,634,565	2,752,712

STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
(Expressed in Thousands)

June 30, 2018

	General Fund	Road Fund	Other Nonmajor Funds	Total Governmental Funds	Adjustments	Statement of Net Position
FUND BALANCES/NET POSITION						
Nonspendable:						
Inventories	\$ 296	\$ -	\$ 8,116	\$ 8,412	\$ (8,412)	\$ -
Restricted for:						
General government	5	-	10,055	10,060	(10,060)	-
Committed to:						
General government	215	118,760	128,122	247,097	(247,097)	-
Capital projects fund	-	-	78,471	78,471	(78,471)	-
Debt service fund	-	-	-	-	-	-
Assigned to:						
General government	-	-	814	814	(814)	-
Unassigned	53,359	-	(1)	53,358	(53,358)	-
Net investment in capital assets	-	-	-	-	181,370	181,370
Restricted assets	-	-	-	-	10,060	10,060
Unrestricted net position	-	-	-	-	(2,001,751)	(2,001,751)
Total fund balances/net position	<u>53,875</u>	<u>118,760</u>	<u>225,577</u>	<u>398,212</u>	<u>\$ (2,208,533)</u>	<u>\$ (1,810,321)</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 111,290</u>	<u>\$ 145,916</u>	<u>\$ 259,153</u>	<u>\$ 516,359</u>		

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

**STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE**

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO STATEMENT OF NET POSITION
(Expressed in Thousands)

June 30, 2018

Total fund balances-governmental funds	\$	398,212
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		183,659
Prepaid expenses for governmental activities are current uses of financial resources for funds.		3,762
Revenues in the Statement of Activities that do not provide current financial resources are deferred in the funds.		19
Deferred Outflows of Resources for Pensions that do not use current financial resources are deferred in the funds.		176,151
Deferred Outflows of Resources for OPEB that do not use current financial resources are deferred in the funds.		83,409
Revenues in the Statement of Activities that do not provide current financial resources are deferred in the funds.		-
Deferred Inflows of Resources for Pensions do not require the use of current financial resources in the funds.		(111,050)
Deferred Inflows of Resources for OPEB do not require the use of current financial resources in the funds.		(108,197)
Some liabilities reported in the Statement of Net Position do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds. These liabilities consist of:		
Net Pension Liability		(1,416,813)
Total OPEB Liability		(1,002,616)
Compensated absences		(14,568)
Capital lease obligations		(2,289)
		(1,810,321)
Net position of governmental activities	\$	(1,810,321)

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

**STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE**

**STATEMENT OF ACTIVITIES AND GOVERNMENTAL REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES**
(Expressed in Thousands)

For the Year Ended June 30, 2018

	General Fund	Road Fund	Other Nonmajor Funds	Total Governmental Funds	Adjustments	Statement of Activities
Expenditures/expenses:						
General government	\$ 346,219	\$ 1	\$ 96,330	\$ 442,550	\$ 151,309	\$ 593,859
Debt service - interest	1	-	66	67	-	67
Debt service - principal	2	-	270	272	(272)	-
Capital outlays	2,318	-	4,867	7,185	(7,185)	-
Total expenditures/expenses	348,540	1	101,533	450,074	143,852	593,926
Program revenues:						
Charges for services:						
Licenses and fees	565,001	925,555	584,349	2,074,905	-	2,074,905
Other	3	-	5	8	-	8
Total charges for services	565,004	925,555	584,354	2,074,913	-	2,074,913
Operating grant revenue:						
Federal	-	-	28,015	28,015	19	28,034
Other	-	-	9	9	-	9
Total operating grant revenue	-	-	28,024	28,024	19	28,043
Net program revenues	216,464	925,554	510,845	1,652,863	(143,833)	1,509,030
General revenues:						
Interest and investment income	-	-	420	420	-	420
Other taxes	209,762	-	-	209,762	-	209,762
Other	91	-	796	887	-	887
Total general revenues	209,853	-	1,216	211,069	-	211,069

**STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE**

**STATEMENT OF ACTIVITIES AND GOVERNMENTAL REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES**
(Expressed in Thousands)

For the Year Ended June 30, 2018

	General Fund	Road Fund	Other Nonmajor Funds	Total Governmental Funds	Adjustments	Statement of Activities
Other sources (uses):						
Appropriations from State resources	337,864	2,500	14,692	355,056	-	355,056
Lapsed appropriations	(10,309)	(1,184)	(2,153)	(13,646)	-	(13,646)
Receipts collected and transmitted to State Treasury	(771,003)	(821,299)	(512,053)	(2,104,355)	-	(2,104,355)
Capital transfers from other State agencies	-	-	-	-	1,792	1,792
Capital transfers to other State agencies	-	-	-	-	(121)	(121)
Amount of SAMS transfers-in	(5,650)	-	-	(5,650)	-	(5,650)
Amount of SAMS transfers-out	22,646	-	-	22,646	-	22,646
Transfers-in	7,367	-	11,287	18,654	(18,654)	-
Transfers-out	(3,189)	-	(21,465)	(24,654)	18,654	(6,000)
Proceeds from capital lease financing	-	-	2,565	2,565	(2,565)	-
Total other sources (uses)	<u>(422,274)</u>	<u>(819,983)</u>	<u>(507,127)</u>	<u>(1,749,384)</u>	<u>(894)</u>	<u>(1,750,278)</u>
Change in fund balance/net position	4,043	105,571	4,934	114,548	(144,727)	(30,179)
Fund balance/net position, July 1, 2017 as restated	50,001	13,189	215,668	278,858	(2,059,000)	(1,780,142)
Increase (decrease) for changes in inventories	(169)	-	4,975	4,806	(4,806)	-
Fund balance/net position, June 30, 2018	<u>\$ 53,875</u>	<u>\$ 118,760</u>	<u>\$ 225,577</u>	<u>\$ 398,212</u>	<u>\$ (2,208,533)</u>	<u>\$ (1,810,321)</u>

**STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE**

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
(Expressed in Thousands)

For the Year Ended June 30, 2018

Net change in fund balances	\$ 114,548
Change in inventories	4,806
	\$ 119,354
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which depreciation in the current period exceeded capital outlays.	(7,268)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This amount represents the increase in unavailable revenue over the prior year.	19
Some capital assets were transferred in from other State agencies and therefore, were received at no cost and some were transferred out to other State agencies and therefore, no proceeds were received.	1,671
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This amount represents the decrease in unavailable revenue over the prior year.	-
Some capital additions were financed through other financing arrangements. In governmental funds these other financing arrangements are considered a source of financing, but in the the Statement of Net Position, the lease obligation is reported as a liability.	(2,565)
Repayment of capital leases is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position	276
Prepaid expenses in the Statement of Activities are not reported as expenses in governmental funds. This amount represents the decrease in prepaid expenses over the prior year.	(787)
Other sources in the Statement of Activities that do not provide current financial resources are not reported as other sources in the funds. This amount represents the increase in appropriations from state resources.	-
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. Also, some expenditures reported in governmental funds decrease the amount of certain long-term liabilities reported on the Statement of Net Position and are therefore not reported as expenses in the Statement of Activities.	
Decrease in Net Pension Liability	65,259
Decrease in deferred outflows of resources - pensions	(118,623)
Increase in deferred inflows of resources - pensions	(30,087)
Increase in Total OPEB Liability	(30,776)
Increase in deferred outflows of resources - OPEB	80,716
Increase in deferred inflows of resources - OPEB	(108,197)
Decrease in compensated absences obligation	829
Net decrease in expenses for net changes in long-term liabilities not reported in governmental funds	(140,879)
Change in net position of governmental activities	\$ (30,179)

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

STATE OF ILLIOIS
OFFICE OF THE SECRETARY OF STATE

STATEMENT OF FIDUCIARY NET POSITION
(Expressed in Thousands)

June 30, 2018

	<u>Agency Funds</u>
ASSETS	
Cash equity with State Treasurer	\$ 1,357
Cash and cash equivalents	305
Investments	150
Total assets	<u>\$ 1,812</u>
LIABILITIES	
Other liabilities	\$ 1,812
Total liabilities	<u>\$ 1,812</u>

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

STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE

Notes to the Financial Statements

June 30, 2018

(1) Organization

The Office of the Secretary of State (Office) is a part of the executive branch of government of the State of Illinois (State) and operates under the authority of and review by the Illinois General Assembly. The Office operates under a budget approved by the General Assembly in which resources primarily from the General Revenue Fund are appropriated for the use of the Office. Activities of the Office are subject to the authority of the Office of the Governor, the State's chief executive officer, and other departments of the executive and legislative branches of government (such as the Department of Central Management Services, the Governor's Office of Management and Budget, the State Treasurer's Office, and the State Comptroller's Office) as defined by the Illinois General Assembly. All funds appropriated to the Office and all other cash received are under the custody and control of the State Treasurer, with the exception of the Secretary of State Antique Vehicle Show fund, a nonmajor special governmental fund, the Go-Back Fund and the Safekeeping Fund, fiduciary funds, and the Special Advance Fund, a subaccount of the General Revenue Fund, which are all locally held funds, and various petty cash funds, which are under the direct control of the Office.

The Office has a broad range of responsibilities for the maintenance of official records of the acts of the General Assembly and of the Executive Branch as provided by law as well as to perform other duties as may be prescribed by law, including administration of the Illinois Vehicle Code. The Office is organized into twenty-five departments under three broad operating divisions to carry out its responsibilities. The operating divisions of the Office are the Executive, General and Administrative, and Motor Vehicle divisions.

(2) Summary of Significant Accounting Policies

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

(a) *Financial Reporting Entity*

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

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

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

(b) *Basis of Presentation*

The financial statements of the State of Illinois, Office of the Secretary of State, are intended to present the financial position and the changes in financial position of only that portion of the governmental activities, each major fund of the State of Illinois, and the aggregate remaining fund information of the State of Illinois that is attributable to the transactions of the Office. They do not purport to, and do not, present fairly the financial position of the State of Illinois as of June 30, 2018 and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The financial activities of the Office, which consist only of governmental activities, are reported under the general government function in the State of Illinois' Comprehensive Annual Financial Report. For reporting purposes, the Office has combined the fund and government-wide financial statements using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column. A brief description of the Office's government-wide and fund financial statements is as follows:

Government-wide Statements. The government-wide statement of net position and statement of activities report the overall financial activity of the Office, excluding fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities of the Office. The financial activities of the Office consist only of governmental activities, which are primarily supported by taxes, charges for services, and other nonexchange transactions.

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

The statement of activities presents a comparison between direct expenses and program revenues for the general government function of the Office's governmental activities. Direct expenses are those that are clearly identifiable with a specific function.

Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements. The fund financial statements provide information about the Office's funds, including fiduciary funds. Separate statements for each fund category - governmental and fiduciary - are presented. The emphasis on fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The Office administers the following major governmental funds (or portions thereof in the case of shared funds) – see the State of Illinois Comprehensive Annual Financial Report:

General – This is the State's primary operating fund. It accounts for all financial resources of the general government, except those to be accounted for in another fund. The services which are administered by the Office and accounted for in the general fund include, among others, the operations of various Executive, General and Administrative and Motor Vehicle departments throughout the Office. Certain resources obtained from federal grants and used to support general governmental activities are accounted for in the General Fund consistent with applicable legal requirements. The Office's portion of the General Fund is composed of two primary sub-accounts (General Revenue and Common School) and six secondary sub-accounts (Live and Learn, Corporate Franchise Tax Refund, Budget Stabilization, Capital Projects, Vehicle Inspection and Special Advance).

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

Additionally, the Office administers the following fund types:

Governmental Funds:

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

Debt Service – These funds account for governmental resources obtained and restricted, committed, or assigned to pay interest and principal on general long-term debt (other than capital leases, workers' compensation and unfunded retirement costs).

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

Fiduciary Funds:

Agency – These funds account for the following activities in which the Office acts in the capacity of an agent and distributes any revenue collected to other governmental units or designated beneficiaries: collection of registration fees from truckers of other states and disbursement of funds to other states under reciprocity agreements; collection of deposits from uninsured motorists as proof of financial responsibility and reimbursement of those funds in the absence of a court judgment; and the repayment of fees collected by the Office in excess of the required fees.

(c) *Measurement Focus and Basis of Accounting*

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

For this purpose, the State considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, principal and interest on formal debt issues, claims and judgments, and compensated absences are recorded only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Significant revenue sources which are susceptible to accrual include corporate taxes and certain fees. All other revenue sources including licenses, fines, and certain fees, are considered to be measurable and available only when cash is received.

(d) *Shared Fund Presentation*

The financial statement presentation for the General Revenue Account, Common School Account, Budget Stabilization Fund, Capital Projects Account and Vehicle Inspection Account of the General Fund and the Road Fund, Motor Fuel Tax Fund, Drivers Education Fund, Capital Development Fund, State College and University Trust Fund, Alternative Fuels Fund, Off Highway Vehicle Trails Fund, State Parking Facility Maintenance Fund, Cycle Rider Safety Training Fund, State Construction Account Fund, and Build Illinois Bond Fund represents only the portion of the shared fund that can be directly attributed to the operations of the Office. Financial statements for total fund operations of the shared State funds are presented in the State of Illinois' Comprehensive Annual Financial Report.

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

Unexpended Appropriations

This "asset" account represents lapse period warrants issued between July and October for fiscal year 2018 in accordance with the Statewide Accounting Management System (SAMS) records plus any liabilities relating to obligations re-appropriated to the subsequent fiscal year.

Appropriations from State Resources

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

Reappropriations to Future Year(s)

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

Lapsed Appropriations

Lapsed appropriations are the legally adopted appropriations less net warrants issued during the 16 month period from July to October of the following year and re-appropriations to subsequent years according to SAMS records.

Receipts Collected and Transmitted to State Treasury

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

Amount of SAMS Transfers-In

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

Amount of SAMS Transfers-Out

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

(e) *Eliminations*

Eliminations have been made in the government-wide statement of net position to minimize the “grossing-up” effect on assets and liabilities within the governmental activities column of the Office. As a result, amounts reported in the governmental funds balance sheet as interdepartmental interfund receivables and payables have been eliminated in the government-wide statement of net position. Amounts reported in the governmental funds balance sheet as receivable from or payable to fiduciary funds have been included in the government-wide statement of net position as receivable from and payable to external parties, rather than as internal balances.

(f) *Cash and Cash Equivalents*

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

(g) *Inventories*

Inventories, consisting primarily of license plates, are valued at cost, principally on the first-in, first-out (FIFO) method. The cost of inventories is recognized as expenditures when purchased. Significant inventory balances in governmental funds are reported on the balance sheet.

(h) *Interfund Transactions*

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

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

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

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

The Office also has activity with various component units of the State of Illinois for professional services received and payments of State and Federal programs.

(i) Capital Assets

Capital assets, which include property, plant, equipment and software are reported at cost or estimated historical cost based on appraisals. Contributed assets are reported at acquisition value at the time received. Capital assets are depreciated or amortized using the straight-line method.

Capitalization thresholds and the estimated useful lives are as follows:

Capital Asset Category	Capitalization Threshold	Estimated Useful Life (in Years)
Land	\$100,000	N/A
Land Improvements	25,000	N/A
Site Improvements	25,000	5-20
Buildings	100,000	30-75
Building Improvements	25,000	10-25
Equipment	5,000	3-10
Software	25,000	3-10
Works of Art, Historical Treasures	5,000	N/A

(j) Compensated Absences

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

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

(k) Fund Balances

Fund balance is divided into five classifications based primarily on the extent to which the Office is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in a spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation.

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action of the State legislature and signed into law by the governor. Those committed amounts cannot be used for any other purpose unless the State legislature and governor removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the Office for specific purposes but do not meet the criteria to be classified as restricted or committed. In the General Fund, assigned amounts represent intended uses established by the State legislature.

Unassigned – The unassigned fund balance classification is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications and deficit fund balances of other governmental funds.

The Office applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

(l) Net Position

In the government-wide statement of net position, equity is displayed in three 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.

Restricted – This consists of net position that is legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the State’s policy to use restricted resources first, then unrestricted resources when they are needed. As of June 30, 2018, \$10.060 million is restricted by enabling legislation.

Unrestricted – This consists of net position that do not meet the definition of “restricted” or “net investment in capital assets.”

(m) Use of Estimates

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

(n) Pensions

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

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

For purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources, pension expense and expenditures associated with the Office's contribution requirements, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported within the separately issued plan financial statements. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with terms of the plan. Investments are reported at fair value.

(o) *Post-Employment Benefits Other Than Pensions (OPEB)*

The State provides health, dental, vision and life insurance benefits for certain retirees and their dependents through the State Employees Group Insurance Program ("SEGIP"). The total OPEB liability, deferred outflows of resources, deferred inflows of resources, expense, and expenditures associated with the program have been determined through an actuarial valuation using certain actuarial assumptions as applicable to the current measurement period. (See Note 10).

The OPEB liabilities, deferred outflows of resources, deferred inflows of resources, and OPEB expense have been recognized in the government-wide financial statements.

(p) *New Accounting Pronouncements*

Effective for the year ending June 30, 2018, the Office adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, expenses, and expenditures and identifies the note disclosure and RSI reporting requirements. The statement requires the Office to report a liability on the face of the financial statements for the OPEB it provides and identifies the methods and assumptions that are required to be used to project the benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to periods of employee service.

The implementation of this statement significantly impacted the State's government-wide financial statements and footnote disclosures with the recognition of an OPEB liability, deferred outflows of resources, and deferred inflows of resources on the Statement of Net Position and OPEB expense on the Statement of Activities. Information regarding the Office's OPEB plans is disclosed in Note 10. Additionally, the requirements of this statement resulted in the restatement of beginning net position.

(q) *Future Adoption of GASB Pronouncements*

Effective for the year ending June 30, 2019, the Office will adopt GASB Statement No. 83, *Certain Asset Retirement Obligations*, which addresses accounting and financial reporting for certain asset retirement obligations (AROs) and establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs.

Effective for the year ending June 30, 2019, the Office will adopt GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which is intended to improve the information that is disclosed in notes to governmental financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should be including when disclosing information related to debt.

Effective for the year ending June 30, 2020, the Department will adopt the following GASB statement:

Effective for the year ending June 30, 2020, the Office will adopt GASB Statement No. 84, *Fiduciary Activities*, which is intended to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. In addition, this Statement establishes criteria for identifying fiduciary activities of all state and local governments.

The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

Effective for the year ending June 30, 2020, the Office will adopt GASB Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*, which is intended to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units.

Effective for the year ending June 30, 2021, the Office will adopt GASB Statement No. 87, *Leases*, which is intended to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources and or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

Effective for the year ending June 30, 2021, the Office will adopt GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, which is intended to (1) enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

The Office has not yet determined the impact of adopting these statements on its financial statements.

(r) *Reliance on Outside Information*

Due to the nature of relationships between the Office and various other State agencies, information related to Pensions, OPEB and Securities Lending Transactions in these financial statements is provided through the Illinois Office of the Comptroller by the State Employees Retirement System, State Employees Group Insurance Program of the Department of Central Management Services and The State Treasurer, respectively. The Office received information included in the fund financial statements for Securities Lending Transactions and the government wide financial statements for Pension related transactions. Other details included in note 3c (Security Lending Transactions) and note 2o, note 9 (Pensions), and note 10 (OPEB) were also received from these sources.

The Office must rely on the internal controls of these other State agencies to ensure the information presented is accurate. Audits of The State Treasurer <http://www.auditor.illinois.gov/Audit-Reports/THE-ILLINOIS-FUNDS.asp> and the State Employees Retirement System <http://www.auditor.illinois.gov/Audit-Reports/STATE-EMPLOYEES-RETIREMENT-SYSTEM.asp> and the State Employees Group Insurance Program of the Department of Central Management Services <http://www.auditor.illinois.gov/Audit-Reports/CMS-SEGIP.asp> can be found on the website of the Illinois Office of the Auditor General.

(3) Deposits and Investments

(a) Deposits

The State Treasurer is the custodian of the State’s deposits and investments for funds maintained in the State Treasury. The Office independently manages deposits and investments maintained outside the State Treasury.

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

Deposits for locally-held funds of governmental activities had a carrying amount and a bank balance of \$18 thousand at June 30, 2018, respectively. Deposits of locally-held funds of fiduciary funds had a carrying amount and a bank balance of \$305 thousand at June 30, 2018, respectively.

Cash on hand totaled \$91 thousand at June 30, 2018.

(b) Investments

As of June 30, 2018, the Office had the following investments outside of the State Treasury which were valued using quoted market prices (Level 1 inputs):

<i>Fiduciary Funds</i>	<u>Fair Value (Thousands)</u>	<u>Weighted Average Maturity (Years)</u>
U.S. Treasury Notes	\$ 50	1.74

On the fiduciary statement of net position, the Office has an additional amount of \$100 thousand in certificates of deposit which are recorded as investments since their maturity dates were greater than 90 days at the time of purchase.

Interest Rate Risk: The Office does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The Office does not have a formal investment policy that limits investment choices. The investments held by the Office are made by customers and held by the Office as collateral/security per the Vehicle Code (625 ILCS 5/3-109, 625 ILCS 5/3-816 and 625 ILCS 5/7-323) and the Illinois Security Law of 1953 (815 ILCS 5/6). The Vehicle Code and Illinois Securities Law of 1953 set the limits of acceptable investments.

(c) *Securities Lending Collateral*

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

During fiscal year 2018, Deutsche Bank AG lent U.S. Agency securities and U.S. Treasury securities and received as collateral U.S. dollar denominated cash. Borrowers were required to deliver collateral for each loan equal to at least 100% of the aggregate fair value of the loaned securities. Loans are marked to market daily. If the fair value of collateral falls below 100%, the borrower must provide additional collateral to raise the fair value to 100%.

The State Treasurer did not impose any restrictions during fiscal year 2018 on the amount of loans amounts of available, eligible securities. In the event of borrower default, Deutsche Bank AG provides the State Treasurer with counterparty default indemnification. In addition, Deutsche Bank AG is obligated to indemnify the State Treasurer if Deutsche Bank AG loses any securities, collateral or investments of the State Treasurer in Deutsche Bank AG's custody. There were no losses during fiscal year 2018 resulting from a default of the borrowers or Deutsche Bank AG.

During fiscal year 2018, the State Treasurer and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested in repurchase agreements with approved counterparties collateralized with securities approved by Deutsche Bank AG and marked to market daily at no less than 102%. Because the loans are terminable at will, their duration did not generally match the duration of the investments made with cash collateral. The State Treasurer had no credit risk as a result of its securities lending program as the collateral held exceeded the fair value of the securities lent. The securities lending collateral invested in repurchase agreements and the fair value of securities on loan for the State Treasurer as of June 30, 2018 were \$4,521,091,000 and \$4,451,198,793, respectively.

In accordance with GASB Statement No. 28, paragraph 9, the Office of the State Treasurer has allocated the assets and obligations at June 30, 2018, arising from securities lending agreements to the various funds of the State. The total allocated to the Office was \$13,703 at June 30, 2018.

STATE OF ILLINOIS
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Notes to the Financial Statements (Continued)

(4) Taxes and Other Receivable

Taxes and other receivables (amounts expressed in thousands) at June 30, 2018 are as follows:

	Governmental Activities			Total
	General Fund	Road Fund	Nonmajor Governmental Funds	
Taxes receivable:				
Other	\$ 2,962	\$ -	\$ -	\$ 2,962
Less: allowance for uncollectible amounts	<u>(572)</u>	<u>-</u>	<u>-</u>	<u>(572)</u>
Total taxes receivable, net	<u>\$ 2,390</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,390</u>
Other receivables:				
Licenses and fees receivable	\$ 296	\$ 3,405	\$ 5,538	\$ 9,239
Less: allowance for uncollectible amounts	<u>(257)</u>	<u>(1,222)</u>	<u>(3,671)</u>	<u>(5,150)</u>
Licenses and fees receivable, net	<u>39</u>	<u>2,183</u>	<u>1,867</u>	<u>4,089</u>
Total other receivables, net	<u>\$ 39</u>	<u>\$ 2,183</u>	<u>\$ 1,867</u>	<u>\$ 4,089</u>

(5) Interfund Balances and Activity

(a) Balances Due to/from Other Funds

The following balances (amounts expressed in thousands) at June 30, 2018 represent amounts due from other Office and State funds.

Fund	Due from		Description/Purpose
	Other State Funds	Other Office Funds	
General	\$ 38	\$ 8,017	Due from other Office funds for transfers of excess balances, statutorily required transfers, repayment from various grant activity and accrual of undistributed IRP fees.
Nonmajor governmental funds	565	12,932	Due from other State funds from various fund and grant activity, due from other Office funds for the accrual of undistributed IRP fees.
	<u>\$ 603</u>	<u>\$ 20,949</u>	

STATE OF ILLINOIS
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Notes to the Financial Statements (Continued)

The following balances (amounts expressed in thousands) at June 30, 2018 represent amounts due to other Office and State of Illinois funds.

Fund	Due to			Description/Purpose
	Other Office Funds	Other State Funds	Other State Fiduciary Funds	
General	\$ -	\$ 1,624	\$ 204	Due to other State funds for purchases of services and Court of Claims awards and to other State fiduciary funds for payment of retirement and health insurance costs.
Road	14,582	-	2	Due to other Office funds for the accrual of undistributed IRP fees.
Nonmajor governmental funds	6,367	64	674	Due to other Office Funds for transfers of excess balances, statutorily required transfers and repayment of grant activity; to other State funds for Court of Claims awards, repayment of grant activity and purchases of services; and to other State fiduciary funds for payment of retirement and health insurance costs.
	<u>\$ 20,949</u>	<u>\$ 1,688</u>	<u>\$ 880</u>	

(a) Transfers to/from Other Funds

Interfund transfers in (amounts expressed in thousands) for the year ended June 30, 2018 were as follows:

Fund	Transfers in from		Description/Purpose
	Other Office Funds	Other State Funds	
General	\$ 7,367	\$ -	Transfer from other Office funds of excess balances and statutory transfers.
Nonmajor governmental funds	11,287	-	Transfer from other State funds pursuant to State statute.
	<u>\$ 18,654</u>	<u>\$ -</u>	

STATE OF ILLINOIS
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Notes to the Financial Statements (Continued)

Interfund transfers out (amounts expressed in thousands) for the year ended June 30, 2018 were as follows:

<u>Fund</u>	<u>Transfers out to</u>		<u>Description/Purpose</u>
	<u>Other Office Funds</u>	<u>Other State Funds</u>	
General	\$ 3,189	\$ -	Transfer resulting from refunds from other Office funds and other State funds pursuant to State statute.
Nonmajor governmental funds	\$ 15,465	6,000	Transfer to other Office and other State funds and pursuant to State statute.
	<u>\$ 18,654</u>	<u>\$ 6,000</u>	

(b) Balances due from/to State of Illinois Component Units

The following balances (amounts expressed in thousands) at June 30, 2018 represent amounts due to State of Illinois Component Units for reimbursement of expenses incurred.

<u>Due to Component Units</u>	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>
Illinois Math and Science Academy	\$ 6	\$ -
University of Illinois	-	303
	<u>\$ 6</u>	<u>\$ 303</u>

STATE OF ILLINOIS
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Notes to the Financial Statements (Continued)

(6) Capital Assets

Capital asset activity (amounts expressed in thousands) for the year ended June 30, 2018 was as follows:

	Balance June 30, 2017	Additions	Deletions	Net Transfers	Balance June 30, 2018
Governmental activities:					
Capital assets not being depreciated:					
Land and land improvements	\$ 6,637	\$ -	\$ -	\$ -	\$ 6,637
Historical treasures and works of art	100	-	-	-	100
Total capital assets not being depreciated	<u>6,737</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,737</u>
Capital assets being depreciated:					
Site improvements	449	-	-	-	449
Buildings and building improvements	501,797	1,545	-	1,847	505,189
Equipment	49,966	3,091	3,455	-	49,602
Capital leases - equipment	9	2,565	-	-	2,574
Software	29	-	-	-	29
Total capital assets being depreciated	<u>552,250</u>	<u>7,201</u>	<u>3,455</u>	<u>1,847</u>	<u>557,843</u>
Less accumulated depreciation/amortization:					
Site improvements	295	127	-	-	422
Buildings and building improvements	323,440	11,912	-	55	335,407
Equipment	45,965	2,128	3,334	-	44,759
Capital leases - equipment	2	302	-	-	304
Software	29	-	-	-	29
Total accumulated depreciation/amortization	<u>369,731</u>	<u>14,469</u>	<u>3,334</u>	<u>55</u>	<u>380,921</u>
Total capital assets being depreciated/amortized, net	<u>182,519</u>	<u>(7,268)</u>	<u>121</u>	<u>1,792</u>	<u>176,922</u>
Government activity capital assets, net	<u>\$ 189,256</u>	<u>\$ (7,268)</u>	<u>\$ 121</u>	<u>\$ 1,792</u>	<u>\$ 183,659</u>

Depreciation and amortization expense for governmental activities (amounts expressed in thousands) for the year ended June 30, 2018 was charged as follows:

General government \$ 14,469

(7) Capital Lease Obligations

The Office leases office equipment with a historical cost and accumulated depreciation (amounts expressed in thousands) of \$2,574 and \$304. Although lease terms vary, certain leases are renewable subject to appropriation by the General Assembly. If renewal is reasonably assured, leases requiring appropriation by the General Assembly are considered non-cancelable leases for financial reporting.

STATE OF ILLINOIS
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Notes to the Financial Statements (Continued)

Future minimum lease payments (amounts expressed in thousands) at June 30, 2018, were as follows:

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 482	\$ 97	\$ 579
2020	503	73	576
2021	526	50	576
2022	551	25	576
2023	227	3	230
	<u>\$ 2,289</u>	<u>\$ 248</u>	<u>\$ 2,537</u>

(8) Changes in Long-Term Obligations

Changes in long-term obligations (amounts expressed in thousands) for the year ended June 30, 2018 were as follows:

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>	<u>Amounts Due Within One Year</u>
Governmental activities:					
Compensated absences	\$ 15,397	\$ 13,247	\$ 14,076	\$ 14,568	\$ 1,940
Net pension liability	1,482,072	-	65,259	1,416,813	-
Total OPEB liability	971,840	30,776	-	1,002,616	-
Capital lease obligations	-	2,565	276	2,289	482
	<u>\$ 2,469,309</u>	<u>\$ 46,588</u>	<u>\$ 79,611</u>	<u>\$ 2,436,286</u>	<u>\$ 2,422</u>

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

(9) Defined Benefit Pension Plan

Plan description. Substantially all of the Office’s full-time employees who are not eligible for participation in another state-sponsored retirement plan participate in the State Employees' Retirement System (SERS), which is a single-employer defined benefit pension trust fund in the State of Illinois reporting entity and is treated as a cost sharing plan by the Office. SERS is governed by article 14 of the Illinois Pension Code (40 ILCS 5/1, et al.). The plan consists of two tiers of contribution requirements and benefit levels based on when an employee was hired. Members who first become an employee and participate under any of the State’s retirement plans on or after January 1, 2011 are members of Tier 2, while Tier 1 consists of employees hired before January 1, 2011 or those who have service credit prior to January 1, 2011. The provisions below apply to both Tier 1 and 2 members, except where noted. The SERS issues a separate CAFR available at www.srs.illinois.gov or that may be obtained by writing to the SERS, 2101 South Veterans Parkway, PO Box 19255, Springfield, Illinois, 62794-9255.

Benefit provisions. SERS provides retirement benefits based on the member’s final average compensation and the number of years of service credit that have been established. The retirement benefit formula available to general State employees that are covered under the Federal Social Security Act is 1.67% for each year of service and for noncovered employees it is 2.2% for each year of service. The maximum retirement annuity payable is 75% of final average compensation for regular employees and 80% for alternative formula employees. The minimum monthly retirement annuity payable is \$15 for each year of covered service and \$25 for each year of noncovered service.

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

Regular Formula Tier 1	Regular Formula Tier 2
<p>A member must have a minimum of eight years of service credit and may retire at:</p> <ul style="list-style-type: none"> • Age 60, with 8 years of service credit. • Any age, when the member’s age (years & whole months) plus years of service credit (years & whole months) equal 85 years (1,020 months) (Rule of 85) with 8 years of credited service. • Between ages 55-60 with 25-30 years of service credit (reduced 1/2 of 1% for each month under age 60). <p>The retirement benefit is based on final average compensation and credited service. Final average compensation is the 48 highest consecutive months of service within the last 120 months of service.</p> <p>Under the Rule of 85, a member is eligible for the first 3% increase on January 1 following the first full year of retirement, even if the member is not age 60. If the member retires at age 60 or older, he/she will receive a 3% pension increase every year on January 1, following the first full year of retirement.</p> <p>If the member retires before age 60 with a reduced retirement benefit, he/she will receive a 3% pension increase every January 1 after the member turns age 60 and has been retired at least one full year. These pension increases are not limited by the 75% maximum.</p>	<p>A member must have a minimum of 10 years of credited service and may retire at:</p> <ul style="list-style-type: none"> • Age 67, with 10 years of credited service. • Between ages 62-67 with 10 years of credited service (reduced 1/2 of 1% for each month under age 67). <p>The retirement benefit is based on final average compensation and credited service. For regular formula employees, final average compensation is the average of the 96 highest consecutive months of service within the last 120 months of service. The retirement benefit is calculated on a maximum salary of \$106,800. This amount increases annually by 3% or one-half of the Consumer Price Index, whichever is less.</p> <p>If the member retires at age 67 or older, he/she will receive a pension increase of 3% or one-half of the Consumer Price Index for the preceding calendar year, whichever is less, every year on January 1, following the first full year of retirement. The calendar year 2017 rate is \$112,408.</p> <p>If the member retires before age 67 with a reduced retirement benefit, he/she will receive a pension increase of 3% or one-half of the Consumer Price Index for the preceding calendar year, whichever is less, every January 1 after the member turns age 67 and has been retired at least one full year. These pension increases are not limited by the 75% maximum.</p>

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

SERS also provides occupational and nonoccupational (including temporary) disability benefits. To be eligible for nonoccupational (including temporary) disability benefits, an employee must have at least 18 months of credited service with the System. The nonoccupational (including temporary) disability benefit is equal to 50% of the monthly rate of compensation of the employee on the date of removal from the payroll. Occupational disability benefits are provided when the member becomes disabled as a direct result of injuries or diseases arising out of and in the course of State employment. The monthly benefit is equal to 75% of the monthly rate of compensation on the date of removal from the payroll. This benefit amount is reduced by Workers' Compensation or payments under the Occupational Diseases Act.

Occupational and nonoccupational death benefits are also available through the System. Certain nonoccupational death benefits vest after 18 months of credited service. Occupational death benefits are provided from the date of employment.

Contributions. Contribution requirements of active employees and the State are established in accordance with Chapter 40, section 5/14-133 of the Illinois Compiled Statutes. Member contributions are based on fixed percentages of covered payroll ranging between 4.00% and 12.50%. Employee contributions are fully refundable, without interest, upon withdrawal from State employment. Tier 1 members contribute based on total annual compensation. Tier 2 members contribute based on an annual compensation rate not to exceed \$106,800 with limitations for future years increased by the lesser of 3% or one-half of the annual percentage increase in the Consumer Price Index. For 2018, this amount was \$113,645.

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

For fiscal year 2018, the required employer contributions were computed in accordance with the State's funding plan. This funding legislation provides for a systematic 50-year funding plan with an ultimate goal to achieve 90% funding of the plan's liabilities. In addition, the funding plan provided for a 15-year phase-in period to allow the State to adapt to the increased financial commitment. Since the 15-year phase-in period ended June 30, 2010, the State's contribution will remain at a level percentage of payroll for the next 35 years until the 90% funded level is achieved. For fiscal year 2018, the employer contribution rate was 54.013%. The Office's contribution amount for fiscal year 2018 was \$7,793.

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Pension liability, deferred outflows of resources, deferred inflows of resources and expense related to pensions. At June 30, 2018, the Office reported a liability of \$1,417 million for its proportionate share of the State’s net pension liability for SERS on the statement of net position. The net pension liability was measured as of June 30, 2017 (current year measurement date), and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Office’s portion of the net pension liability was based on the Office’s proportion of employer contributions relative to all employer contributions made to the plan during the year ended June 30, 2017. As of the current year measurement date of June 30, 2017, the Office’s proportion was 4.3055%, which was a decrease of .0353% from its proportion measured as of the prior year measurement date of June 30, 2016.

For the year ended June 30, 2018, the Office recognized pension expense of \$152 million which is reported in the General government function of the Statement of Activities. The Office recognized a benefit for this amount as reported in Appropriations from State resources in the General Revenue Fund and the Statement of Activities. Of these amounts, \$69.039 million represents contributions made by SERS on behalf of the Office. At June 30, 2018, the Office reported deferred outflows and deferred inflows of resources related to the pension liability, as of the measurement date of June 30, 2017, from the following sources (amounts expressed in thousands):

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 834	\$ 44,875
Changes of assumptions	146,133	29,540
Net difference between projected and actual investment earnings on pension plan investments	1,235	-
Changes in proportion	20,156	36,635
Department contributions subsequent to the measurement date	7,793	-
Total	<u>\$ 176,151</u>	<u>\$ 111,150</u>

\$7,793 reported as deferred outflows of resources related to pensions resulting from Office contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2019.

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Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows (amounts expressed in thousands):

Year ended June 30,	
2019	\$ 30,822
2020	29,301
2021	11,385
2022	(14,200)
Total	<u>\$ (57,308)</u>

Actuarial methods and assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

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

Inflation: 2.75%

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

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

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

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

The long-term expected real rate of return on pension plan investments is determined using the best estimates of geometric real rates of return for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. For each major asset class that is included in the pension plan’s target asset allocation, calculated as of the measurement date of June 30, 2017, the best estimates of geometric real rates of return are summarized in the following table:

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<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	23.0%	5.50%
Developed Foreign Equity	13.0%	5.30%
Emerging Market Equity	8.0%	7.80%
Private Equity	7.0%	7.60%
Intermediate Investment Grade Bonds	14.0%	1.50%
Long-term Government Bonds	4.0%	1.80%
TIPS	4.0%	1.50%
High Yield and Bank Loans	5.0%	3.80%
Opportunistic Debt	8.0%	5.00%
Emerging Market Debt	2.0%	3.70%
Core Real Estate	5.5%	3.70%
Non-core Real Estate	4.5%	5.90%
Infrastructure	2.0%	5.80%
Total	100%	

Discount rate. A discount rate of 6.78% was used to measure the total pension liability as of the measurement date of June 30, 2017 as compared to a discount rate of 6.64% used to measure the total pension liability as of the prior year measurement date. The June 30, 2017 single blended discount rate was based on the expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.56%, based on an index of 20 year general obligation bonds with an average AA credit rating as published by the Federal Reserve. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions will be made based on the statutorily required rates under Illinois law. Based on these assumptions, the pension plan’s fiduciary net position and future contributions will be sufficient to finance the benefit payments through the year 2073. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2073, and the municipal bond rate was applied to all benefit payments after that date.

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

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	1% Decrease 5.78%	Discount Rate 6.78%	1% Increase 7.78%
Department's proportionate share of the net pension liability	\$ 1,714,374	\$ 1,416,813	\$ 1,173,288

Payables to the pension plan. At June 30, 2018, the Office reported a payable of \$248 thousand to SERS for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

(10) OPEB

Plan description. The State Employees Group Insurance Act of 1971 (“Act”), as amended, authorizes the Illinois State Employees Group Insurance Program (“SEGIP”) to provide health, dental, vision, and life insurance benefits for certain retirees and their dependents. Substantially all of the Office’s full-time employees are members of SEGIP. Members receiving monthly benefits from the General Assembly Retirement System (“GARS”), Judges Retirement System (“JRS”), State Employees’ Retirement System of Illinois (“SERS”), Teachers’ Retirement System (“TRS”), and State Universities Retirement System of Illinois (“SURS”) are eligible for these other post-employment benefits (“OPEB”). The eligibility provisions for each of the retirement systems are defined within Note 9. Certain TRS members eligible for coverage under SEGIP include: certified teachers employed by certain State agencies, executives employed by the Board of Education, regional superintendents, regional assistant superintendents, TRS employees and members with certain reciprocal service.

The Department of Central Management Services administers these benefits for annuitants with the assistance of the public retirement systems sponsored by the State (GARS, JRS, SERS, TRS and SURS). The State recognizes SEGIP OPEB benefits as a single-employer defined benefit plan and is treated as a cost sharing plan by the Office. The plan does not issue a stand-alone financial report.

Benefits provided. The health, dental, and vision benefits provided to and contribution amounts required from annuitants are the result of collective bargaining between the State and the various unions representing the State’s and the university component units’ employees in accordance with limitations established in the Act. Therefore, the benefits provided and contribution amounts are subject to periodic change. Coverage through SEGIP becomes secondary to Medicare after Medicare eligibility has been reached. Members must enroll in Medicare Parts A and B to receive the subsidized SEGIP premium available to Medicare eligible participants. The Act requires the State to provide life insurance benefits for annuitants equal to their annual salary as of the last day of employment until age 60, at which time, the benefit amount becomes \$5,000.

Funding policy and annual other postemployment benefit cost. OPEB offered through SEGIP are financed through a combination of retiree premiums, State contributions and Federal government subsidies from the Medicare Part D program. Contributions are deposited in the Health Insurance Reserve Fund, which covers both active State employees and retirement members. Annuitants may be required to contribute towards health 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 toward health 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 and vision benefits. All annuitants are required to pay for dental benefits regardless of retirement date. The Director of Central Management Services shall, on an annual basis, determine the amount the State shall contribute toward the basic program of group health benefits. State contributions are made primarily from the General Revenue Fund on a pay-as-you-go basis. No assets are accumulated or dedicated to funding the retiree health insurance benefit and a separate trust has not been established for the funding of OPEB.

For fiscal year 2018, the annual cost of the basic program of group health, dental, and vision benefits before the State's contribution was \$10,926.24 (\$6,145.92 if Medicare eligible) if the annuitant chose benefits provided by a health maintenance organization and \$14,939.04 (\$5,165.04 if Medicare eligible) if the annuitant chose other benefits. The State is not required to fund the plan other than the pay-as-you-go amount necessary to provide the current benefits to retirees.

Total OPEB liability, deferred outflows of resources, deferred inflows of resources and expense related to OPEB. The total OPEB liability, as reported at June 30, 2018, was measured as of June 30, 2017, with an actuarial valuation as of June 30, 2016. At June 30, 2018, the Office recorded a liability of \$1,002.616 million for its proportionate share of the State's total OPEB liability. The Office's portion of the OPEB liability was based on the Office's proportion of employer contributions relative to all employer contributions made to the plan during the year ended June 30, 2017. As of the current year measurement date of June 30, 2017, the Office's proportion was 2.4262%, which was an increase of .1921% from its proportion measured as of the prior year measurement date of June 30, 2016. The Office recognized OPEB expense for the year ended June 30, 2018, of \$65.600 million which is reported in the General government function of the Statement of Activities. The Office recognized a benefit for this amount which is reported in Appropriations from State resources in the General Revenue Fund and the Statement of Activities. Of these amounts, \$7.288 million represents contributions made by SEGIP on behalf of the Office. At June 30, 2018, the Office reported deferred outflows and deferred inflows of resources, as of the measurement date of June 30, 2017, from the following sources (amounts expressed in thousands):

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Deferred outflows of resources	
Differences between expected and actual experience	\$ 321
Changes in proportion and differences between employer contributions and proportionate share of contributions	81,222
Office contributions subsequent to the measurement date	1,866
Total deferred outflows of resources	<u>\$ 83,409</u>
Deferred inflows of resources	
Changes of assumptions	\$ 95,198
Changes in proportion and differences between employer contributions and proportionate share of contributions	12,999
Total deferred inflows of resources	<u>\$ 108,197</u>

The amounts reported as deferred outflows of resources related to OPEB resulting from Office contributions subsequent to the measurement date will be recognized as a reduction to the OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (amounts expressed in thousands):

Year ended June 30,	
2019	\$ (5,992)
2020	(5,992)
2021	(5,992)
2022	(5,992)
2023	(2,686)
Total	<u>\$ (26,654)</u>

Actuarial methods and assumptions. The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions, applied to all periods included in the measurement unless otherwise specified. The actuarial valuation for the SEGIP was based on GARS, JRS, SERS, TRS, and SURS active, inactive, and retiree data as of June 30, 2016, for eligible SEGIP employees, and SEGIP retiree data as of June 30, 2016.

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Inflation Rate	2.75%
Projected Salary Increases*	3.00% - 15.00%
Discount Rate	3.56%
Healthcare Cost Trend Rate:	
Medical (Pre-Medicare)	8.0 % grading down 0.5% in the first year to 7.5%, then grading down 0.01% in the second year to 7.49%, followed by grading down of 0.5% per year over 5 years to 4.99% in year 7
Medical (Post-Medicare)	9.0% grading down 0.5% per year over 9 years to 4.5%
Dental	7.5% grading down 0.5% per year over 6 years to 4.5%
Vision	3.00%
Retirees' share of benefit-related costs	Healthcare premium rates for members depend on the date of retirement and the years of service earned at retirement. Members who retired before January 1, 1998, are eligible for single coverage at no cost to the member. Members who retire after January 1, 1998, are eligible for single coverage provided they pay a portion of the premium equal to 5 percent for each year of service under 20 years. Eligible dependents receive coverage provided they pay 100 percent of the required dependent premium. Premiums for plan year 2017 and 2018 are based on actual premiums. Premiums after 2018 were projected based on the same healthcare cost trend rates applied to per capita claim costs but excluding the additional trend rate that estimates the impact of the Excise Tax.
* Dependent upon service and participation in the respective retirement systems. Includes inflation rate listed.	

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Additionally, the demographic assumptions used in the OPEB valuation are identical to those used in the June 30, 2016 valuations for GARS, JRS, SERS, TRS, and SURS as follows:

	Retirement age experience study[^]	Mortality^{^^}
GARS	July 2012 - June 2015	RP-2014 White Collar Total Healthy Annuitant mortality table, sex distinct, set forward 1 year for males and set back 1 year for females and generational mortality improvements using MP-2014 two-dimensional mortality improvement scales
JRS	July 2012 - June 2015	RP-2014 White Collar Total Healthy Annuitant mortality table, sex distinct, set forward 1 year for males and set back 1 year for females and generational mortality improvements using MP-2014 two-dimensional mortality improvement scales
SERS	July 2009 - June 2013	105 percent of the RP 2014 Healthy Annuitant mortality table, sex distinct, with rates projected to 2015; generational mortality improvement factors were added
TRS	July 2011 - June 2014	RP-2014 with future mortality improvements on a fully generational basis using projection table MP-2014
SURS	July 2010 - June 2014	RP-2014 White Collar, gender distinct, projected using MP-2014 two-dimensional mortality improvement scale, set forward one year for male and female annuitants

[^] The actuarial assumptions used in the respective actuarial valuations are based on the results of actuarial experience studies for the periods defined. A modified experience review was completed for SERS for the 3-year period ending June 30, 2015. Changes were made to the assumptions regarding investment rate of return, projected salary increases, inflation rate, and mortality based on this review. All other assumptions remained unchanged.

^{^^} Mortality rates are based on mortality tables published by the Society of Actuaries' Retirement Plans Experience Committee.

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Discount rate. Retirees contribute a percentage of the premium rate based on service at retirement. The State contributes additional amounts to cover claims and expenses in excess of retiree contributions. Because plan benefits are financed on a pay-as-you-go basis, the single discount rate is based on a tax-exempt municipal bond rate index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. A single discount rate of 2.85% at June 30, 2016, and 3.56% at June 30, 2017, was used to measure the total OPEB liability.

Sensitivity of total OPEB liability to changes in the single discount rate. The following presents the plan’s total OPEB liability, calculated using a Single Discount Rate of 3.56%, as well as what the plan’s total OPEB liability would be if it were calculated using a Single Discount rate that is one percentage point higher (4.56%) or lower (2.56%) than the current rate (amounts expressed in thousands):

	1% Decrease (2.56%)	Current Single Discount Rate Assumption (3.56%)	1% Increase (4.56%)
Office's proportionate share of total OPEB liability	1,137,460	1,002,616	868,532

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rate. The following presents the plans total OPEB liability, calculated using the healthcare cost trend rates as well as what the plan’s total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point higher or lower, than the current healthcare cost trend rates (amounts in table expressed in thousands). The key trend rates are 8.0% in 2018 decreasing to an ultimate trend rate of 4.99% in 2025, for non-Medicare coverage, and 9.0% decreasing to an ultimate trend rate of 4.5% in 2027 for Medicare coverage.

	1% Decrease	Current Healthcare Cost Trend Rates Assumption	1% Increase
Office's proportionate share of total OPEB liability	856,727	1,002,616	1,123,058

(11) Risk Management

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

The Office’s risk management activities for workers’ compensation, self-insurance and unemployment insurance are financed through appropriations to the Illinois Department of Central Management Services and are accounted for in the General Fund of the State. The claims are not considered to be a liability of the Office; and accordingly, have not been reported in the Office’s financial statements for the year ended June 30, 2018.

(12) Commitments and Contingencies

(a) Operating leases

The Office leases certain office facilities and equipment under the terms of noncancelable operating lease agreements that require the Office to make minimum lease payments plus pay a pro rata share of certain operating costs. Rent expense under operating leases was \$13.641 million for the year ended June 30, 2018.

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

<u>Year ending June 30,</u>	<u>Amount</u>
2019	\$ 8,205
2020	6,830
2021	5,410
2022	3,943
2023	2,150
2024-2028	1,770
	<u>\$ 28,308</u>

(b) Federal Funding

The Office receives federal grants which are subject to review and audit by federal grantor agencies. Certain costs could be questioned as not being an eligible expenditure under the terms of the grants. At June 30, 2018, there were no material questioned costs that have not been resolved with the federal awarding agencies. However, questioned costs could still be identified during audits to be conducted in the future. Management of the Office believes there will be no material adjustments to the federal grants and, accordingly, has not recorded a provision for possible repayment.

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(c) Litigation

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

(13) Restatement

For fiscal year 2018, the Office is required to report an additional fund which was reported by another State agency previously. Also, in accordance with the Department’s adoption of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, OPEB liability, deferred outflows of resources, deferred inflows of resources, appropriations from State resources, and OPEB expense have been recognized in the financial statements. See Note 10. Therefore, the financial statements have been restated as of July 1, 2017, as follows:

	Nonmajor Funds	Governmental Activities
	<u> </u>	<u> </u>
Net position, June 30, 2017, as previously reported	\$ 200,354	\$ (826,309)
Additional funds July 1, 2017 fund balance	15,314	15,314
Reporting of OPEB liability	-	(969,147)
Net position, July 1, 2017, as restated	<u>\$ 215,668</u>	<u>\$ (1,780,142)</u>

SUPPLEMENTARY INFORMATION

STATE OF ILLINOIS
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COMBINING SCHEDULE OF ACCOUNTS - GENERAL FUND
(Expressed in Thousands)

June 30, 2018

	General Revenue 0001	Live and Learn 0026	Corporate Franchise Tax Refund 0380	Common School 0412	Budget Stabilization 0686	Capital Projects 0694	Vehicle Inspection 0963	Special Advance 1198	Eliminations	Total
ASSETS										
Unexpended appropriations	\$ 35,970	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 43	\$ -	\$ -	\$ 36,013
Cash equity with State Treasurer	34,273	392	404	48	-	29,284	-	-	-	64,401
Cash and cash equivalents	91	-	-	-	-	-	-	5	-	96
Taxes receivable, net	2,390	-	-	-	-	-	-	-	-	2,390
Other receivables, net	39	-	-	-	-	-	-	-	-	39
Due from other Office funds	7,419	19,162	-	787	-	-	-	-	(19,351)	8,017
Due from other State funds	-	-	-	-	-	-	38	-	-	38
Inventories	296	-	-	-	-	-	-	-	-	296
Total assets	\$ 80,478	\$ 19,554	\$ 404	\$ 835	\$ -	\$ 29,284	\$ 81	\$ 5	\$ (19,351)	\$ 111,290
LIABILITIES										
Accounts payable and accrued liabilities	\$ 33,154	\$ 8,638	\$ -	\$ -	\$ -	\$ -	\$ 46	\$ -	\$ -	\$ 41,838
Intergovernmental payables	939	8,118	-	-	-	-	3	-	-	9,060
Due to other State fiduciary funds	172	-	-	-	-	-	32	-	-	204
Due to other Office funds	19,162	-	189	-	-	-	-	-	(19,351)	-
Due to other State funds	1,591	33	-	-	-	-	-	-	-	1,624
Due to component units	6	-	-	-	-	-	-	-	-	6
Unearned revenue	75	-	-	-	-	4,608	-	-	-	4,683
Total liabilities	\$ 55,099	\$ 16,789	\$ 189	\$ -	\$ -	\$ 4,608	\$ 81	\$ -	\$ (19,351)	\$ 57,415
FUND BALANCES (DEFICITS)										
Nonspendable:										
Inventories	296	-	-	-	-	-	-	-	-	296
Restricted for:										
General government	-	-	-	-	-	-	-	5	-	5
Committed to:										
General government	-	-	215	-	-	-	-	-	-	215
Unassigned	25,083	2,765	-	835	-	24,676	-	-	-	53,359
Total fund balances (deficits)	\$ 25,379	\$ 2,765	\$ 215	\$ 835	\$ -	\$ 24,676	\$ -	\$ 5	\$ -	\$ 53,875
Total liabilities and fund balances (deficits)	\$ 80,478	\$ 19,554	\$ 404	\$ 835	\$ -	\$ 29,284	\$ 81	\$ 5	\$ (19,351)	\$ 111,290

**STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE**

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GENERAL FUND
(Expressed in Thousands)

For the Year Ended June 30, 2018

	General Revenue 0001	Live and Learn 0026	Corporate Franchise Tax Refund 0380	Common School 0412	Budget Stabilization 0686	Capital Projects 0694	Vehicle Inspection 0963	Special Advance 1198	Eliminations	Total
REVENUES										
Licenses and fees	\$ 250,403	\$ -	\$ -	\$ 606	\$ -	\$ 313,992	\$ -	\$ -	\$ -	\$ 565,001
Other charges for services	3	-	-	-	-	-	-	-	-	3
Other taxes	209,533	-	229	-	-	-	-	-	-	209,762
Other revenue	91	-	-	-	-	-	-	-	-	91
Total revenues	460,030	-	229	606	-	313,992	-	-	-	774,857
EXPENDITURES										
General government	322,926	20,619	-	-	(245)	-	2,919	-	-	346,219
Debt service - interest	1	-	-	-	-	-	-	-	-	1
Debt service - principal	2	-	-	-	-	-	-	-	-	2
Capital outlays	1,718	-	-	-	600	-	-	-	-	2,318
Total expenditures	324,647	20,619	-	-	355	-	2,919	-	-	348,540
Excess (deficiency) of revenues over (under) expenditures	135,383	(20,619)	229	606	(355)	313,992	(2,919)	-	-	426,317
OTHER SOURCES (USES) OF FINANCIAL RESOURCES										
Appropriations from State resources	334,194	-	-	-	-	-	3,670	-	-	337,864
Lapsed appropriations	(9,558)	-	-	-	-	-	(751)	-	-	(10,309)
Receipts collected and transmitted to State Treasury	(457,194)	-	-	(605)	-	(313,204)	-	-	-	(771,003)
Amount of SAMS Transfers-in	(4,133)	-	-	(1,517)	-	-	-	-	-	(5,650)
Amount of SAMS Transfers-out	22,646	-	-	-	-	-	-	-	-	22,646
Transfers-in	5,791	20,904	-	1,576	-	-	-	-	(20,904)	7,367
Transfers-out	(20,904)	-	(3,189)	-	-	-	-	-	20,904	(3,189)
Net other sources (uses) of financial resources	(129,158)	20,904	(3,189)	(546)	-	(313,204)	2,919	-	-	(422,274)
Net change in fund balances	6,225	285	(2,960)	60	(355)	788	-	-	-	4,043
Fund balances (deficits), July 1, 2017	19,323	2,480	3,175	775	355	23,888	-	5	-	50,001
Increase (decrease) for changes in inventories	(169)	-	-	-	-	-	-	-	-	(169)
FUND BALANCES (DEFICITS), JUNE 30, 2018	\$ 25,379	\$ 2,765	\$ 215	\$ 835	\$ -	\$ 24,676	\$ -	\$ 5	\$ -	\$ 53,875

**STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE**

COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENT FUNDS
(Expressed in Thousands)

June 30, 2018

		Special Revenue							
		Motor Fuel Tax 0012	Alzheimer's Awareness 0020	Illinois Nurses Foundation 0028	American Red Cross 0029	Drivers Education 0031	Illinois Sheriffs' Scholarship & Training 0032	Illinois State Police Memorial Park 0034	Illinois Police K-9 Memorial 0038
ASSETS									
Unexpended appropriations	\$	-	\$	-	\$	-	\$	-	\$
Cash equity with State Treasurer		-	20	11	1	1,022	2	44	1
Cash and cash equivalents		-	-	-	-	-	-	-	-
Securities lending collateral of State Treasurer		-	-	-	-	-	-	-	-
Intergovernmental receivables, net		-	-	-	-	-	-	-	-
Other receivables, net		-	-	-	-	1	-	-	-
Due from other State funds		-	-	-	-	-	-	-	-
Due from other Office funds		-	-	-	-	-	-	-	-
Inventories		-	-	-	-	-	-	-	-
Total assets	\$	-	20	11	1	1,023	2	44	1
LIABILITIES									
Accounts payable and accrued liabilities	\$	-	15	5	1	-	-	20	1
Intergovernmental payables		-	-	-	-	-	-	-	-
Due to other State fiduciary funds		-	-	-	-	-	-	-	-
Due to other Office funds		-	-	-	-	-	-	-	-
Due to other State funds		-	-	-	-	-	-	-	-
Due to State of Illinois component units		-	-	-	-	-	-	-	-
Unearned revenue		-	-	-	-	-	-	1	-
Obligations under securities lending of State Treasurer		-	-	-	-	-	-	-	-
Total liabilities		-	15	5	1	-	-	21	-
DEFERRED INFLOWS OF RESOURCES									
Unavailable revenue		-	-	-	-	-	-	-	-
Total liabilities and deferred inflows of resources		-	15	5	1	-	-	21	-
FUND BALANCES (DEFICITS)									
Nonspendable		-	-	-	-	-	-	-	-
Inventories		-	-	-	-	-	-	-	-
Restricted for:									
General government		-	5	6	-	1,023	2	23	-
Committed to:									
General government		-	-	-	-	-	-	-	-
Capital projects		-	-	-	-	-	-	-	-
Assigned to:									
General government		-	-	-	-	-	-	-	-
Unassigned		-	-	-	-	-	-	-	-
Total fund balances		-	5	6	-	1,023	2	23	-
Total liabilities, deferred inflows of resources and fund balances	\$	-	20	11	1	1,023	2	44	1

STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE

COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENT FUNDS (Continued)
(Expressed in Thousands)

June 30, 2018

	Special Revenue									
	Lobbyist Registration Administration 0044	National Wild Turkey Federation 0058	Curing Childhood Cancer 0066	Accessible Electronic Information Services 0106	CDLIS/ AAMVA Net Trust 0109	Motor Vehicle Theft Prevention & Insurance Verification 0156	Registered Limited Liability Partnership 0167	Secretary of State Federal Projects 0176		
ASSETS										
Unexpended appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
Cash equity with State Treasurer	2,246	1	6	2	5,699	16,359	699	107		
Cash and cash equivalents	-	-	-	-	-	-	-	-		
Securities lending collateral of State Treasurer	-	-	-	-	-	6,615	-	-		
Intergovernmental receivables, net	-	-	-	-	-	-	-	8		
Other receivables, net	-	-	-	-	-	26	-	-		
Due from other State funds	-	-	-	-	-	-	-	-		
Due from other Office funds	-	-	-	-	-	-	-	-		
Inventories	-	-	-	-	3,297	-	-	-		
Total assets	\$ 2,246	\$ 1	\$ 6	\$ 2	\$ 8,996	\$ 23,000	\$ 699	\$ 115		
LIABILITIES										
Accounts payable and accrued liabilities	\$ 24	\$ -	\$ -	\$ -	\$ 58	\$ -	\$ 3	\$ -		
Intergovernmental payables	2	-	-	-	-	-	-	-		
Due to other State fiduciary funds	15	-	-	-	-	-	4	-		
Due to other Office funds	-	-	-	-	-	-	-	-		
Due to other State funds	3	-	-	-	-	-	-	-		
Due to State of Illinois component units	-	-	-	-	-	-	-	14		
Unearned revenue	-	-	-	-	-	-	-	33		
Obligations under securities lending of State Treasurer	-	-	-	-	-	6,615	-	-		
Total liabilities	44	-	-	-	58	6,615	7	47		
DEFERRED INFLOWS OF RESOURCES										
Unavailable revenue	-	-	-	-	-	-	-	8		
Total liabilities and deferred inflows of resources	44	-	-	-	58	6,615	7	55		
FUND BALANCES (DEFICITS)										
Nonspendable	-	-	-	-	3,297	-	-	-		
Inventories	-	-	-	-	-	-	-	-		
Restricted for:										
General government	-	1	6	-	-	-	-	-		
Committed to:										
General government	2,202	-	-	2	5,641	16,385	692	-		
Capital projects	-	-	-	-	-	-	-	-		
Assigned to:										
General government	-	-	-	-	-	-	-	60		
Unassigned	-	-	-	-	-	-	-	-		
Total fund balances	2,202	1	6	2	8,938	16,385	692	60		
Total liabilities, deferred inflows of resources and fund balances	\$ 2,246	\$ 1	\$ 6	\$ 2	\$ 8,996	\$ 23,000	\$ 699	\$ 115		

STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE

COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENT FUNDS (Continued)
(Expressed in Thousands)

June 30, 2018

	Special Revenue							
	Secretary of State Evidence 0374	State College and University Trust 0417	Alternative Fuels 0422	Indigent BAIID Fund 0451	Monitoring Device Driving Permit Administration 0453	Rotary Club 0454	Autism Awareness 0458	Ovarian Cancer Awareness 0459
ASSETS								
Unexpended appropriations	-	-	-	-	-	-	-	-
Cash equity with State Treasurer	35	28	486	72	5,266	5	-	18
Cash and cash equivalents	-	-	-	-	-	-	-	-
Securities lending collateral of State Treasurer	-	-	-	-	-	-	-	-
Intergovernmental receivables, net	-	-	-	-	-	-	-	-
Other receivables, net	-	-	22	-	-	-	-	-
Due from other State funds	-	-	-	-	30	-	-	-
Due from other Office funds	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-
Total assets	\$ 35	\$ 28	\$ 486	\$ 94	\$ 5,296	\$ 5	\$ -	\$ 18
LIABILITIES								
Accounts payable and accrued liabilities	-	-	-	66	5	4	-	15
Intergovernmental payables	-	-	-	-	-	-	-	-
Due to other State fiduciary funds	-	-	-	-	-	-	-	-
Due to other Office funds	-	-	-	-	-	-	-	-
Due to other State funds	-	-	-	-	-	-	-	-
Due to State of Illinois component units	-	-	-	-	-	-	-	-
Unearned revenue	-	13	45	-	-	-	-	-
Obligations under securities lending of State Treasurer	-	-	-	-	-	-	-	-
Total liabilities	-	13	45	66	5	4	-	15
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue	-	-	-	-	-	-	-	-
Total liabilities and deferred inflows of resources	-	13	45	66	5	4	-	15
FUND BALANCES (DEFICITS)								
Nonspendable	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-
Restricted for:								
General government	35	-	-	28	5,291	1	-	3
Committed to:								
General government	-	15	441	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-	-
Assigned to:								
General government	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-
Total fund balances	35	15	441	28	5,291	1	-	3
Total liabilities, deferred inflows of resources and fund balances	\$ 35	\$ 28	\$ 486	\$ 94	\$ 5,296	\$ 5	\$ -	\$ 18

**STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE**

COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENT FUNDS (Continued)
(Expressed in Thousands)

June 30, 2018

	Special Revenue							
	Illinois Professional Golfers Association Junior Golf 0463	Boy Scout and Girl Scout 0464	Agriculture in the Classroom 0466	Sheet Metal Workers Int'l Assoc. of Illinois 0468	Library Services 0470	State Library 0471	Secretary of State Identification and Theft Prevention 0480	Secretary of State Special Services 0483
ASSETS								
Unexpended appropriations	-	-	-	-	-	-	-	-
Cash equity with State Treasurer	44	21	58	20	84	10	36,043	10,574
Cash and cash equivalents	-	-	-	-	-	-	-	-
Securities lending collateral of State Treasurer	-	-	-	-	1	-	28	7
Intergovernmental receivables, net	-	-	-	-	-	1	-	-
Other receivables, net	-	-	-	-	5	-	23	154
Due from other State funds	-	-	-	-	-	-	-	-
Due from other Office funds	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-
Total assets	44	21	58	20	90	11	36,094	10,735
LIABILITIES								
Accounts payable and accrued liabilities	-	-	30	-	59	-	1,556	865
Intergovernmental payables	-	-	-	-	31	-	-	243
Due to other State fiduciary funds	-	-	-	-	-	-	-	274
Due to other Office funds	-	-	-	-	-	-	-	-
Due to other State funds	-	-	-	-	-	-	-	5
Due to State of Illinois component units	-	-	-	-	-	-	-	289
Unearned revenue	2	1	4	-	-	-	-	-
Obligations under securities lending of State Treasurer	-	-	-	-	-	-	-	-
Total liabilities	2	1	34	-	90	-	1,556	1,676
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue	-	-	-	-	1	-	8	2
Total liabilities and deferred inflows of resources	2	1	34	-	91	-	1,564	1,678
FUND BALANCES (DEFICITS)								
Nonspendable	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-
Restricted for:								
General government	42	20	24	20	-	-	-	-
Committed to:								
General government	-	-	-	-	-	11	34,530	9,057
Capital projects	-	-	-	-	-	-	-	-
Assigned to:								
General government	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	(1)	-	-	-
Total fund balances	42	20	24	20	(1)	11	34,530	9,057
Total liabilities, deferred inflows of resources and fund balances	44	21	58	20	90	11	36,094	10,735

STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE

COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENT FUNDS (Continued)
(Expressed in Thousands)

June 30, 2018

	Special Revenue							
	Support Our Troops 0496	Master Mason 0508	Off Highway Vehicle Trails 0574	Pan Hellenic Trust 0584	Park District Youth Program 0585	Professional Sports Team Education 0587	Illinois Route 66 Heritage Project 0594	Police Memorial Committee 0598
ASSETS								
Unexpended appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash equity with State Treasurer	90	23	33	95	13	830	80	93
Cash and cash equivalents	-	-	-	-	-	-	-	-
Securities lending collateral of State Treasurer	-	-	-	-	-	-	-	-
Intergovernmental receivables, net	-	-	-	-	-	-	-	-
Other receivables, net	-	-	-	-	-	-	-	-
Due from other State funds	-	-	-	-	-	-	-	-
Due from other Office funds	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-
Total assets	\$ 90	\$ 23	\$ 33	\$ 95	\$ 13	\$ 830	\$ 80	\$ 93
LIABILITIES								
Accounts payable and accrued liabilities	\$ -	\$ 20	\$ -	\$ -	\$ 12	\$ -	\$ -	\$ 40
Intergovernmental payables	-	-	-	-	-	-	-	-
Due to other State fiduciary funds	-	-	-	-	-	-	-	-
Due to other Office funds	-	-	-	-	-	787	-	-
Due to other State funds	-	-	-	-	-	-	-	-
Due to State of Illinois component units	-	-	-	-	-	-	-	-
Unearned revenue	1	1	-	1	1	43	7	5
Obligations under securities lending of State Treasurer	-	-	-	-	-	-	-	-
Total liabilities	1	21	-	1	13	830	7	45
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue	-	-	-	-	-	-	-	-
Total liabilities and deferred inflows of resources	1	21	-	1	13	830	7	45
FUND BALANCES (DEFICITS)								
Nonspendable	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-
Restricted for:								
General government	89	2	-	94	-	-	73	48
Committed to:								
General government	-	-	33	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-	-
Assigned to:								
General government	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-
Total fund balances	89	2	33	94	-	-	73	48
Total liabilities, deferred inflows of resources and fund balances	\$ 90	\$ 23	\$ 33	\$ 95	\$ 13	\$ 830	\$ 80	\$ 93

**STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE**

COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENT FUNDS (Continued)
(Expressed in Thousands)

June 30, 2018

		Special Revenue						
	Mammogram 0599	Motor Vehicle License Plate 0622	Special Olympics Illinois Fund 623	Chicago Police Memorial Foundation 0639	Illinois Police Association 0655	Octave Chanute Aero Heritage 0662	Organ Donor Awareness 0716	Secretary of State DUI Administration 0732
ASSETS								
Unexpended appropriations	-	-	-	-	-	-	-	-
Cash equity with State Treasurer	68	19,067	-	79	69	51	164	4,531
Cash and cash equivalents	-	-	-	-	-	-	-	-
Securities lending collateral of State Treasurer	-	-	-	-	-	-	-	-
Intergovernmental receivables, net	-	-	-	-	-	-	-	-
Other receivables, net	-	-	-	-	-	-	-	-
Due from other State funds	-	-	-	-	-	-	-	-
Due from other Office funds	-	-	-	-	-	-	-	-
Inventories	-	3,995	-	-	-	-	-	-
Total assets	\$ 68	\$ 23,062	\$ -	\$ 79	\$ 69	\$ 51	\$ 164	\$ 4,531
LIABILITIES								
Accounts payable and accrued liabilities	56	1,121	-	45	-	-	-	83
Intergovernmental payables	-	10	-	-	-	-	-	-
Due to other State fiduciary funds	-	33	-	-	-	-	-	5
Due to other Office funds	-	-	-	-	-	-	-	-
Due to other State funds	-	5	-	-	-	-	-	8
Due to State of Illinois component units	-	-	-	-	-	-	-	-
Unearned revenue	4	-	-	1	3	1	5	-
Obligations under securities lending of State Treasurer	-	-	-	-	-	-	-	-
Total liabilities	60	1,169	-	46	3	1	5	96
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue	-	-	-	-	-	-	-	-
Total liabilities and deferred inflows of resources	60	1,169	-	46	3	1	5	96
FUND BALANCES (DEFICITS)								
Nonspendable	-	-	-	-	-	-	-	-
Inventories	-	3,995	-	-	-	-	-	-
Restricted for:								
General government	8	-	-	33	66	50	-	-
Committed to:								
General government	-	17,898	-	-	-	-	159	4,435
Capital projects	-	-	-	-	-	-	-	-
Assigned to:								
General government	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-
Total fund balances	8	21,893	-	33	66	50	159	4,435
Total liabilities, deferred inflows of resources and fund balances	\$ 68	\$ 23,062	\$ -	\$ 79	\$ 69	\$ 51	\$ 164	\$ 4,531

STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE

COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENT FUNDS (Continued)
(Expressed in Thousands)

June 30, 2018

		Special Revenue							
		Secretary of State DUI 0758	Secretary of State Police Services 0759	Marine Corps Scholarship 0760	State Parking Facility Maintenance 0782	Illinois EMS Memorial Scholarship and Training 0800	International Brotherhood of Teamsters 0803	Share the Road 0854	Cycle Rider Safety Training 0863
ASSETS									
Unexpended appropriations	-	-	-	-	9	-	-	-	-
Cash equity with State Treasurer	7	624	76	-	-	12	5	24	491
Cash and cash equivalents	-	-	-	-	-	-	-	-	-
Securities lending collateral of State Treasurer	-	-	-	-	-	-	-	-	-
Intergovernmental receivables, net	-	-	-	-	-	-	-	-	-
Other receivables, net	-	-	-	-	-	-	-	-	-
Due from other State funds	-	-	-	-	-	-	-	-	-
Due from other Office funds	-	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-	-
Total assets	7	624	76	9	12	5	24	491	
LIABILITIES									
Accounts payable and accrued liabilities	-	23	-	9	-	-	3	-	-
Intergovernmental payables	-	-	-	-	-	-	-	-	-
Due to other State fiduciary funds	-	-	-	-	-	-	-	-	-
Due to other Office funds	-	-	-	-	-	-	-	-	-
Due to other State funds	-	-	-	-	-	-	-	-	-
Due to State of Illinois component units	-	-	4	-	-	-	-	2	80
Unearned revenue	-	-	-	-	-	-	-	-	-
Obligations under securities lending of State Treasurer	-	23	4	9	-	3	2	80	
Total liabilities	-	23	4	9	-	3	2	80	
DEFERRED INFLOWS OF RESOURCES									
Unavailable revenue	-	-	-	-	-	-	-	-	-
Total liabilities and deferred inflows of resources	-	23	4	9	-	3	2	80	
FUND BALANCES (DEFICITS)									
Nonspendable	-	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-	-
Restricted for:	7	-	-	-	12	2	22	-	
General government	-	601	72	-	-	-	-	411	
Committed to:	-	-	-	-	-	-	-	-	
General government	-	-	-	-	-	-	-	-	
Capital projects	-	-	-	-	-	-	-	-	
Assigned to:	-	-	-	-	-	-	-	-	
General government	-	-	-	-	-	-	-	-	
Unassigned	-	-	-	-	-	-	-	-	
Total fund balances	7	601	72	-	12	2	22	411	
Total liabilities, deferred inflows of resources and fund balances	7	624	76	9	12	5	24	491	

STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE

COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENT FUNDS (Continued)
(Expressed in Thousands)

June 30, 2018

	Special Revenue							Capital Projects				Total
	Fraternal Order of Police 0867	St. Jude Children's Research 0899	Ducks Unlimited 0918	Secretary of State Grant 0948	Secretary of State Antique Vehicle Show 1390	Capital Development 0141	Construction Account 0902	Build Illinois Bond 0971				
ASSETS												
Unexpended appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 61	\$ -	\$ -	\$ -	\$ -	\$ 70
Cash equity with State Treasurer	12	3	14	444	-	-	-	71,314	-	-	-	221,843
Cash and cash equivalents	-	-	-	-	13	-	-	-	-	-	-	13
Securities lending collateral of State Treasurer	-	1	-	-	-	-	-	-	-	-	-	13,703
Intergovernmental receivables, net	-	-	-	-	-	-	-	-	-	-	-	44
Other receivables, net	-	-	-	-	-	-	-	1,286	-	-	-	1,867
Due from other State funds	-	-	-	-	-	-	-	-	-	-	-	565
Due from other Office funds	-	-	-	-	-	-	-	12,932	-	-	-	12,932
Inventories	-	-	-	-	-	-	-	-	-	-	-	8,116
Total assets	\$ 12	\$ 4	\$ 14	\$ 444	\$ 13	\$ 13	\$ 61	\$ 85,532	\$ -	\$ -	\$ -	\$ 259,153
LIABILITIES												
Accounts payable and accrued liabilities	\$ 2	\$ -	\$ -	\$ 1	\$ -	\$ -	\$ 61	\$ -	\$ -	\$ -	\$ -	\$ 4,716
Intergovernmental payables	-	-	-	-	-	-	-	-	-	-	-	319
Due to other State fiduciary funds	-	-	-	-	-	-	-	-	-	-	-	674
Due to other Office funds	-	-	-	-	-	-	-	-	-	-	-	6,367
Due to other State funds	-	-	-	-	-	-	-	-	-	-	-	64
Due to State of Illinois component units	-	-	-	-	-	-	-	-	-	-	-	303
Unearned revenue	1	-	1	-	-	-	-	7,061	-	-	-	7,411
Obligations under securities lending of State Treasurer	-	1	-	-	-	-	-	-	-	-	-	13,703
Total liabilities	3	1	1	1	-	-	61	7,061	-	-	-	33,557
DEFERRED INFLOWS OF RESOURCES												
Unavailable revenue	-	-	-	-	-	-	-	-	-	-	-	19
Total liabilities and deferred inflows of resources	3	1	1	1	-	-	61	7,061	-	-	-	33,576
FUND BALANCES (DEFICITS)												
Nonspendable	-	-	-	-	-	-	-	-	-	-	-	8,116
Inventories	-	-	-	-	-	-	-	-	-	-	-	-
Restricted for:												
General government	9	3	13	-	13	-	-	-	-	-	-	10,055
Committed to:												
General government	-	-	-	-	-	-	-	-	-	-	-	128,122
Capital projects	-	-	-	-	-	-	-	78,471	-	-	-	78,471
Assigned to:												
General government	-	-	-	443	-	-	-	-	-	-	-	814
Unassigned	-	-	-	-	-	-	-	-	-	-	-	(1)
Total fund balances	9	3	13	443	13	-	-	78,471	-	-	-	225,577
Total liabilities, deferred inflows of resources and fund balances	\$ 12	\$ 4	\$ 14	\$ 444	\$ 13	\$ 13	\$ 61	\$ 85,532	\$ -	\$ -	\$ -	\$ 259,153

**STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - NON-MAJOR GOVERNMENT FUNDS
(Expressed in Thousands)

For the Year Ended June 30, 2018

		Special Revenue						
Motor Fuel Tax 0012	Alzheimer's Awareness 0020	Illinois Nurses Foundation 0028	American Red Cross 0029	Drivers Education 0031	Illinois Sheriffs' Scholarship & Training 0032	Illinois State Police Memorial Park 0034	Illinois Police K-9 Memorial 0038	
REVENUES								
Federal government	-	-	-	-	-	-	-	
Licenses and fees	5	10	-	11,853	3	21	-	
Interest and other investment income	-	-	-	-	-	-	-	
Other charges for services	-	-	-	-	-	-	-	
Other revenues	-	-	-	-	-	-	-	
Other operating grants	-	-	-	-	-	-	-	
Total revenues	5	10	-	11,853	3	21	-	
EXPENDITURES								
General government	1,300	40	1	-	1	20	1	
Debt service - interest	-	-	-	-	-	-	-	
Debt service - principal	-	-	-	-	-	-	-	
Capital outlays	-	-	-	-	-	-	-	
Total expenditures	1,300	40	1	-	1	20	1	
Excess (deficiency) of revenues over (under) expenditures	(1,300)	(30)	(1)	11,853	2	1	(1)	
OTHER SOURCES (USES) OF FINANCIAL RESOURCES								
Appropriations from State resources	1,300	-	-	-	-	-	-	
Lapsed appropriations	-	-	-	-	-	-	-	
Receipts collected and transmitted to State Treasury	-	-	-	(11,890)	-	-	-	
Capital lease and installment purchase acquisitions	-	-	-	-	-	-	-	
Reappropriations to Future Years	-	-	-	-	-	-	-	
Amount of SAMS transfers-out	-	-	-	-	-	-	-	
Transfers-in	-	-	-	-	-	-	-	
Transfers-out	-	-	-	-	-	-	-	
Transfers of administration of funds to other State Agencies	-	-	-	-	-	-	-	
Net other sources (uses) of financial resources	1,300	-	-	(11,890)	-	-	-	
Net change in fund balances	-	(10)	(30)	(1)	(37)	2	(1)	
Fund balances (deficits), July 1, 2017	-	15	36	1	1,060	22	1	
Increase (decrease) for changes in inventories	-	-	-	-	-	-	-	
FUND BALANCES (DEFICITS), JUNE 30, 2018	-	5	6	-	1,023	2	23	

**STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - NON-MAJOR GOVERNMENT FUNDS (Continued)
(Expressed in Thousands)

For the Year Ended June 30, 2018

	Special Revenue									
	Lobbyist Registration Administration 0044	National Wild Turkey Federation 0058	Curing Childhood Cancer 0066	Accessible Electronic Information Services 0106	CDLIS/ AAMVA Net Trust 0109	Motor Vehicle Theft Prevention & Insurance Verification 0156	Registered Limited Liability Partnership 0167	Secretary of State Federal Projects 0176		
REVENUES										
Federal government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	103
Licenses and fees	1,112	-	-	-	4,055	6,952	584	-	-	-
Interest and other investment income	-	-	-	-	-	184	-	-	-	-
Other charges for services	-	-	-	-	-	-	-	-	-	-
Other revenues	110	-	-	-	-	-	-	-	-	-
Other operating grants	-	-	-	-	-	-	-	-	-	-
Total revenues	1,222	-	-	-	4,055	7,136	584	-	-	103
EXPENDITURES										
General government	1,061	-	-	2	4,858	65	140	-	-	111
Debt service - interest	-	-	-	-	-	-	-	-	-	-
Debt service - principal	-	-	-	-	-	-	-	-	-	-
Capital outlays	-	-	-	-	-	-	-	-	-	-
Total expenditures	1,061	-	-	2	4,858	65	140	-	-	111
Excess (deficiency) of revenues over (under) expenditures	161	-	-	(2)	(803)	7,071	444	-	-	(8)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES										
Appropriations from State resources	-	-	-	-	-	-	-	-	-	-
Lapsed appropriations	-	-	-	-	-	-	-	-	-	-
Receipts collected and transmitted to State Treasury	-	-	-	-	-	-	-	-	-	-
Capital lease and installment purchase acquisitions	-	-	-	-	-	-	-	-	-	-
Reappropriations to Future Years	-	-	-	-	-	-	-	-	-	-
Amount of SAMS transfers-out	-	-	-	-	-	-	-	-	-	-
Transfers-in	-	-	-	-	-	-	-	-	-	-
Transfers-out	-	-	-	-	-	(6,000)	(287)	-	-	-
Transfers of administration of funds to other State Agencies	-	-	-	-	-	-	-	-	-	-
Net other sources (uses) of financial resources	-	-	-	-	-	(6,000)	(287)	-	-	-
Net change in fund balances	161	-	-	(2)	(803)	1,071	157	(8)	-	(8)
Fund balances (deficits), July 1, 2017	2,041	1	6	4	8,148	15,314	535	68	-	-
Increase (decrease) for changes in inventories	-	-	-	-	1,593	-	-	-	-	-
FUND BALANCES (DEFICITS), JUNE 30, 2018	\$ 2,202	\$ 1	\$ 6	\$ 2	\$ 8,938	\$ 16,385	\$ 692	\$ 60	\$ -	\$ -

**STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - NON-MAJOR GOVERNMENT FUNDS (Continued)
(Expressed in Thousands)

For the Year Ended June 30, 2018

		Special Revenue						
		Secretary of State Special License Plate 0185	Securities Investors Education 0292	Interagency Grant 0295	Family Financial Responsibility 0322	Motor Vehicle Review Board 0323	Securities Audit and Enforcement 0362	Department of Business Services Special Operations 0363
REVENUES								
Federal government	\$ -	\$ -	\$ -	\$ 1,852	\$ -	\$ -	\$ -	\$ 19,796
Licenses and fees	2,980	3,819	3	-	121	216	11,167	-
Interest and other investment income	-	-	-	-	-	-	236	-
Other charges for services	-	-	-	-	-	-	-	-
Other revenues	-	-	-	-	-	-	28	-
Other operating grants	-	-	-	-	-	-	-	-
Total revenues	2,980	3,819	3	1,852	121	216	11,431	19,796
EXPENDITURES								
General government	1,231	3,396	200	1,652	181	271	7,518	10,895
Debt service - interest	-	-	-	-	-	-	-	-
Debt service - principal	-	-	-	-	-	-	-	-
Capital outlays	-	-	-	200	-	-	-	-
Total expenditures	1,231	3,396	200	1,852	181	271	7,518	10,895
Excess (deficiency) of revenues over (under) expenditures	1,749	423	(197)	-	(60)	(55)	3,913	8,901
OTHER SOURCES (USES) OF FINANCIAL RESOURCES								
Appropriations from State resources	-	-	-	-	-	-	-	-
Lapsed appropriations	-	-	-	-	-	-	-	-
Receipts collected and transmitted to State Treasury	-	-	-	-	-	-	-	-
Capital lease and installment purchase acquisitions	-	-	-	-	-	-	-	-
Reappropriations to Future Years	-	-	-	-	-	-	-	-
Amount of SAMS transfers-out	-	-	-	-	-	-	-	-
Transfers-in	-	-	-	-	-	-	-	-
Transfers-out	-	-	-	-	-	-	-	-
Transfers of administration of funds to other State Agencies	-	-	(1,500)	-	-	-	(3,500)	(8,602)
Net other sources (uses) of financial resources	-	-	(1,500)	-	-	-	(3,500)	(8,602)
Net change in fund balances	1,749	423	(1,697)	-	(60)	(55)	413	299
Fund balances (deficits), July 1, 2017	1,232	4,617	9,434	311	489	222	17,511	4,367
Increase (decrease) for changes in inventories	-	398	-	-	-	-	-	-
FUND BALANCES (DEFICITS), JUNE 30, 2018	\$ 2,981	\$ 5,438	\$ 7,737	\$ 311	\$ 429	\$ 167	\$ 17,924	\$ 4,666

**STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - NON-MAJOR GOVERNMENT FUNDS (Continued)
(Expressed in Thousands)

For the Year Ended June 30, 2018

		Special Revenue						
		State College and University Trust 0417	Alternative Fuels 0422	BAIID 0451	Indigent Administration 0453	Rotary Club 0454	Ovarian Cancer Awareness 0459	Illinois Professional Golfers Association Junior Golf 0463
REVENUES								
	Federal government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Licenses and fees	265	1,819	249	1,657	4	15	50
	Interest and other investment income	-	-	-	-	-	-	-
	Other charges for services	-	-	-	-	-	-	-
	Other revenues	16	-	-	-	-	-	-
	Other operating grants	-	-	-	-	-	-	-
	Total revenues	265	1,819	249	1,657	4	15	50
EXPENDITURES								
	General government	-	225	250	1,011	6	15	75
	Debt service - interest	-	-	-	-	-	-	-
	Debt service - principal	-	-	-	-	-	-	-
	Capital outlays	-	-	-	-	-	-	-
	Total expenditures	-	225	250	1,011	6	15	75
	Excess (deficiency) of revenues over (under) expenditures	265	1,594	(1)	646	(2)	-	(25)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES								
	Appropriations from State resources	-	225	-	-	-	-	-
	Lapsed appropriations	-	-	-	-	-	-	-
	Receipts collected and transmitted to State Treasury	(264)	(1,825)	-	-	-	-	-
	Capital lease and installment purchase acquisitions	-	-	-	-	-	-	-
	Reappropriations to Future Years	-	-	-	-	-	-	-
	Amount of SAMS transfers-out	-	-	-	-	-	-	-
	Transfers-in	-	-	-	-	-	-	-
	Transfers-out	-	-	-	-	-	-	-
	Transfers of administration of funds to other State Agencies	-	-	-	-	-	-	-
	Net other sources (uses) of financial resources	(264)	(1,600)	-	-	-	-	-
	Net change in fund balances	1	(6)	(1)	646	(2)	-	(25)
	Fund balances (deficits), July 1, 2017	14	447	29	4,645	3	3	67
	Increase (decrease) for changes in inventories	-	-	-	-	-	-	-
	FUND BALANCES (DEFICITS), JUNE 30, 2018	15	441	28	5,291	1	3	42

**STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - NON-MAJOR GOVERNMENT FUNDS (Continued)
(Expressed in Thousands)

For the Year Ended June 30, 2018

		Special Revenue							
		Boy Scout and Girl Scout 0464	Agriculture in the Classroom 0466	Sheet Metal Workers Int'l Assoc. of Illinois 0468	Library Services 0470	State Library 0471	Secretary of State Identification and Theft Prevention 0480	Secretary of State Special Services 0483	Support Our Troops 0496
REVENUES									
Federal government	\$ -	\$ -	\$ -	\$ -	\$ 6,152	\$ -	\$ 53	\$ 59	\$ -
Licenses and fees	18	124	3	-	-	-	-	19,383	42
Interest and other investment income	-	-	-	-	-	-	-	-	-
Other charges for services	-	-	-	-	-	-	-	-	-
Other revenues	-	-	-	-	-	7	-	53	-
Other operating grants	-	-	-	-	-	-	-	-	-
Total revenues	18	124	3	3	6,152	7	53	19,495	42
EXPENDITURES									
General government	20	125	-	-	6,106	7	12,106	17,555	75
Debt service - interest	-	-	-	-	-	-	-	66	-
Debt service - principal	-	-	-	-	-	-	-	270	-
Capital outlays	-	-	-	-	47	-	-	2,621	-
Total expenditures	20	125	-	-	6,153	7	12,106	20,512	75
Excess (deficiency) of revenues over (under) expenditures	(2)	(1)	3	(1)	(1)	-	(12,053)	(1,017)	(33)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES									
Appropriations from State resources	-	-	-	-	-	-	-	-	-
Lapsed appropriations	-	-	-	-	-	-	-	-	-
Receipts collected and transmitted to State Treasury	-	-	-	-	-	-	-	-	-
Capital lease and installment purchase acquisitions	-	-	-	-	-	-	-	2,565	-
Reappropriations to Future Years	-	-	-	-	-	-	-	-	-
Amount of SAMS transfers-out	-	-	-	-	-	-	-	-	-
Transfers-in	-	-	-	-	-	-	11,287	-	-
Transfers-out	-	-	-	-	-	-	-	-	-
Transfers of administration of funds to other State Agencies	-	-	-	-	-	-	-	-	-
Net other sources (uses) of financial resources	-	-	-	-	-	-	11,287	2,565	-
Net change in fund balances	(2)	(1)	3	(1)	(1)	-	(766)	1,548	(33)
Fund balances (deficits), July 1, 2017	22	25	17	-	-	11	35,296	7,509	122
Increase (decrease) for changes in inventories	-	-	-	-	-	-	-	-	-
FUND BALANCES (DEFICITS), JUNE 30, 2018	\$ 20	\$ 24	\$ 20	\$ (1)	\$ (1)	\$ 11	\$ 34,530	\$ 9,057	\$ 89

**STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - NON-MAJOR GOVERNMENT FUNDS (Continued)
(Expressed in Thousands)

For the Year Ended June 30, 2018

		Special Revenue							
	Master Mason 0508	Off Highway Vehicle Trails 0574	Pan Hellenic Trust 0584	Park District Youth Program 0585	Professional Sports Team Education 0587	Illinois Route 66 Heritage Project 0594	Police Memorial Committee 0598	Mammogram 0599	
REVENUES									
Federal government	-	-	-	-	-	-	-	-	-
Licenses and fees	39	325	58	28	1,576	195	188	121	-
Interest and other investment income	-	-	-	-	-	-	-	-	-
Other charges for services	-	-	-	-	-	-	-	-	-
Other revenues	-	-	-	-	-	-	-	-	-
Other operating grants	-	-	-	-	-	-	-	-	-
Total revenues	39	325	58	28	1,576	195	188	121	
EXPENDITURES									
General government	40	-	57	27	-	180	180	126	-
Debt service - interest	-	-	-	-	-	-	-	-	-
Debt service - principal	-	-	-	-	-	-	-	-	-
Capital outlays	-	-	-	-	-	-	-	-	-
Total expenditures	40	-	57	27	-	180	180	126	
Excess (deficiency) of revenues over (under) expenditures	(1)	325	1	1	1,576	15	8	(5)	
OTHER SOURCES (USES) OF FINANCIAL RESOURCES									
Appropriations from State resources	-	-	-	-	-	-	-	-	-
Lapsed appropriations	-	-	-	-	-	-	-	-	-
Receipts collected and transmitted to State Treasury	-	(323)	-	-	-	-	-	-	-
Capital lease and installment purchase acquisitions	-	-	-	-	-	-	-	-	-
Reappropriations to Future Years	-	-	-	-	-	-	-	-	-
Amount of SAMS transfers-out	-	-	-	-	-	-	-	-	-
Transfers-in	-	-	-	-	-	-	-	-	-
Transfers-out	-	-	-	-	(1,576)	-	-	-	-
Transfers of administration of funds to other State Agencies	-	-	-	-	-	-	-	-	-
Net other sources (uses) of financial resources	-	(323)	-	-	(1,576)	-	-	-	-
Net change in fund balances	(1)	2	1	1	-	15	8	(5)	
Fund balances (deficits), July 1, 2017	3	31	93	(1)	-	58	40	13	-
Increase (decrease) for changes in inventories	-	-	-	-	-	-	-	-	-
FUND BALANCES (DEFICITS), JUNE 30, 2018	2	\$ 33	\$ 94	\$ -	\$ -	\$ 73	\$ 48	\$ 8	\$ -

**STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - NON-MAJOR GOVERNMENT FUNDS (Continued)
(Expressed in Thousands)

For the Year Ended June 30, 2018

	Special Revenue									
	Motor Vehicle License Plate 0622	Chicago Police Memorial Foundation 0639	Illinois Police Association 0655	Octave Chanute Aero Heritage 0662	Organ Donor Awareness 0716	Secretary of State DUI Administration 0732	Secretary of State DUI 0758	Secretary of State Police Services 0759		
REVENUES										
Federal government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and fees	12,867	39	104	21	148	2,299	-	-	368	-
Interest and other investment income	-	-	-	-	-	-	-	-	-	-
Other charges for services	-	-	-	-	-	-	-	5	-	-
Other revenues	565	-	-	-	-	-	-	-	17	-
Other operating grants	-	-	-	-	-	-	-	-	-	-
Total revenues	13,432	39	104	21	148	2,299	5	5	385	-
EXPENDITURES										
General government	13,076	45	100	-	-	1,908	-	-	158	-
Debt service - interest	-	-	-	-	-	-	-	-	-	-
Debt service - principal	-	-	-	-	-	-	-	-	-	-
Capital outlays	200	-	-	-	-	-	-	-	286	-
Total expenditures	13,276	45	100	-	-	1,908	-	-	444	-
Excess (deficiency) of revenues over (under) expenditures	156	(6)	4	21	148	391	5	5	(59)	-
OTHER SOURCES (USES) OF FINANCIAL RESOURCES										
Appropriations from State resources	-	-	-	-	-	-	-	-	-	-
Lapsed appropriations	-	-	-	-	-	-	-	-	-	-
Receipts collected and transmitted to State Treasury	-	-	-	-	-	-	-	-	-	-
Capital lease and installment purchase acquisitions	-	-	-	-	-	-	-	-	-	-
Reappropriations to Future Years	-	-	-	-	-	-	-	-	-	-
Amount of SAMS transfers-out	-	-	-	-	-	-	-	-	-	-
Transfers-in	-	-	-	-	-	-	-	-	-	-
Transfers-out	-	-	-	-	-	-	-	-	-	-
Transfers of administration of funds to other State Agencies	-	-	-	-	-	-	-	-	-	-
Net other sources (uses) of financial resources	-	-	-	-	-	-	-	-	-	-
Net change in fund balances	156	(6)	4	21	148	391	5	5	(59)	-
Fund balances (deficits), July 1, 2017	18,753	39	62	29	11	4,044	2	660	660	-
Increase (decrease) for changes in inventories	2,984	-	-	-	-	-	-	-	-	-
FUND BALANCES (DEFICITS), JUNE 30, 2018	\$ 21,893	\$ 33	\$ 66	\$ 50	\$ 159	\$ 4,435	\$ 7	\$ 601	\$ 601	\$ 601

**STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - NON-MAJOR GOVERNMENT FUNDS (Continued)
(Expressed in Thousands)

For the Year Ended June 30, 2018

	Special Revenue							
	Marine Corps Scholarship 0760	State Parking Facility Maintenance 0782	Illinois EMS Memorial Scholarship and Training 0800	International Brotherhood of Teamsters 0803	Share the Road Safety Training 0854	Cycle Rider Order of Police 0863	Fraternal Order of Police 0867	St. Jude Children's Research 0899
REVENUES								
Federal government	-	-	-	-	-	-	-	-
Licenses and fees	138	12	-	8	40	4,143	17	-
Interest and other investment income	-	-	-	-	-	-	-	-
Other charges for services	-	-	-	-	-	-	-	-
Other revenues	-	-	-	-	-	-	-	-
Other operating grants	-	-	-	-	-	-	-	-
Total revenues	138	12	-	8	40	4,143	17	-
EXPENDITURES								
General government	140	18	-	6	45	-	15	-
Debt service - interest	-	-	-	-	-	-	-	-
Debt service - principal	-	-	-	-	-	-	-	-
Capital outlays	-	103	-	-	-	-	-	-
Total expenditures	140	121	-	6	45	-	15	-
Excess (deficiency) of revenues over (under) expenditures	(2)	(109)	-	2	(5)	4,143	2	-
OTHER SOURCES (USES) OF FINANCIAL RESOURCES								
Appropriations from State resources	-	301	-	-	-	-	-	-
Lapsed appropriations	-	(180)	-	-	-	-	-	-
Receipts collected and transmitted to State Treasury	-	(12)	-	-	-	(4,174)	-	-
Capital lease and installment purchase acquisitions	-	-	-	-	-	-	-	-
Reappropriations to Future Years	-	-	-	-	-	-	-	-
Amount of SAMS transfers-out	-	-	-	-	-	-	-	-
Transfers-in	-	-	-	-	-	-	-	-
Transfers-out	-	-	-	-	-	-	-	-
Transfers of administration of funds to other State Agencies	-	-	-	-	-	-	-	-
Net other sources (uses) of financial resources	-	109	-	-	-	(4,174)	-	-
Net change in fund balances	(2)	-	-	2	(5)	(31)	2	-
Fund balances (deficits), July 1, 2017	74	-	12	-	27	442	7	3
Increase (decrease) for changes in inventories	-	-	-	-	-	-	-	-
FUND BALANCES (DEFICITS), JUNE 30, 2018	\$ 72	\$ -	\$ 12	\$ 2	\$ 22	\$ 411	\$ 9	\$ 3

**STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - NON-MAJOR GOVERNMENT FUNDS (Continued)
(Expressed in Thousands)

For the Year Ended June 30, 2018

	Special Revenue						Capital Projects															
	Ducks Unlimited 0918	Secretary of State Grant 0948	Secretary of State Antique Vehicle Show 1390	Capital Development 0141	State Construction Account 0902	Build Illinois Bond 0971	Total															
REVENUES																						
Federal government	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	28,015	
Licenses and fees	18	10	19	-	495,038	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	584,349	
Interest and other investment income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	420	
Other charges for services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5	
Other revenues	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	796	
Other operating grants	-	9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9	
Total revenues	18	19	19	-	495,038	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	613,594	
EXPENDITURES																						
General government	20	130	22	470	-	-	9,032	-	-	-	-	-	-	-	-	-	-	-	-	-	96,330	
Debt service - interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	66	
Debt service - principal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	270	
Capital outlays	-	19	-	1,391	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,867	
Total expenditures	20	149	22	1,861	-	-	9,032	-	-	-	-	-	-	-	-	-	-	-	-	-	101,533	
Excess (deficiency) of revenues over (under) expenditures	(2)	(130)	(3)	(1,861)	495,038	(9,032)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	512,061	
OTHER SOURCES (USES) OF FINANCIAL RESOURCES																						
Appropriations from State resources	-	-	-	2,756	-	-	-	-	-	10,110	-	-	-	-	-	-	-	-	-	-	14,692	
Lapsed appropriations	-	-	-	(895)	-	-	-	-	-	(1,078)	-	-	-	-	-	-	-	-	-	-	(2,153)	
Receipts collected and transmitted to State Treasury	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Capital lease and installment purchase acquisitions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Reappropriations to Future Years	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Amount of SAMS transfers-out	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Transfers-in	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Transfers-out	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Transfers of administration of funds to other State Agencies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Net other sources (uses) of financial resources	-	-	-	1,861	(493,565)	9,032	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(507,127)	
Net change in fund balances	(2)	(130)	(3)	-	1,473	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,934	
Fund balances (deficits), July 1, 2017	15	573	16	-	76,998	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	215,668	
Increase (decrease) for changes in inventories	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,975	
FUND BALANCES (DEFICITS), JUNE 30, 2018	\$ 13	\$ 443	\$ 13	\$ -	\$ 78,471	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 225,577	

**STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE**

**COMBINING STATEMENT OF FIDUCIARY NET POSITION - AGENCY FUNDS
(Expressed in Thousands)**

June 30, 2018

	Safety Responsibility 0436	International Registration Plan 0890	Go-Back 1110	Safekeeping 1344	Total
ASSETS					
Cash equity with State Treasurer	\$ 1,320	\$ 37	\$ -	\$ -	\$ 1,357
Cash and cash equivalents	-	-	-	305	305
Investments	-	-	-	150	150
Total assets	\$ 1,320	\$ 37	\$ -	\$ 455	\$ 1,812
LIABILITIES					
Other liabilities	\$ 1,320	\$ 37	\$ -	\$ 455	\$ 1,812
Total liabilities	\$ 1,320	\$ 37	\$ -	\$ 455	\$ 1,812

**STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE**

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS
(Expressed in Thousands)

For the Year Ended June 30, 2018

	Balance at June 30, 2017	Additions	Deletions	Balance at June 30, 2018
Safety Responsibility (0436)				
ASSETS				
Cash equity with State Treasurer	\$ 1,617	\$ 424	\$ 721	\$ 1,320
Total assets	\$ 1,617	\$ 424	\$ 721	\$ 1,320
LIABILITIES				
Other liabilities	\$ 1,617	\$ 424	\$ 721	\$ 1,320
Total liabilities	\$ 1,617	\$ 424	\$ 721	\$ 1,320
International Registration Plan (0890)				
ASSETS				
Cash equity with State Treasurer	\$ 13	\$ 90,496	\$ 90,472	\$ 37
Total assets	\$ 13	\$ 90,496	\$ 90,472	\$ 37
LIABILITIES				
Other liabilities	\$ 13	\$ 90,496	\$ 90,472	\$ 37
Total liabilities	\$ 13	\$ 90,496	\$ 90,472	\$ 37
Go-Back (1110)				
ASSETS				
Cash and cash equivalents	\$ -	\$ 19	\$ 19	\$ -
Total assets	\$ -	\$ 19	\$ 19	\$ -
LIABILITIES				
Other liabilities	\$ -	\$ 19	\$ 19	\$ -
Total liabilities	\$ -	\$ 19	\$ 19	\$ -
Safekeeping (1344)				
ASSETS				
Cash and cash equivalents	\$ 326	\$ 52	\$ 73	\$ 305
Investments	105	100	55	150
Total assets	\$ 431	\$ 152	\$ 128	\$ 455
LIABILITIES				
Other liabilities	\$ 431	\$ 152	\$ 128	\$ 455
Total liabilities	\$ 431	\$ 152	\$ 128	\$ 455
Total - All Agency Funds				
ASSETS				
Cash equity with State Treasurer	\$ 1,630	\$ 90,920	\$ 91,193	\$ 1,357
Cash and cash equivalents	326	71	92	305
Investments	105	100	55	150
Total assets	\$ 2,061	\$ 91,091	\$ 91,340	\$ 1,812
LIABILITIES				
Other liabilities	\$ 2,061	\$ 91,091	\$ 91,340	\$ 1,812
Total liabilities	\$ 2,061	\$ 91,091	\$ 91,340	\$ 1,812

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

Honorable Frank J. Mautino
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the State of Illinois, Office of the Secretary of State, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the State of Illinois, Office of the Secretary of State's basic financial statements, and have issued our report thereon dated April 15, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings as item 2018-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Illinois, Office of the Secretary of State's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Office's Response to Findings

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

Purpose of this Report

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

SIGNED ORIGINAL ON FILE

Springfield, Illinois
April 15, 2019

STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE
FINANCIAL AUDIT
For the Year Ended June 30, 2018

SCHEDULE OF FINDINGS

CURRENT FINDINGS – Government Auditing Standards

2018-001 FINDING (Weaknesses in determination of cash on hand and cash in transit amounts reported in the financial statements)

The Office of the Secretary of State's (Office) year-end process to identify the balance of cash on hand and cash in transit at June 30 contained inaccuracies. The issues associated with the inaccuracies, if not detected and corrected, could materially misstate the Office's financial statements and impact the Statewide financial statements prepared by the Office of the Comptroller.

During the testing over the cash on hand and the cash in transit balances reported in the General Revenue Fund (Fund 0001), the Road Fund (Fund 0011), and the State Construction Account Fund (Fund 0902) auditors noted the following errors in the calculation:

- The query used to determine the June receipts received by the Office, but not yet deposited into the Illinois State Treasurer's (Treasurer) clearing accounts at June 30, 2018, did not include June receipts that were still being reconciled to support records on the date the query was run. This omission resulted in an additional \$9.5 million in receipts for the Road Fund and \$9 thousand in receipts for the General Revenue Fund.
- The spreadsheet used to calculate the June receipts held in the Treasurer's clearing accounts, but not yet remitted to the Illinois Office of the Comptroller at June 30, 2018, improperly included fiscal year 2017 data in the calculation. This error resulted in an overstatement of receipts of \$2.4 million in the General Revenue Fund and an understatement of receipts of \$3 million in the Road Fund.
- The amount underfunded to the State Construction Account Fund (0902) as of June 30, 2018 was not considered in the cash in transit balance allocated at the fiscal year end. The related receipts were received by the Office before June 30, 2018 but were not paid to the State Construction Account Fund until August 2018. Due to the cash in transit process in which receipts not allocated to specific funds are allocated to the Road Fund, the receipts were held in the Road Fund at June 30, 2018. This error resulted in an overstatement of receipts of \$8.7 million in the Road Fund and an understatement of receipts of \$8.7 million in the State Construction Account Fund.

Based upon the errors noted above, audit adjustments to the Office's financial statements were made in the Road Fund, increasing the cash balance and licenses and fees revenue by \$12.510 million and increasing the due to other funds liability and decreasing the licenses and fee revenue by \$8.677 million. An adjustment was also made to the State Construction Account Fund, increasing the due from other funds balance and licenses and fees revenue by \$8.677 million. The remaining errors identified in the General Revenue Fund were not considered material by the Office and were not corrected as of June 30, 2018.

STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE
FINANCIAL AUDIT
For the Year Ended June 30, 2018

In accordance with generally accepted accounting principles (GAAP), all assets, liabilities, revenues, and expenses should be accurately measured and recorded. Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, requires fund financial statements to be prepared using the current financial resources measurement focus and the modified accrual basis of accounting which revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to ensure State’s resources are used efficiently and effectively.

During the previous audit, it was noted the Office submitted financial statements to the Illinois Office of the Comptroller with errors. The errors identified included incorrect pension adjustments and misstatements related to prepaid postage, compensated absences, accounts receivable, inventory, capital assets, and revenue. The Office stated corrective measures would be taken in order to ensure documentation of the Office financial reporting procedures are current and complete and appropriate resources would be utilized to ensure a more accurate and timely review of reports prior to submission. In the current audit, auditors identified material adjustments to the Office’s financial statements relating to cash, due to and due from other funds, and revenue.

According to the Office’s Budget and Fiscal Management Department, the Accounting Revenue Department is responsible for maintaining and reconciling the official Cash records of the Office for all Treasury held funds. Additionally, the department is responsible for the proper classification of Cash at year end. The Department of Budget and Fiscal relies on this information so that it can accurately report cash in their GAAP packages and Financial Statements. Guidance on the methodology and procedures for this process are published in the Chapter 27 of the Statewide Accounting Management System (SAMS) Manual. The Accounting Revenue Department’s process for calculating year end Cash in Transit (CIT) and Cash On Hand (COH) is largely un-documented, inconsistently applied and generally not fully understood by the department. As a result, errors existed in the underlying data and reports used for year end cash reporting required by GAAP.

As a result of the errors noted, the initial GAAP Reporting Packages and draft financial statements submitted to the Office of the Comptroller were misstated. Accurate preparation of the Office’s financial information for GAAP and financial reporting purposes is important due to the impact adjustments have on the Statewide financial statements. (Finding Code No. 2018-001, 2017-001, 2016-001)

RECOMMENDATION

We recommend the Office implement a process to review the calculation over the cash on hand and cash in transit process to determine that the calculation includes the correct fiscal year information and considers all in transit activity as of June 30th.

STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE
FINANCIAL AUDIT
For the Year Ended June 30, 2018

OFFICE RESPONSE

The Office of the Secretary of State accepts this recommendation. The Office plans to review all of the fees it collects on behalf of the State of Illinois and will implement a process to ensure that the calculation over the cash on hand and cash in transit includes the correct fiscal year information.

STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE
FINANCIAL AUDIT
For the Year Ended June 30, 2018

PRIOR YEAR FINDINGS NOT REPEATED

None