

**STATE OF ILLINOIS
DEPARTMENT OF
CENTRAL MANAGEMENT SERVICES**

FINANCIAL AUDIT

For the Year Ended June 30, 2006

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

**STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES**

FINANCIAL AUDIT

For the Year Ended June 30, 2006

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**STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES**

FINANCIAL AUDIT

For the Year Ended June 30, 2006

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**STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES**

FINANCIAL AUDIT

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NOTE: The 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* is issued under separate cover in the Compliance Report.

**STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES**

AGENCY OFFICIALS

| | |
|---|---|
| Director | Mr. Paul J. Campbell (Effective June 2, 2005) |
| Assistant Director | Ms. Maureen O'Donnell (Effective June 8, 2006) |
| Assistant Director | Mr. N. Keith Chambers (Effective through May 31, 2006) |
| | Ms. Shonda Weathers-Morrow (Effective June 19, 2006 through January 10, 2007) |
| Chief Operating Officer | Mr. Brian Chapman (Effective through April 2, 2006) |
| | Ms. Marcia Armstrong (Effective May 25, 2006) |
| Chief Fiscal Officer | Mr. Ronald Banks (Effective through December 9, 2005) |
| | Marcia Armstrong (Acting, effective December 12, 2005) |
| | Mr. Paul Romiti (Effective May 25, 2006) |
| Chief Administrative Officer / General Counsel | Mr. H. Edward Wynn (Effective through July 31, 2005) |
| General Counsel | Ms. Letitia Dominici (Acting, effective August 1, 2005) |
| | Ms. Debra Matlock (Effective February 14, 2006) |
| Chief Internal Auditor (Illinois Office of Internal Audit) | Mr. John Cressman (Effective through December 22, 2006) |
| | Ms. Carol Kraus (Acting, effective December 22, 2006) |

AGENCY OFFICE LOCATION

Stratton Office Building
401 South Spring Street
Springfield, IL 62706

**STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES**

FINANCIAL STATEMENT REPORT SUMMARY

The audit of the accompanying financial statements of the State of Illinois, Department of Central Management Services (Department) as of June 30, 2006 and for the year then ended, was performed by Sikich LLP as Special Assistant Auditors to the Auditor General, State of Illinois.

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



INDEPENDENT AUDITOR'S REPORT

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State of Illinois, Department of Central Management Services, as of and for the year ended June 30, 2006, which collectively comprise the Department of Central Management Services' basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of Illinois, Department of Central Management Services' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the financial statements of the State of Illinois, Department of Central Management Services are intended to present the financial position and changes in financial position and cash flows, where applicable, of only that portion of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State that is attributable to the transactions of the State of Illinois, Department of Central Management Services. They do not purport to, and do not, present fairly the financial position of the State of Illinois as of June 30, 2006, and its changes in financial position including cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State of Illinois, Department of Central Management Services as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 17, 2006 on our consideration of the State of Illinois, Department of Central Management Services' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and contracts. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The State of Illinois, Department of Central Management Services has not presented a management's discussion and analysis and budgetary comparison information that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Illinois, Department of Central Management Services' basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Selich LLP

Springfield, Illinois

November 17, 2006 (Except for Note 10(b) as to which the date is February 22, 2007)

State of Illinois
Department of Central Management Services

Statement of Net Assets

June 30, 2006 (Expressed in Thousands)

| | Governmental Activities | Business-type Activities |
|---|------------------------------------|-------------------------------------|
| ASSETS | | |
| Unexpended appropriations | \$ 6,707 | \$ - |
| Cash equity with State Treasurer | 72,706 | - |
| Cash and cash equivalents | 5,605 | - |
| Investments | 1,918 | - |
| Receivables, net: | | |
| Intergovernmental | 660 | - |
| Other | 846 | - |
| Due from other Department fiduciary funds | 15 | - |
| Due from other State funds | 83,039 | - |
| Due from State of Illinois component units | 596 | - |
| Inventories | 1,367 | - |
| Prepaid expenses | 762 | - |
| Capital assets not being depreciated | 36,735 | - |
| Capital assets being depreciated, net | 247,453 | - |
| Total assets | 458,409 | - |
| LIABILITIES | | |
| Accounts payable and accrued liabilities | 37,539 | - |
| Intergovernmental payables | 14,449 | - |
| Due to Department fiduciary funds | 4,259 | - |
| Due to other State fiduciary funds | 71 | - |
| Due to other State funds | 165 | - |
| Due to State of Illinois component units | 882 | - |
| Long term obligations: | | |
| Due within one year | 101,695 | - |
| Due subsequent to one year | 145,342 | - |
| Total liabilities | 304,402 | - |
| NET ASSETS | | |
| Invested in capital assets, net of related debt | 236,316 | - |
| Restricted for debt services | 3,441 | - |
| Unrestricted (deficit) | (85,750) | - |
| Total net assets | \$ 154,007 | \$ - |

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

State of Illinois
Department of Central Management Services

Statement of Activities

For the Year Ended June 30, 2006 (Expressed in Thousands)

| Functions/Programs | Expenses | Program Revenues Charges for Services | Net (Expense) Revenues and Changes in Net Assets | | |
|--|-------------------|--|---|-----------------------------|-------------------|
| | | | Governmental Activities | Business-type Activities | Total |
| Primary government | | | | | |
| Governmental activities | | | | | |
| General government | \$ 530,890 | \$ 434,444 | \$ (96,446) | \$ - | \$ (96,446) |
| Interest | 247 | - | (247) | - | (247) |
| Total governmental activities | <u>531,137</u> | <u>434,444</u> | <u>(96,693)</u> | <u>-</u> | <u>(96,693)</u> |
| Business-type activities | | | | | |
| Insurance programs | - | - | - | - | - |
| Total business-type activities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total primary government | <u>\$ 531,137</u> | <u>\$ 434,444</u> | | | <u>(96,693)</u> |
| General revenues | | | | | |
| Appropriations from State Resources | | | 96,964 | - | 96,964 |
| Lapsed appropriations | | | (2,303) | - | (2,303) |
| Receipts collected and transmitted to State Treasury | | | (4,331) | - | (4,331) |
| Interest and investment income | | | 1,454 | - | 1,454 |
| Other revenues | | | 2,081 | - | 2,081 |
| Capital transfers from other State agencies, net of related debt | | | 14,616 | - | 14,616 |
| Transfers-in | | | 757 | - | 757 |
| Transfers-out | | | (29,657) | - | (29,657) |
| Transfer of administration of programs to other State agencies | | | 164,463 | (52,041) | 112,422 |
| Transfer of administration of funds to other State agencies | | | (277) | - | (277) |
| Total general revenues and transfers | | | <u>243,767</u> | <u>(52,041)</u> | <u>191,726</u> |
| Change in net assets | | | 147,074 | (52,041) | 95,033 |
| Net assets, July 1, 2005 | | | 6,933 | 52,041 | 58,974 |
| Net assets, June 30, 2006 | | | <u>\$ 154,007</u> | <u>\$ -</u> | <u>\$ 154,007</u> |

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

State of Illinois
Department of Central Management Services

Balance Sheet -
Governmental Funds

June 30, 2006 (Expressed in Thousands)

| | <u>General Fund</u> | <u>Road Fund 0011</u> | <u>Non-major funds</u> | <u>Total Governmental Funds</u> |
|---|-------------------------|---------------------------|----------------------------|---|
| ASSETS | | | | |
| Unexpended appropriations | \$ 6,707 | \$ - | \$ - | \$ 6,707 |
| Cash equity with State Treasurer | 1,768 | - | 7,980 | 9,748 |
| Cash and cash equivalents | - | - | 2,164 | 2,164 |
| Investments | - | - | 1,918 | 1,918 |
| Receivables, net: | | | | |
| Intergovernmental receivables | - | - | 23 | 23 |
| Other receivables | 478 | - | 78 | 556 |
| Due from other Department funds | - | - | 1 | 1 |
| Due from other State funds | 6,018 | - | 9 | 6,027 |
| Total assets | <u>\$ 14,971</u> | <u>\$ -</u> | <u>\$ 12,173</u> | <u>\$ 27,144</u> |
| LIABILITIES | | | | |
| Accounts payable and accrued liabilities | \$ 2,645 | \$ - | \$ 148 | \$ 2,793 |
| Intergovernmental payables | 103 | - | - | 103 |
| Due to Department fiduciary funds | 4,259 | - | - | 4,259 |
| Due to other State fiduciary funds | 41 | - | - | 41 |
| Due to other Department funds | 1,845 | - | 4,608 | 6,453 |
| Due to other State funds | 5 | - | 4 | 9 |
| Due to State of Illinois component units | 202 | - | - | 202 |
| Unavailable revenue | 444 | - | - | 444 |
| Matured portion of long-term obligations | 1,996 | - | - | 1,996 |
| Total liabilities | <u>11,540</u> | <u>-</u> | <u>4,760</u> | <u>16,300</u> |
| FUND BALANCES (DEFICITS) | | | | |
| Reserved for encumbrances | 1,785 | - | 59 | 1,844 |
| Unreserved, undesignated: | | | | |
| General fund | 1,646 | - | - | 1,646 |
| Special revenue funds | - | - | 3,272 | 3,272 |
| Debt services funds | - | - | 4,082 | 4,082 |
| Total fund balances (deficits) | <u>3,431</u> | <u>-</u> | <u>7,413</u> | <u>10,844</u> |
| Total liabilities and fund balances (deficits) | <u>\$ 14,971</u> | <u>\$ -</u> | <u>\$ 12,173</u> | <u>\$ 27,144</u> |

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

State of Illinois
Department of Central Management Services
Reconciliation of Governmental Funds Balance Sheet
to Statement of Net Assets
June 30, 2006
(Expressed in Thousands)

| | | |
|---|-----------|----------------|
| Total fund balances-governmental funds | \$ | 10,844 |
| <p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p> | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | 319 |
| Revenues in the Statement of Activities that do not provide current financial resources are deferred in the funds. | | 444 |
| Internal service funds are used to charge costs of certain activities to individual funds. The assets and liabilities of the internal service funds are reported as governmental activities in the Statement of Net Assets. | | 328,161 |
| Some liabilities reported in the Statement of Net Assets do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds. These liabilities consist of: | | |
| Installment purchase obligations | (25) | |
| Certificates of participation | (3,057) | |
| Compensated absences | (1,855) | |
| Workers' compensation | (179,479) | |
| Auto liability claims | (1,345) | |
| | (185,761) | (185,761) |
| Net assets of governmental activities | \$ | 154,007 |

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

State of Illinois
Department of Central Management Services
Statement of Revenues, Expenditures
and Changes in Fund Balances - Governmental Funds

For the Year Ended June 30, 2006 (Expressed in Thousands)

| | General Fund | Road Fund 0011 | Non-major funds | Total Governmental Funds |
|--|------------------|-------------------|--------------------|--------------------------------|
| REVENUES | | | | |
| Interest and other investment income | \$ 378 | \$ - | \$ 263 | \$ 641 |
| Other | 108 | - | 1,694 | 1,802 |
| Other charges for services | 1,373 | - | 432 | 1,805 |
| Total revenues | <u>1,859</u> | <u>-</u> | <u>2,389</u> | <u>4,248</u> |
| EXPENDITURES | | | | |
| General government | 94,804 | (1) | 12,696 | 107,499 |
| Debt service - principal | - | - | 1,853 | 1,853 |
| Debt service - interest | - | - | 247 | 247 |
| Capital outlays | 8 | - | - | 8 |
| Total expenditures | <u>94,812</u> | <u>(1)</u> | <u>14,796</u> | <u>109,607</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(92,953)</u> | <u>1</u> | <u>(12,407)</u> | <u>(105,359)</u> |
| OTHER SOURCES (USES) OF FINANCIAL RESOURCES | | | | |
| Appropriations from State resources | 96,964 | - | - | 96,964 |
| Lapsed appropriations | (2,303) | - | - | (2,303) |
| Receipts collected and transmitted to State Treasury | (4,330) | (1) | - | (4,331) |
| Proceeds from sale of capital assets | 4,200 | - | - | 4,200 |
| Transfer of administration of programs to other State agencies | 164,463 | - | - | 164,463 |
| Transfer of administration of funds to other State agencies | - | - | (277) | (277) |
| Transfers-in | - | - | 757 | 757 |
| Transfers-out | (520) | - | (6,185) | (6,705) |
| Net other sources (uses) of financial resources | <u>258,474</u> | <u>(1)</u> | <u>(5,705)</u> | <u>252,768</u> |
| Net change in fund balances | <u>165,521</u> | <u>-</u> | <u>(18,112)</u> | <u>147,409</u> |
| Fund balances (deficits), July 1, 2005 | <u>(162,090)</u> | <u>-</u> | <u>25,525</u> | <u>(136,565)</u> |
| FUND BALANCES (DEFICITS), JUNE 30, 2006 | <u>\$ 3,431</u> | <u>\$ -</u> | <u>\$ 7,413</u> | <u>\$ 10,844</u> |

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

State of Illinois
Department of Central Management Services
Reconciliation of Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to Statement of Activities
For the Year Ended June 30, 2006
(Expressed in Thousands)

| | | |
|---|-----------|----------------|
| Net change in fund balances | \$ | 147,409 |
| 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 exceeded capital outlays in the current period. | | (119) |
| Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. | | 1,853 |
| During the fiscal year the Department transferred the administration of debt from its governmental funds to an internal service fund. | | 615 |
| Some capital assets were transferred from other State agencies. | | 5,440 |
| Proceeds from sales of capital assets are reported in the governmental funds. However, in the Statement of Activities, the book value of capital assets which are sold or scrapped are also reported. This is the book value of capital assets which were sold or scrapped. | | (5,438) |
| Internal service funds are used to charge the costs of certain activities to individual funds. The net revenue of the internal service funds is reported as governmental activities in the Statement of Activities. | | 8,173 |
| 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. | | 82 |
| Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. Below are such activities. | | |
| Decrease in compensated absences obligation | | 11 |
| Increase in workers' compensation obligation | | (11,173) |
| Decrease in auto liability claims | | 221 |
| | | 221 |
| Change in net assets of governmental activities | \$ | 147,074 |

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

State of Illinois
Department of Central Management Services

Statement of Net Assets -
Proprietary Funds

June 30, 2006 (Expressed in Thousands)

| | Business-Type Activities - Enterprise Funds Non-major Proprietary Funds | Governmental Activities - Internal Service Funds |
|---|--|---|
| ASSETS | | |
| Cash equity with State Treasurer | \$ - | \$ 62,958 |
| Cash and cash equivalents | - | 3,441 |
| Receivables, net: | | |
| Intergovernmental | - | 637 |
| Other | - | 290 |
| Due from other Department fiduciary funds | - | 15 |
| Due from other Department funds | - | 12,674 |
| Due from other State funds | - | 77,012 |
| Due from State of Illinois component units | - | 596 |
| Inventories | - | 1,367 |
| Prepaid expenses | - | 762 |
| Total current assets | - | 159,752 |
| Capital assets not being depreciated | - | 36,693 |
| Capital assets being depreciated, net | - | 247,176 |
| Total assets | - | 443,621 |
| LIABILITIES | | |
| Accounts payable and accrued liabilities | - | 34,746 |
| Intergovernmental payables | - | 14,346 |
| Due to other State fiduciary funds | - | 30 |
| Due to other Department funds | - | 6,222 |
| Due to other State funds | - | 156 |
| Due to State of Illinois component units | - | 680 |
| Current portion of long-term obligations | - | 6,304 |
| Total current liabilities | - | 62,484 |
| Noncurrent portion of long-term obligations | - | 52,976 |
| Total liabilities | - | 115,460 |
| NET ASSETS | | |
| Invested in capital assets, net of related debt | - | 236,022 |
| Restricted for debt service | - | 3,441 |
| Unrestricted | - | 88,698 |
| Total net assets | \$ - | \$ 328,161 |

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

State of Illinois

Department of Central Management Services

**Statement of Revenues, Expenses and Changes in
Fund Net Assets - Proprietary Funds**

For the Year Ended June 30, 2006 (Expressed in Thousands)

| | Business-Type Activities - Enterprise Funds Non-major Proprietary Funds | Governmental Activities - Internal Service Funds |
|---|--|---|
| OPERATING REVENUES | | |
| Charges for sales and services | \$ - | \$ 482,141 |
| Other | - | 197 |
| Total operating revenues | <u>-</u> | <u>482,338</u> |
| OPERATING EXPENSES | | |
| Cost of sales and services | - | 391,562 |
| General and administrative | - | 28,298 |
| Depreciation | - | 23,816 |
| Other | - | 11,667 |
| Total operating expenses | <u>-</u> | <u>455,343</u> |
| Operating income (loss) | - | 26,995 |
| NONOPERATING REVENUES (EXPENSES) | | |
| Interest and investment income | - | 813 |
| Interest expense | - | (2,707) |
| Other expenses | - | (2,537) |
| Income (loss) before contributions and transfers | - | 22,564 |
| Capital contributions, net | - | 8,561 |
| Transfers-in | - | 7 |
| Transfers-out | - | (22,959) |
| Transfer of administration of programs to other State agencies | <u>(52,041)</u> | <u>-</u> |
| Change in net assets | (52,041) | 8,173 |
| Net assets, July 1, 2005 | <u>52,041</u> | <u>319,988</u> |
| NET ASSETS, JUNE 30, 2006 | <u>\$ -</u> | <u>\$ 328,161</u> |

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

State of Illinois
Department of Central Management Services

Statement of Cash Flows -
Proprietary Funds

For the Year Ended June 30, 2006 (Expressed in Thousands)

| | Business-Type Activities - Enterprise Funds Non-major Proprietary Funds | Governmental Activities - Internal Service Funds |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from sales and services | \$ - | \$ 23,084 |
| Cash received from transactions with other funds | - | 449,830 |
| Cash payments to suppliers for goods and services | - | (345,413) |
| Cash payments to employees for services | - | (106,623) |
| Cash receipts from other operating activities | - | 197 |
| Net cash provided (used) by operating activities | <u>-</u> | <u>21,075</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Transfers of administration of programs to other State agencies | (86,525) | - |
| Transfers-in from other funds | - | 7 |
| Transfers-out to other funds | - | (25,035) |
| Transfer of administration of programs to other State agencies | - | (50,808) |
| Net cash provided (used) by noncapital financing activities | <u>(86,525)</u> | <u>(75,836)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Acquisition and construction of capital assets | - | (11,901) |
| Principal paid on capital debt | - | (6,118) |
| Interest paid on capital debt | - | (2,707) |
| Net cash (used) by capital and related financing activities | <u>-</u> | <u>(20,726)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest and dividends on investments | - | 773 |
| Net cash provided (used) by investing activities | <u>-</u> | <u>773</u> |
| Net increase (decrease) in cash and cash equivalents | (86,525) | (74,714) |
| Cash and cash equivalents, July 1, 2005 | <u>86,525</u> | <u>141,113</u> |
| CASH AND CASH EQUIVALENTS, JUNE 30, 2006 | \$ - | \$ 66,399 |
| Reconciliation of cash and cash equivalents to the statement of net assets: | | |
| Total cash and cash equivalents per the statement of net assets | \$ - | \$ 3,441 |
| Add: cash equity with State Treasurer | - | 62,958 |
| CASH AND CASH EQUIVALENTS, JUNE 30, 2006 | \$ - | \$ 66,399 |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | |
| OPERATING INCOME (LOSS) | \$ - | \$ 26,995 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | |
| Depreciation | - | 23,816 |
| Changes in assets and liabilities: | | |
| (Increase) decrease in accounts receivable | - | (183) |
| (Increase) decrease in intergovernmental receivables | - | (130) |
| (Increase) decrease in due from other funds | - | (22,164) |
| (Increase) decrease in due from State of Illinois component units | - | 72 |
| (Increase) decrease in inventory | - | 400 |
| (Increase) decrease in prepaid expenses | - | 138 |
| Increase (decrease) in accounts payable and accrued liabilities | - | (24,698) |
| Increase (decrease) in intergovernmental payables | - | 12,572 |
| Increase (decrease) in due to other State funds | - | 3,374 |
| Increase (decrease) in due to State of Illinois component units | - | 174 |
| Increase (decrease) in other liabilities | - | 709 |
| Total adjustments | <u>-</u> | <u>(5,920)</u> |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | \$ - | \$ 21,075 |
| NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES | | |
| Cost of installment purchases | \$ - | \$ 533 |
| Loss on sale of equipment | \$ - | \$ (2,537) |
| Transfer of capital assets, net of related debt, to/from other State funds | \$ - | \$ 8,553 |
| Total noncash investing, capital and financing activities | \$ - | \$ 6,549 |

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

State of Illinois
Department of Central Management Services

Statement of Fiduciary Net Assets

June 30, 2006 (Expressed in Thousands)

| | <u>Pension Trust Fund</u> | |
|--|---|---------------------|
| | State Employees' Deferred Compensation Plan 0755 | <u>Agency Funds</u> |
| ASSETS | | |
| Cash equity with State Treasurer | \$ 4,718 | \$ 9,219 |
| Cash and cash equivalents | 3,371 | 2,040 |
| Investments: | | |
| Equities | 2,067,911 | - |
| Fixed income | 557,425 | - |
| Other receivables, net | 1,157 | 28 |
| Due from other Department funds | - | 4,259 |
| Due from other State funds | - | 10 |
| Due from State of Illinois component units | - | 329 |
| Total assets | <u>2,634,582</u> | <u>15,885</u> |
| LIABILITIES | | |
| Accounts payable and accrued liabilities | 1,172 | 15,866 |
| Due to other Department funds | 15 | - |
| Due to State of Illinois component units | - | 19 |
| Other liabilities | 126 | - |
| Total liabilities | <u>1,313</u> | <u>\$ 15,885</u> |
| NET ASSETS | | |
| Held in trust for: | | |
| Deferred compensation benefits | 2,633,269 | |
| Total net assets | <u>\$ 2,633,269</u> | |

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

State of Illinois

Department of Central Management Services

Statement of Changes in Fiduciary Net Assets

For the Year Ended June 30, 2006 (Expressed in Thousands)

| | Pension Trust Fund |
|---|---|
| | State Employees' Deferred Compensation Plan 0755 |
| Deposits/Contributions: | |
| Members/participants | \$ 152,081 |
| Other contributions | 4,436 |
| Total contributions | <u>156,517</u> |
| Investment earnings: | |
| Interest, dividends and other investment income | 111,428 |
| Net appreciation of investments | 115,602 |
| Interest expense | (1,389) |
| Net investment income | <u>225,641</u> |
| Other additions | <u>1,128</u> |
| Total additions | <u>383,286</u> |
| Deductions: | |
| Benefit payments | 137,476 |
| General and administration | 1,246 |
| Total deductions | <u>138,722</u> |
| Net additions (deductions) | 244,564 |
| Net assets, July 1, 2005 | <u>2,388,705</u> |
| Net assets, JUNE 30, 2006 | <u><u>\$ 2,633,269</u></u> |

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

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

Notes to Financial Statements

June 30, 2006

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STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

Notes to Financial Statements

June 30, 2006

(1) Organization

The Department of Central Management Services (the Department) is a part of the executive branch of government of the State of Illinois (State) and operates under the authority of and review by the Illinois General Assembly. The Department operates under a budget approved by the General Assembly in which resources are appropriated for the use of the Department. Activities of the Department are subject to the authority of the Office of the Governor, the State's chief executive officer, and other departments of the executive and legislative branches of government (such as the Governor's Office of Management and Budget, the State Treasurer's Office, and the State Comptroller's Office) as defined by the Illinois General Assembly. All funds appropriated to the Department and all other cash received are under the custody and control of the State Treasurer, with the exception of ESCO COP Debt Service Fund, the Facilities Management Fund, the State Employees' Deferred Compensation Plan, and the Flexible Spending Account.

The Department provides a variety of centralized services for the operation of State Government. The Department provides personnel services for State agencies; purchases goods and services for State agencies; supplies telecommunications, data processing, videoconferencing, and office automation; manages state property, and disseminates information about State Government to the news media and general public. It employs volume purchasing and economies of scale to reduce costs and improve government efficiency. The Department also promotes the economic development of minority and female businesses and rehabilitation facilities for persons with disabilities.

(2) Summary of Significant Accounting Policies

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

(a) Financial Reporting Entity

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

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

Based upon the required criteria, the Department has no component units and is not a component unit of any other entity. However, because the Department is not legally separate from the State of Illinois, the financial statements of the Department are included in the financial statements of the State of Illinois. The State of Illinois' Comprehensive Annual Financial Report may be

**STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES**

Notes to Financial Statements

June 30, 2006

obtained by writing to the State Comptroller's Office, Financial Reporting Department, 325 West Adams Street, Springfield, Illinois, 62704-1871.

(b) Basis of Presentation

The financial statements of the State of Illinois, Department of Central Management Services, are intended to present the financial position, the changes in financial position, and the cash flows of only that portion of the governmental and business-type activities, by each major fund of the State of Illinois, and the aggregate remaining fund information of the State of Illinois that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the State of Illinois as of June 30, 2006, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Government-wide Statements. The government-wide statement of net assets and statement of activities report the overall financial activity of the Department, excluding fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities of the Department. These statements distinguish between the *governmental* and *business-type* activities of the Department. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Department and for each function of the Department's governmental activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges paid by the recipients of goods or services offered by the programs. Revenues that are not classified as program revenues, including sales of surplus State property, are presented as general revenues.

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

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

**STATE OF ILLINOIS
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June 30, 2006

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

General – This is the State’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The services which are administered by the department and accounted for in the general fund include, among others, health and social services.

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.

Additionally, the Department reports the following funds types:

Governmental Fund Types:

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

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

Proprietary Fund Types:

Enterprise – These funds account for operations where the intent of the Department is that the cost of providing goods or services for health insurance programs on a continuing basis be financed or recovered primarily through user charges.

Internal Service – These funds account for data processing, printing, fleet management, facilities management, professional services, and telecommunications provided to agencies of the State on a reimbursement basis.

Fiduciary Fund Types:

Pension Trust – The State Employees’ Deferred Compensation plan is reported as a pension (and other employee benefit) trust fund in order to account for resources required to be held in trust for the members in accordance with Illinois Compiled Statutes(40 ILCS 5/24-101) and Section 457 of the Internal Revenue Code.

Agency – These funds account for amounts in which the Department acts as in the capacity of an agent and collects and distributes employee payroll withholdings for purchase of life insurance, tax-free payments of eligible medical and dental expenses, and tax-free payments of eligible child and/or adult day care costs.

**STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES**

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June 30, 2006

(c) *Measurement Focus and Basis of Accounting*

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus (except for agency funds which do not have a measurement focus) and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Nonexchange transactions, in which the Department gives (or receives) value without directly receiving (or giving) equal value in exchange, include donations. Revenue from donations 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, 1) principal and interest on formal debt issues, such as bonds and capital leases, are recorded only when payment is due and 2) compensated absences and claims and judgments are recorded 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 interest and other charges for services. All other revenue sources including fines, penalties, licenses and other miscellaneous revenues are considered to be measurable and available only when cash is received.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The State also has the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The State has elected not to follow subsequent private-sector guidance as it relates to the Department's operations.

(d) *Shared Fund Presentation*

The financial statement presentation for the General Fund and the Road Fund represents only the portion of shared funds that can be directly attributed to the operations of the Department. Financial statements for total fund operations of the shared State funds are presented in the State of Illinois' Comprehensive Annual Financial Report.

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

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DEPARTMENT OF CENTRAL MANAGEMENT SERVICES**

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Unexpended Appropriations

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

Appropriations from State Resources

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

Lapsed Appropriations

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

Receipts Collected and Transmitted to State Treasury

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

(e) Eliminations

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

(f) Cash and Cash Equivalents

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

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DEPARTMENT OF CENTRAL MANAGEMENT SERVICES**

Notes to Financial Statements

June 30, 2006

(g) Inventories

Inventories of the State Garage Revolving Fund, consisting primarily of automotive parts, accessories, and supplies, are valued at cost, principally on the weighted average method. Inventories of the Statistical Services Revolving Fund and the Paper and Printing Revolving Fund, consisting primarily of paper and printing supplies, are valued at cost, principally on the first-in, first-out (FIFO) method. Significant inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

(h) Prepaid items

Payments made to vendors for services that will benefit periods beyond the date of this report are recorded as prepaid items on the government-wide statement of net assets.

(i) Interfund Transactions

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

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

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

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

The Department also has activity with various component units of the State of Illinois for professional services rendered and on-behalf employee benefits paid.

(j) Capital Assets

Capital assets, which consist of equipment, automobiles, and real property, are reported at cost or estimated historical cost based on appraisals. Contributed assets are reported at estimated fair value at the time received. Capital assets are depreciated using the straight-line method.

Capitalization thresholds and the estimated useful lives are as follows:

**STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES**

Notes to Financial Statements

June 30, 2006

| Capital Asset Category | Capitalization Threshold | Estimated Useful Life |
|------------------------|--------------------------|-----------------------|
| Land | \$100,000 | N/A |
| Land Improvements | 25,000 | N/A |
| Buildings | 100,000 | 10-60 |
| Building Improvements | 25,000 | 10-45 |
| Equipment | 5,000 | 3-25 |

(k) *Compensated Absences*

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

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

(l) *Fund Balances*

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

(m) *Net Assets*

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

Invested in Capital Assets, Net of Related Debt – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, mortgages, notes, or

**STATE OF ILLINOIS
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other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

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

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

(n) Use of Estimates

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

(o) State Employees’ Deferred Compensation Plan Administration

By State statute the Department is responsible for administering the State Employees’ Deferred Compensation Plan (Plan). The Department contracts with PRIMCO for investment management services and T. Rowe Price Retirement Plan Services, Inc. to provide recordkeeping services for the Plan. Additional investment management fees are paid to mutual fund managers before any dividends are declared in accordance with customary industry practices. Asset charges intended to cover the costs of administration, including investment management and recordkeeping fees, are computed monthly and withdrawn from participants’ accounts on a monthly or quarterly basis. Effective January 1, 2001, the annual fee charged to participants was limited to a maximum of \$45.

(p) New Accounting Pronouncements

Effective for the year ended June 30, 2006 the State adopted GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, which established accounting and financial reporting standards for the impairment of capital assets. There was no impact on the Department’s financial statements as a result of adopting this statement.

Effective for the year ended June 30, 2006 the State adopted portions GASB Statement No. 47, *Accounting for Termination Benefits*, not related to obligations under defined benefit nonpension postemployment benefit plans which established accounting and financial reporting standards for termination benefits. There was no impact on the Department’s financial statements as a result of adopting this statement.

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Notes to Financial Statements

June 30, 2006

(3) Deposits and Investments

(a) Deposits

The State Treasurer is the custodian of the State's cash and cash equivalents for funds maintained in the State Treasury. The Department independently manages cash and cash equivalents 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 Department does not own individual securities. Detail on the nature of these deposits and investments is available within the State of Illinois' Comprehensive Annual Financial Report.

(b) Investments

The Department's investments consist of amounts held by trustees in accordance with debt covenants; amounts held as State employee payroll withholdings for purchase of life insurance, tax-free payments of eligible medical and dental expenses, and tax-free payments of eligible child and/or adult day care costs; and amounts held as part of the State's employee retirement savings plan in accordance with Section 457 of the Internal Revenue Code. The investments held by trustees in accordance with debt covenants and held by third-party health insurance administrators are subject to the Public Funds Investment Act (30 ILCS 235). The investments held for the State's Section 457 plan are held in mutual funds which are selected by the Illinois State Board of Investments after satisfactory review of such factors as the investment experience of the underlying manager, the suitability of the investment approach used, and the investment record.

As of June 30, 2006, the Department had the following fixed income investments outside of the State Treasury:

**STATE OF ILLINOIS
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Notes to Financial Statements

June 30, 2006

| | <u>Book Value (Thousands)</u> | <u>Fair Value (Thousands)</u> | <u>Weighted Average Maturity (Years)</u> |
|---|---------------------------------------|---------------------------------------|--|
| <i>Governmental and Business-Type Activities</i> | | | |
| Money market mutual funds | \$ 5,605 | \$ 3,514 | 0.010 |
| Total fixed income investments | <u>\$ 5,605</u> | <u>\$ 3,514</u> | |
| <i>Fiduciary Funds</i> | | | |
| Money market mutual funds | \$ 51,962 | \$ 52,435 | 0.104 |
| Debt mutual funds | <u>109,724</u> | <u>109,724</u> | 7.250 |
| Total fixed income investments | <u>\$ 161,686</u> | <u>\$ 162,159</u> | |

Interest Rate Risk: The Department 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.

Credit Risk: The Department does not have a formal investment policy that limits investment choices. The Governmental and Business-Type activities mutual funds were rated of Aaa by Moody's. \$2,040 of the Fiduciary Funds money market mutual funds were rated AAAM by Standard and Poor's. The remaining fiduciary fund investments in fixed income securities of \$49,922 of money market mutual funds and \$109,724 of debt mutual funds were unrated.

(c) Reconciliation to Statement of Net Assets and Statement of Fiduciary Net Assets

The Statement of Net Assets and Statement of Fiduciary Net Assets cash and cash equivalents contain certain short-term investments (included as investments above) to reflect their liquidity. A reconciliation (amounts expressed in thousands) follows:

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Notes to Financial Statements

June 30, 2006

| <i>Governmental and Business-Type Activities</i> | <u>Deposits</u> | <u>Investments</u> |
|--|------------------------|----------------------------|
| Amounts Per Note | \$ - | \$ 5,605 |
| Cash equivalents | 5,605 | (5,605) |
| Guaranteed investment contracts | - | 1,918 |
| Amounts per Statement of Net Assets | <u><u>\$ 5,605</u></u> | <u><u>\$ 1,918</u></u> |
| | | |
| <i>Fiduciary Funds</i> | <u>Deposits</u> | <u>Investments</u> |
| Amounts Per Note | \$ - | \$ 161,686 |
| Cash equivalents | 5,411 | (5,411) |
| Equity mutual funds | - | 1,911,636 |
| Annuities | - | 1,960 |
| Guaranteed investment contracts | - | 555,465 |
| Amounts per Statement of Fiduciary Net Assets | <u><u>\$ 5,411</u></u> | <u><u>\$ 2,625,336</u></u> |

**STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES**

Notes to Financial Statements

June 30, 2006

(4) Interfund Balances and Activity

(a) Balances Due to/from Other Funds

The following balances (amounts expressed in thousands) at June 30, 2006 represent amounts due from other Department and State of Illinois funds.

| <u>Fund</u> | <u>Due from</u> | | | <u>Description/Purpose</u> |
|------------------------------|---------------------------------------|------------------------------|---|---|
| | <u>Other Department Funds</u> | <u>Other State Funds</u> | <u>Other Department Fiduciary Funds</u> | |
| General | \$ - | \$ 6,018 | \$ - | Due from other State funds for reimbursement of expenditures incurred. |
| Non-major governmental funds | 1 | 9 | - | Due from other Department funds and other State funds for sales of federal surplus property. |
| Internal service funds | 12,674 | 77,012 | 15 | Due from other Department funds, other State funds, and other Department fiduciary funds for services provided. |
| Fiduciary funds | 4,259 | 10 | - | Due from other Department and other State funds for group insurance payments. |
| | <u>\$ 16,934</u> | <u>\$ 83,049</u> | <u>\$ 15</u> | |

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June 30, 2006

The following balances (amounts expressed in thousands) at June 30, 2006 represent amounts due to other Department and State of Illinois funds.

| <u>Fund</u> | <u>Due to</u> | | | | <u>Description/Purpose</u> |
|------------------------------|---------------------------------------|------------------------------|---|--|--|
| | <u>Other Department Funds</u> | <u>Other State Funds</u> | <u>Other Department Fiduciary Funds</u> | <u>Other State Fiduciary Funds</u> | |
| General | \$ 1,845 | \$ 5 | \$ 4,259 | \$ 41 | Due to other Department funds for internal service fund services received, other State funds for services received, other Department fiduciary funds for group insurance payments, and other State fiduciary funds for retirement contributions. |
| Non-major governmental funds | 4,608 | 4 | - | - | Due to other Department funds for internal service fund services received and other State funds for services received. |
| Internal service funds | 6,222 | 156 | - | 30 | Due to other Department funds for internal service fund services received, other State funds for services received, and other State fiduciary funds for retirement contributions. |
| Fiduciary funds | 15 | - | - | - | Due to other Department funds for internal service fund services received. |
| | <u>\$ 12,690</u> | <u>\$ 165</u> | <u>\$ 4,259</u> | <u>\$ 71</u> | |

**STATE OF ILLINOIS
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Notes to Financial Statements

June 30, 2006

(b) Transfers to/from Other Funds

Interfund transfers in (amounts expressed in thousands) for the year ended June 30, 2006, were as follows:

| <u>Fund</u> | <u>Transfers in from</u> | | <u>Description/Purpose</u> |
|------------------------------|---------------------------------------|------------------------------|---|
| | <u>Other Department Funds</u> | <u>Other State Funds</u> | |
| Non-major governmental funds | \$ - | \$ 757 | Transfers from other State funds for debt service requirements. |
| Internal service funds | 7 | - | Transfer from other Department funds pursuant to statute. |
| | <u>\$ 7</u> | <u>\$ 757</u> | |

Interfund transfers out (amounts expressed in thousands) for the year ended June 30, 2006, were as follows:

| <u>Fund</u> | <u>Transfers out to</u> | | <u>Description/Purpose</u> |
|-----------------------------|---------------------------------------|------------------------------|--|
| | <u>Other Department Funds</u> | <u>Other State Funds</u> | |
| General | \$ - | \$ 520 | Transfers to other State funds due to budget shortfalls. |
| Nonmajor governmental funds | 7 | 6,178 | Transfer to other Department funds pursuant to statute and other State funds due to budget shortfalls. |
| Internal service funds | - | 22,959 | Transfer to other State funds pursuant to statute and due to budget shortfalls. |
| | <u>\$ 7</u> | <u>\$ 29,657</u> | |

**STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES**

Notes to Financial Statements

June 30, 2006

(5) Capital Assets

Capital asset activity (amounts expressed in thousands) for the year ended June 30, 2006 was as follows:

| | <u>Balance July 1, 2005</u> | <u>Additions</u> | <u>Deletions</u> | <u>Net Transfers</u> | <u>Balance June 30, 2006</u> |
|--|---------------------------------|--------------------|------------------|--------------------------|----------------------------------|
| Governmental activities: | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land and land improvements | \$ 36,731 | \$ - | \$ 369 | \$ 369 | \$ 36,731 |
| Nondepreciable historical treasures and works of art | 4 | - | - | - | 4 |
| Total capital assets not being depreciated | <u>36,735</u> | <u>-</u> | <u>369</u> | <u>369</u> | <u>36,735</u> |
| Capital assets being depreciated: | | | | | |
| Site improvements | 3,865 | - | 1,352 | 1,376 | 3,889 |
| Buildings and building improvements | 406,991 | - | 15,099 | 29,906 | 421,798 |
| Equipment | 163,578 | 12,442 | 25,913 | 2,262 | 152,369 |
| Depreciable historical treasures and works of art | 970 | - | - | - | 970 |
| Total capital assets being depreciated | <u>575,404</u> | <u>12,442</u> | <u>42,364</u> | <u>33,544</u> | <u>579,026</u> |
| Less accumulated depreciation: | | | | | |
| Site improvements | 1,798 | 199 | 1,242 | 1,242 | 1,997 |
| Buildings and building improvements | 187,095 | 11,392 | 10,139 | 15,860 | 204,208 |
| Equipment | 133,638 | 12,352 | 23,377 | 1,785 | 124,398 |
| Depreciable historical treasures and works of art | 970 | - | - | - | 970 |
| Total accumulated depreciation | <u>323,501</u> | <u>23,943</u> | <u>34,758</u> | <u>18,887</u> | <u>331,573</u> |
| Total capital assets being depreciated, net | <u>251,903</u> | <u>(11,501)</u> | <u>7,606</u> | <u>14,657</u> | <u>247,453</u> |
| Governmental activity capital assets, net | <u>\$ 288,638</u> | <u>\$ (11,501)</u> | <u>\$ 7,975</u> | <u>\$ 15,026</u> | <u>\$ 284,188</u> |

**STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES**

Notes to Financial Statements

June 30, 2006

(5) Capital Assets (continued)

Depreciation expense for governmental activities (amounts expressed in thousands) for the year ended June 30, 2006 was charges to functions as follows:

| | |
|--------------------|------------------|
| General government | \$ <u>23,943</u> |
|--------------------|------------------|

(6) Long-Term Obligations

(a) Changes in Long-Term Obligations

Changes in long-term obligations (amounts expressed in thousands) for the year ended June 30, 2006 were a follows:

| | Balance July 1, 2005 | Additions | Deletions | Balance June 30, 2006 | Amounts Due Within One Year |
|--|-------------------------------------|--------------------------|--------------------------|--------------------------------------|--|
| Governmental activities: | | | | | |
| Compensated Absences | \$ 12,831 | \$ 7,108 | \$ 6,672 | \$ 13,267 | \$ 872 |
| Capital lease obligations | 105 | 418 | 52 | 471 | 55 |
| Installment purchase obligations | 12,276 | 533 | 3,585 | 9,224 | 2,806 |
| Certificates of participation | 45,589 | - | 4,334 | 41,255 | 5,835 |
| Workers' compensation claim obligations | 169,330 | 104,745 | 92,891 | 181,184 | 90,732 |
| Auto liability claim obligations | <u>1,566</u> | <u>1,449</u> | <u>1,379</u> | <u>1,636</u> | <u>1,395</u> |
| Total governmental activities | <u>\$ 241,697</u> | <u>\$ 114,253</u> | <u>\$ 108,913</u> | <u>\$247,037</u> | <u>\$ 101,695</u> |
| Business-type activities: | | | | | |
| Compensated Absences | <u>\$ 111</u> | <u>\$ -</u> | <u>\$ 111</u> | <u>\$ -</u> | <u>\$ -</u> |
| Total business-type activities | <u>\$ 111</u> | <u>\$ -</u> | <u>\$ 111</u> | <u>\$ -</u> | <u>\$ -</u> |

Compensated absences have been liquidated by the applicable fund that accounts for the salaries and wages of the related employees.

**STATE OF ILLINOIS
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Notes to Financial Statements

June 30, 2006

(b) Capital lease obligations

The Department leases office space with a historical cost and accumulated depreciation of \$1.462 and \$.462 million, respectively, under capital lease arrangements. Although lease terms vary, certain leases are renewable subject to appropriation by the General Assembly. If renewal is reasonably assured, leases requiring appropriation by the General Assembly are considered non-cancelable leases for financial reporting. Future minimum lease payments (amounts expressed in thousands) at June 30, 2006 are as follows:

| Year Ending June 30 | Principal | Interest | Total |
|--------------------------------|------------------|-----------------|---------------|
| 2007 | \$ 55 | \$ 24 | \$ 79 |
| 2008 | 58 | 21 | 79 |
| 2009 | 61 | 18 | 79 |
| 2010 | 64 | 15 | 79 |
| 2011 | 68 | 11 | 79 |
| 2012-2016 | 165 | 11 | 176 |
| | <u>\$ 471</u> | <u>\$ 100</u> | <u>\$ 571</u> |

(c) Installment purchase obligations

The Department has acquired certain vehicles, electronic data processing and data storage equipment, and communication and video equipment through installment purchase arrangements. Future debt service requirements under installment purchase contracts (amounts expressed in thousands) at June 30, 2006, are as follows:

| Year Ending June 30 | Principal | Interest | Total |
|--------------------------------|------------------|-----------------|-----------------|
| 2007 | \$ 2,806 | \$ 283 | \$ 3,089 |
| 2008 | 2,605 | 184 | 2,789 |
| 2009 | 2,141 | 103 | 2,244 |
| 2010 | 1,672 | 29 | 1,701 |
| | <u>\$ 9,224</u> | <u>\$ 599</u> | <u>\$ 9,823</u> |

**STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES**

Notes to Financial Statements

June 30, 2006

(d) Certificates of participation

The Department financed the purchase of an office building in Chicago and energy conservation measures in various State owned buildings. The office space has historical cost and accumulated depreciation of \$48.740 and \$10.098 million, respectively. This non-state issued certificate is sold by a private concern and is repaid by Department appropriations pursuant to an installment purchase agreement. Future debt service requirements under certificates of participation (amounts expressed in thousands) at June 30, 2006, are as follows:

| Year Ending | | | |
|--------------------|------------------|------------------|------------------|
| June 30 | Principal | Interest | Total |
| 2007 | \$ 5,835 | \$ 2,159 | \$ 7,994 |
| 2008 | 2,395 | 2,017 | 4,412 |
| 2009 | 2,525 | 1,881 | 4,406 |
| 2010 | 2,670 | 1,734 | 4,404 |
| 2011 | 2,820 | 1,576 | 4,396 |
| 2012-2016 | 16,795 | 5,092 | 21,887 |
| 2017-2021 | 8,215 | 500 | 8,715 |
| | <u>\$ 41,255</u> | <u>\$ 14,959</u> | <u>\$ 56,214</u> |

(7) Risk Management

The Department administers the State of Illinois' risk management except for minimal commercial insurance purchased on certain capital assets by other State agencies and auto liability for the Department of Transportation. The State is exposed to various risks of loss related to torts; theft of; damage to, and destruction of assets; errors and omissions; workers compensation; auto liability exposure; and natural disasters. The State retains the risk of loss (i.e. self insured) for these risks except minimal commercial insurance purchased on certain capital assets by other State agencies. There were no significant reductions in insurance coverage for the State from the prior fiscal year. The amount of settlements has not exceeded insurance coverage in the past three fiscal years for the State.

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

Prior to fiscal year 2006, the Department used the Health Insurance Reserve Fund, an internal service fund, to account for employee and retiree health and dental insurance benefit programs of the State, which are partially self-funded. During fiscal year 2006 the administration of the employee and retiree

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health and dental insurance benefit programs was transferred to the Department of Healthcare and Family Services.

The Department's risk financing of auto liability for the State's non-Department of Transportation liability, \$1.636 million, has been determined using an estimate of claims outstanding. Claims that will be liquidated with expendable available financial resources have been recorded as a liability in the General Revenue Fund, a subaccount of the General Fund, in the amount of \$291 thousand. The remaining portion of the liability, \$1.345 million, as of June 30, 2006, is included in the Department-wide financial statements and is expected to be paid from future resources of the General Fund.

The Department's workers' compensation liability, \$181.184 million, has been determined using claims outstanding and a projection of claims to be submitted, based upon prior years experience, to the Department. Claims that will be liquidated with expendable available financial resources have been recorded as a liability in the Workers' Compensation Revolving Fund, a subaccount of the General Fund, in the amount of \$1.705. The remaining portion of the liability, \$179.479 million, as of June 30, 2006, is included in the Department-wide financial statements and is expected to be paid from future resources of the Workers' Compensation Revolving Fund.

The following is a reconciliation of the Department's claims liabilities for the years June 30, 2005 and June 30, 2006.

| <u>Year Ended June 30</u> | <u>Beginning Balance</u> | <u>Claims Incurred</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|-------------------------------|------------------------------|----------------------------|------------------|---------------------------|
| 2005 | \$ 266,195 | \$ 1,117,022 | \$ 982,418 | \$ 400,799 |
| 2006 | \$ 400,799 | \$ 106,194 | \$ 324,173 | \$ 182,820 |

(8) Pension Plan

Substantially all of the Department's full-time employees who are not eligible for participation in another state-sponsored retirement plan participate in the State Employees' Retirement System (SERS), which is a pension trust fund in the State of Illinois reporting entity. The SERS is a single-employer defined benefit public employee retirement system (PERS) in which State employees participate, except those covered by the State Universities, Teachers', General Assembly, and Judges' Retirement Systems. The financial position and results of operations of the SERS for fiscal year 2006 are included in the State of Illinois' Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2006. The SERS issues a separate CAFR that may be obtained by writing to the SERS, 2101 South Veterans Parkway, Springfield, Illinois, 62794-9255.

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

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The Department pays employer retirement contributions based upon an actuarially determined percentage of their payrolls. For fiscal year 2006, the employer contribution rate was 7.792%. Effective for pay periods beginning after December 31, 1991, the State opted to pay the employee portion of retirement for most State agencies (including the Department) with employees covered by the State Employees' and Teachers' Retirement Systems. However, effective with the fiscal year 2004 budget, the State opted to stop paying the portion or a part of the portion of retirement for many State agencies (including the Department) for certain classes of employees covered by the State Employees' and Teachers' Retirement Systems. The pickup, when applicable, is subject to sufficient annual appropriations and those employees covered may vary across employee groups and State agencies.

(9) Post-employment Benefits

The State provides health, dental, and life insurance benefits for certain retirees and their dependents. Substantially all State employees become eligible for post-employment benefits if they eventually become annuitants of one of the State sponsored pension plans. Health and dental benefits include basic benefits for annuitants under the State's self-insurance plan and insurance contracts currently in force. Life insurance benefits are limited to \$5,000 per annuitant age 60 and older. The total cost of health, dental, and life insurance benefits of all members, including post-employment health, dental, and life insurance benefits, is recognized as an expenditure for the State in the Illinois Comprehensive Annual Financial Report. The total costs incurred for health, dental, and life insurance benefits are not separated by Department for annuitants and their dependents nor active employees and their dependents.

(10) Commitments and Contingencies

(a) Operating leases

The Department leases a parking lot, warehouse, and several buildings in Springfield, under the terms of a noncancelable operating lease agreement that requires the Department to make minimum lease payments plus pay a pro rata share of certain operating costs. Rent expense under operating leases was \$173.853 million for the year ended June 30, 2006.

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> |
|-----------------------------|-------------------|
| 2007 | \$ 78,156 |
| 2008 | 47,342 |
| 2009 | 39,920 |
| 2010 | 34,333 |
| 2011 | 29,278 |
| 2012-2016 | 63,149 |
| | <u>\$ 292,178</u> |

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(b) Federal Service Charges

The Department's internal service funds receive revenue from charges for services provided to various federal grants of the State which are subject to review and audit by federal grantor agencies. Currently, the Department of Health and Human Services is conducting the federal audit for FY04 and FY05. As a result of the ongoing audit, the Department believes that it is probable that a payback representing the federal share of excess fund balances will be required from the Statistical Services Revolving Fund (SSRF) and the Communications Revolving Fund (CRF). The Department estimates the SSRF refund may result in a payment of up to \$6.136 million and the CRF refund may result in payment of up to \$6.920 million. However, the federal audit fieldwork is incomplete, negotiations are still underway and a final settlement is yet to be determined. The Department has recorded a liability in the respective fund. The financial statement effect of any potential overcharging or undercharging of federal grants in FY 06 is indeterminable at this time.

(c) Litigation

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

(11) State Employees' Deferred Compensation Plan General Description

Under State Employees' Deferred Compensation Plan (Plan) provisions, all State employees are eligible to voluntarily elect to contribute a portion of their compensation to the Plan through payroll deduction. The Plan was created in accordance with the Illinois Compiled Statutes (40 ILCS 5/24-101) and Section 457 of the Internal Revenue Code. The financial position and results of operations of the Plan for fiscal year 2006 are included in the State's Comprehensive Annual Financial Report for the year ended June 30, 2006. The Plan issues separate financial statements on a calendar year basis that may be obtained by writing to the Deferred Compensation Plan, 201 E. Madison, Suite 1C, P.O. Box 19208, Springfield, Illinois 62794-9208.

The following description of the Plan is only general information. Participants and other interested parties should refer to the Plan agreement for a complete description of all Plan provisions.

Federal law requires the assets of the Plan and the income earned thereon to be held in trust for the exclusive benefit of the Plan participants and their beneficiaries. Participants' rights under the Plan are limited to an amount equal to the fair value of the deferral account for each individual participant.

In compliance with Section 457 of the Internal Revenue Code, the Plan limits the amount of an individual's annual contribution to 100 percent of their annual taxable compensation, not to exceed \$15,000 (\$20,000 for participants age 50 or older) and \$14,000 (\$18,000 for participants age 50 and older) for calendar years 2006 and 2005, respectively. The State does not make any contributions to the Plan. The Plan allows participants a limited make-up on deferrals in the three years prior to the

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year a participant reaches normal retirement age. For each of these three years, a participant can defer the regular limit plus an additional amount based on actual underutilized deferrals, which were made in prior years, up to a maximum of \$30,000 and \$28,000 for calendar years 2006 and 2005, respectively.

Participants may withdraw the current value of funds contributed upon termination of employment with the State of Illinois. Withdrawals can also be made due to financial hardship if approved by a committee established by the Plan. Upon retirement, participants may select various payment options, including lump sum or periodic payments. The participants may also elect to delay the distribution of their accounts to a specific future date. Death beneficiaries may select similar payment options as retired employees. All investments are assets of the Plan until such time as payments are made to participants.

(12) Subsequent Event

The Department is continuing to consolidate state-wide administrative functions for such items as facilities management, information technology, etc. to realize savings initiatives for the State of Illinois.

(13) Transfer of Administration of Funds to Other State Agencies

During the fiscal year, the Department transferred the administration of the Senior Citizens and Disabled Persons Program, a nonmajor governmental fund; the Local Governmental Health Insurance Reserve Fund, the Teacher Health Insurance Security Fund, and the Community College Health Insurance Security Fund, nonmajor proprietary funds; and the Health Insurance Reserve Fund to the Department of Healthcare and Family Services.

State of Illinois
Department of Central Management Services

Combining Schedule of Accounts
General Fund

June 30, 2006 (Expressed in Thousands)

| | General Revenue 0001 | Workers' Compensation Revolving 0332 | Total |
|--|----------------------------|---|------------------|
| ASSETS | | | |
| Unexpended appropriation | \$ 6,707 | \$ - | \$ 6,707 |
| Cash equity with State Treasurer | 4 | 1,764 | 1,768 |
| Other receivables, net | 451 | 27 | 478 |
| Due from other State funds | - | 6,018 | 6,018 |
| Total assets | \$ 7,162 | \$ 7,809 | \$ 14,971 |
| LIABILITIES | | | |
| Accounts payable and accrued liabilities | \$ 2,627 | \$ 18 | \$ 2,645 |
| Intergovernmental payables | 103 | - | 103 |
| Due to other Department fiduciary funds | 4,259 | - | 4,259 |
| Due to other State fiduciary funds | 41 | - | 41 |
| Due to other Department funds | 1,654 | 191 | 1,845 |
| Due to other State funds | 1 | 4 | 5 |
| Due to State of Illinois component units | 202 | - | 202 |
| Unavailable revenue | 444 | - | 444 |
| Matured portion of long-term obligations | 291 | 1,705 | 1,996 |
| Total liabilities | 9,622 | 1,918 | 11,540 |
| FUND BALANCES | | | |
| Reserved for encumbrances | 1,785 | - | 1,785 |
| Unreserved, undesignated | (4,245) | 5,891 | 1,646 |
| Total fund balances | (2,460) | 5,891 | 3,431 |
| Total liabilities and fund balances | \$ 7,162 | \$ 7,809 | \$ 14,971 |

State of Illinois
Department of Central Management Services

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

For the Year Ended June 30, 2006 (Expressed in Thousands)

| | General Revenue 0001 | Workers' Compensation Revolving 0332 | Total |
|--|----------------------------|---|-----------------|
| REVENUES | | | |
| Interest and other investment income | \$ - | \$ 378 | \$ 378 |
| Other revenues | 108 | - | 108 |
| Other charges for services | - | 1,373 | 1,373 |
| Total revenues | 108 | 1,751 | 1,859 |
| EXPENDITURES | | | |
| General government | 96,854 | (2,050) | 94,804 |
| Capital outlay | 8 | - | 8 |
| Total expenditures | 96,862 | (2,050) | 94,812 |
| Excess (deficiency) of revenues over (under) expenditures | (96,754) | 3,801 | (92,953) |
| OTHER SOURCES (USES) OF FINANCIAL RESOURCES | | | |
| Appropriations from State resources | 96,964 | - | 96,964 |
| Lapsed appropriations | (2,303) | - | (2,303) |
| Receipts collected and transmitted to State Treasury | (4,330) | - | (4,330) |
| Proceeds from sale of capital assets | 4,200 | - | 4,200 |
| Transfer of administration of programs to other State agencies | 164,463 | - | 164,463 |
| Transfers-out | - | (520) | (520) |
| Net other sources (uses) of financial resources | 258,994 | (520) | 258,474 |
| Net change in fund balances | 162,240 | 3,281 | 165,521 |
| Fund balances, July 1, 2005 | (164,700) | 2,610 | (162,090) |
| FUND BALANCES, JUNE 30, 2006 | \$ (2,460) | \$ 5,891 | \$ 3,431 |

State of Illinois
Department of Central Management Services

Combining Balance Sheet -
Non-major Governmental Funds

June 30, 2006 (Expressed in Thousands)

| | | | | | | Special Revenue | Debt Service | | |
|--|-----------------------------------|--|--|---|--|-------------------------------------|----------------------------------|-------------|------------------|
| | CMS State Projects Fund 302 | Efficiency Initiatives Revolving 0315 | Senior Citizens and Disabled Persons Program 0316 | Minority and Female Business Enterprise 0352 | State Surplus Property Revolving 0903 | Special Events Revolving 0989 | ESCO COP Debt Service 1255 | | Total |
| ASSETS | | | | | | | | | |
| Cash equity with State Treasurer | \$ - | \$ 7,581 | \$ - | \$ 11 | \$ 388 | \$ - | \$ - | \$ - | \$ 7,980 |
| Cash and cash equivalents | - | - | - | - | - | - | 2,164 | - | 2,164 |
| Investments | - | - | - | - | - | - | 1,918 | - | 1,918 |
| Receivables, net: | | | | | | | | | |
| Intergovernmental | - | - | - | - | 23 | - | - | - | 23 |
| Other | - | - | - | - | 78 | - | - | - | 78 |
| Due from other Department funds | - | - | - | - | 1 | - | - | - | 1 |
| Due from other State funds | - | - | - | - | 9 | - | - | - | 9 |
| Total assets | \$ - | \$ 7,581 | \$ - | \$ 11 | \$ 499 | \$ - | \$ 4,082 | \$ - | \$ 12,173 |
| LIABILITIES | | | | | | | | | |
| Accounts payable and accrued liabilities | \$ - | \$ 43 | \$ - | \$ 3 | \$ 102 | \$ - | \$ - | \$ - | \$ 148 |
| Due to other Department funds | - | 4,582 | - | - | 26 | - | - | - | 4,608 |
| Due to other State funds | - | - | - | - | 4 | - | - | - | 4 |
| Due to State of Illinois component units | - | - | - | - | - | - | - | - | - |
| Total liabilities | - | 4,625 | - | 3 | 132 | - | - | - | 4,760 |
| FUND BALANCES | | | | | | | | | |
| Reserved for encumbrances | - | - | - | 2 | 57 | - | - | - | 59 |
| Unreserved, undesignated | - | 2,956 | - | 6 | 310 | - | 4,082 | - | 7,354 |
| Total fund balances | - | 2,956 | - | 8 | 367 | - | 4,082 | - | 7,413 |
| Total liabilities and fund balances | \$ - | \$ 7,581 | \$ - | \$ 11 | \$ 499 | \$ - | \$ 4,082 | \$ - | \$ 12,173 |

State of Illinois
Department of Central Management Services
Combining Statement of Revenues,
Expenditures and Changes in Fund Balance -
Non-major Governmental Funds

For the Year Ended June 30, 2006 (Expressed in Thousands)

| | Special Revenue | | | | | | Debt Service | |
|--|-----------------------------------|--|--|---|--|-------------------------------------|----------------------------------|-----------------|
| | CMS State Projects Fund 302 | Efficiency Initiatives Revolving 0315 | Senior Citizens and Disabled Persons Program 0316 | Minority and Female Business Enterprise 0352 | State Surplus Property Revolving 0903 | Special Events Revolving 0989 | ESCO COP Debt Service 1255 | Total |
| REVENUES | | | | | | | | |
| Interest and other investment income | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 263 | \$ 263 |
| Other revenues | - | 59 | - | - | 1,609 | - | 26 | 1,694 |
| Other charges for services | 2 | - | - | - | 430 | - | - | 432 |
| Total revenues | 2 | 59 | - | - | 2,039 | - | 289 | 2,389 |
| EXPENDITURES | | | | | | | | |
| General government | 2 | 10,373 | - | 3 | 1,986 | 13 | 319 | 12,696 |
| Debt service - principal | - | - | - | - | 24 | - | 1,829 | 1,853 |
| Debt service - interest | - | - | - | - | 2 | - | 245 | 247 |
| Capital outlay | - | - | - | - | - | - | - | - |
| Total expenditures | 2 | 10,373 | - | 3 | 2,012 | 13 | 2,393 | 14,796 |
| Excess (deficiency) of revenues over (under) expenditures | - | (10,314) | - | (3) | 27 | (13) | (2,104) | (12,407) |
| OTHER SOURCES (USES) OF FINANCIAL RESOURCES | | | | | | | | |
| Transfer of administration of funds to other State agencies | - | - | (277) | - | - | - | - | (277) |
| Transfers-in | - | - | - | - | - | - | 757 | 757 |
| Transfers-out | - | (6,178) | - | - | - | (7) | - | (6,185) |
| Net other sources (uses) of financial resources | - | (6,178) | (277) | - | - | (7) | 757 | (5,705) |
| Net change in fund balances | - | (16,492) | (277) | (3) | 27 | (20) | (1,347) | (18,112) |
| Fund balances, July 1, 2005 | - | 19,448 | 277 | 11 | 340 | 20 | 5,429 | 25,525 |
| FUND BALANCES, JUNE 30, 2006 | \$ - | \$ 2,956 | \$ - | \$ 8 | \$ 367 | \$ - | \$ 4,082 | \$ 7,413 |

State of Illinois

Department of Central Management Services

Combining Statement of Net Assets

Enterprise Funds - Non-major Proprietary Funds

June 30, 2006 (Expressed in Thousands)

| | Local Government Health Insurance Reserve 0193 | Teacher Health Insurance Security 0203 | Community College Health Insurance Security 0577 | Total |
|-------------------------|--|---|--|-------------|
| ASSETS | | | | |
| Total current assets | - | - | - | - |
| NET ASSETS | | | | |
| Unrestricted | - | - | - | - |
| Total net assets | \$ - | \$ - | \$ - | \$ - |

State of Illinois

Department of Central Management Services

**Combining Statement of Revenues, Expenses,
and Changes in Fund Net Assets**

Enterprise Funds - Non-major Proprietary Funds

For the Year Ended June 30, 2006 (Expressed in Thousands)

| | Local Government Health Insurance Reserve 0193 | Teacher Health Insurance Security 0203 | Community College Health Insurance Security 0577 | Total |
|---|---|---|---|----------|
| Transfer of administration of programs to other State agencies | \$ (2,035) | \$ (39,241) | \$ (10,765) | (52,041) |
| Change in net assets | (2,035) | (39,241) | (10,765) | (52,041) |
| Net assets, July 1, 2005 | 2,035 | 39,241 | 10,765 | 52,041 |
| NET ASSETS, JUNE 30, 2006 | \$ - | \$ - | \$ - | \$ - |

State of Illinois
Department of Central Management Services

Combining Statement of Cash Flows
Enterprise Funds - Non-major Proprietary Funds

For the Year Ended June 30, 2006 (Expressed in Thousands)

| | Local Government Health Insurance Reserve 0193 | Teacher Health Insurance Security 0203 | Community College Health Insurance Security 0577 | Total |
|---|---|---|---|----------|
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | |
| Transfer of administration of programs to other State agencies | (10,337) | (62,753) | (13,435) | (86,525) |
| Net cash provided (used) by noncapital financing activities | (10,337) | (62,753) | (13,435) | (86,525) |
| Net increase (decrease) in cash and cash equivalents | (10,337) | (62,753) | (13,435) | (86,525) |
| Cash and cash equivalents, July 1, 2005 | 10,337 | 62,753 | 13,435 | 86,525 |
| CASH AND CASH EQUIVALENTS, JUNE 30, 2006 | \$ - | \$ - | \$ - | \$ - |

State of Illinois
Department of Central Management Services

Combining Statement of Net Assets

Internal Service Funds

June 30, 2006 (Expressed in Thousands)

| | State Garage Revolving 0303 | Statistical Services Revolving 0304 | Paper and Printing Revolving 0308 | Communications Revolving 0312 | Facilities Management Fund 0314 | Professional Services Fund 0317 | Health Insurance Reserve Fund 0907 | Total |
|---|-----------------------------------|--|--|-------------------------------------|--|---------------------------------------|---|-------------------|
| ASSETS | | | | | | | | |
| Cash equity with State Treasurer | \$ 1,831 | \$ 25,667 | \$ 90 | \$ 21,217 | \$ 9,861 | \$ 4,292 | \$ - | \$ 62,958 |
| Cash and cash equivalents | - | - | - | - | 3,441 | - | - | 3,441 |
| Receivables, net: | | | | | | | | |
| Intergovernmental | 23 | - | - | 614 | - | - | - | 637 |
| Other | 6 | - | - | 239 | 27 | 18 | - | 290 |
| Due from other Department fiduciary funds | - | 10 | - | 3 | 2 | - | - | 15 |
| Due from other Department funds | 95 | 2,516 | 8 | 748 | 9,307 | - | - | 12,674 |
| Due from other State funds | 6,299 | 32,176 | 118 | 20,234 | 18,111 | 74 | - | 77,012 |
| Due from State of Illinois component units | 2 | 17 | - | 541 | 36 | - | - | 596 |
| Inventories | 1,333 | - | 34 | - | - | - | - | 1,367 |
| Prepaid expenses | - | 762 | - | - | - | - | - | 762 |
| Total current assets | 9,589 | 61,148 | 250 | 43,596 | 40,785 | 4,384 | - | 159,752 |
| Capital assets not being depreciated | - | - | - | - | 36,693 | - | - | 36,693 |
| Capital assets being depreciated, net | 265 | 4,983 | - | 23,043 | 218,885 | - | - | 247,176 |
| Total assets | 9,854 | 66,131 | 250 | 66,639 | 296,363 | 4,384 | - | 443,621 |
| LIABILITIES | | | | | | | | |
| Accounts payable and accrued liabilities | 3,273 | 7,051 | 33 | 8,699 | 15,019 | 671 | - | 34,746 |
| Intergovernmental payables | 1 | 6,268 | - | 6,938 | 1,139 | - | - | 14,346 |
| Due to other State fiduciary funds | 1 | 14 | - | 5 | 10 | - | - | 30 |
| Due to other Department funds | 699 | 2,990 | 20 | 2,278 | 216 | 19 | - | 6,222 |
| Due to other State funds | 50 | 20 | - | 12 | 68 | 6 | - | 156 |
| Due to State of Illinois component units | - | - | - | 1 | 679 | - | - | 680 |
| Current portion of long-term obligations | 160 | 1,134 | - | 2,057 | 2,901 | 52 | - | 6,304 |
| Total current liabilities | 4,184 | 17,477 | 53 | 19,990 | 20,032 | 748 | - | 62,484 |
| Noncurrent portion of long-term obligations | 1,628 | 5,979 | 20 | 6,618 | 38,194 | 537 | - | 52,976 |
| Total liabilities | 5,812 | 23,456 | 73 | 26,608 | 58,226 | 1,285 | - | 115,460 |
| NET ASSETS | | | | | | | | |
| Invested in capital assets, net of related debt | - | 3,690 | - | 15,423 | 216,909 | - | - | 236,022 |
| Restricted for debt services | - | - | - | - | 3,441 | - | - | 3,441 |
| Unrestricted | 4,042 | 38,985 | 177 | 24,608 | 17,787 | 3,099 | - | 88,698 |
| Total net assets | \$ 4,042 | \$ 42,675 | \$ 177 | \$ 40,031 | \$ 238,137 | \$ 3,099 | \$ - | \$ 328,161 |

State of Illinois

Department of Central Management Services

**Combining Statement of Revenues, Expenses, and
Changes in Net Assets - Internal Service Funds**

For the Year Ended June 30, 2006 (Expressed in Thousands)

| | State Garage Revolving 0303 | Statistical Services Revolving 0304 | Paper and Printing Revolving 0308 | Communications Revolving 0312 | Facilities Management Fund 0314 | Professional Services Fund 0317 | Health Insurance Reserve Fund 0907 | Total |
|--|-----------------------------------|--|--|-------------------------------------|--|---------------------------------------|---|-------------------|
| OPERATING REVENUES | | | | | | | | |
| Charges for sales and services | \$ 36,463 | \$ 127,988 | \$ 955 | \$ 100,920 | \$ 200,963 | \$ 14,852 | \$ - | \$ 482,141 |
| Other | 197 | - | - | - | - | - | - | 197 |
| Total operating revenues | 36,660 | 127,988 | 955 | 100,920 | 200,963 | 14,852 | - | 482,338 |
| OPERATING EXPENSES | | | | | | | | |
| Cost of sales and services | 27,237 | 118,864 | 833 | 65,720 | 169,187 | 9,721 | - | 391,562 |
| General and administrative | 7,615 | 2,988 | 174 | 10,378 | 5,049 | 2,094 | - | 28,298 |
| Depreciation | 69 | 3,756 | - | 8,390 | 11,601 | - | - | 23,816 |
| Other | 375 | - | - | 11,292 | - | - | - | 11,667 |
| Total operating expenses | 35,296 | 125,608 | 1,007 | 95,780 | 185,837 | 11,815 | - | 455,343 |
| Operating income (loss) | 1,364 | 2,380 | (52) | 5,140 | 15,126 | 3,037 | - | 26,995 |
| NONOPERATING REVENUES (EXPENSES) | | | | | | | | |
| Interest and investment income | - | - | - | - | 471 | 342 | - | 813 |
| Interest expense | - | (78) | - | (299) | (2,330) | - | - | (2,707) |
| Other expenses | - | (725) | - | (1,812) | - | - | - | (2,537) |
| Income before contributions and transfers | 1,364 | 1,577 | (52) | 3,029 | 13,267 | 3,379 | - | 22,564 |
| Capital contributions, net | 2 | 425 | - | - | 8,134 | - | - | 8,561 |
| Transfers-in | - | - | - | - | 7 | - | - | 7 |
| Transfers-out | - | (3,636) | (48) | (18,008) | - | (1,267) | - | (22,959) |
| Change in net assets | 1,366 | (1,634) | (100) | (14,979) | 21,408 | 2,112 | - | 8,173 |
| Net assets, July 1, 2005 | 2,676 | 44,309 | 277 | 55,010 | 216,729 | 987 | - | 319,988 |
| NET ASSETS, JUNE 30, 2006 | \$ 4,042 | \$ 42,675 | \$ 177 | \$ 40,031 | \$ 238,137 | \$ 3,099 | \$ - | \$ 328,161 |

State of Illinois

Department of Central Management Services

Combining Statement of Cash Flows
Internal Service Funds

For the Year Ended June 30, 2006 (Expressed in Thousands)

| | State Garage Revolving 0303 | Statistical Services Revolving 0304 | Paper and Printing Revolving 0308 | Communications Revolving 0312 | Facilities Management Fund 0314 | Professional Services Fund 0317 | Health Insurance Reserve Fund 0907 | Total |
|--|-----------------------------------|--|--|-------------------------------------|--|---------------------------------------|---|-----------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | | | |
| Cash received from sales and services | \$ 778 | \$ 6,061 | \$ - | \$ 15,485 | \$ 760 | \$ - | \$ - | \$ 23,084 |
| Cash received from transactions with other funds | 35,477 | 123,957 | 1,060 | 89,427 | 184,597 | 15,312 | - | 449,830 |
| Cash payments to suppliers for goods and services | (25,095) | (68,215) | (742) | (80,281) | (167,575) | (3,505) | - | (345,413) |
| Cash payments to employees for services | (11,354) | (53,224) | (176) | (14,648) | (19,298) | (7,923) | - | (106,623) |
| Cash receipts from other operating activities | 197 | - | - | - | - | - | - | 197 |
| Net cash provided (used) by operating activities | 3 | 8,579 | 142 | 9,983 | (1,516) | 3,884 | - | 21,075 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | | | | |
| Transfers-in from other funds | - | - | - | - | 7 | - | - | 7 |
| Transfers-out to other funds | (3) | (3,650) | (183) | (19,226) | (181) | (1,792) | - | (25,035) |
| Transfer of administration of programs to other State agencies | - | - | - | - | - | - | (50,808) | (50,808) |
| Net cash provided (used) by noncapital financing activities | (3) | (3,650) | (183) | (19,226) | (174) | (1,792) | (50,808) | (75,836) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | | | | |
| Acquisition and construction of capital assets | (7) | (1,697) | - | (10,191) | (6) | - | - | (11,901) |
| Principal paid on capital debt | (5) | (1,671) | - | (1,885) | (2,557) | - | - | (6,118) |
| Interest paid on capital debt | - | (78) | - | (299) | (2,330) | - | - | (2,707) |
| Net cash (used) by capital and related financing activities | (12) | (3,446) | - | (12,375) | (4,893) | - | - | (20,726) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | | | |
| Interest and dividends on investments | - | - | - | - | 449 | 324 | - | 773 |
| Net cash provided by investing activities | - | - | - | - | 449 | 324 | - | 773 |
| Net increase (decrease) in cash and cash equivalents | (12) | 1,483 | (41) | (21,618) | (6,134) | 2,416 | (50,808) | (74,714) |
| Cash and cash equivalents, July 1, 2005 | 1,843 | 24,184 | 131 | 42,835 | 19,436 | 1,876 | 50,808 | 141,113 |
| CASH AND CASH EQUIVALENTS, JUNE 30, 2006 | \$ 1,831 | \$ 25,667 | \$ 90 | \$ 21,217 | \$ 13,302 | \$ 4,292 | \$ - | \$ 66,399 |
| Reconciliation of cash and cash equivalents to the statement of net assets: | | | | | | | | |
| Total cash and cash equivalents per the statement of net assets | \$ - | \$ - | \$ - | \$ - | \$ 3,441 | \$ - | \$ - | \$ 3,441 |
| Add: cash equity with State Treasurer | 1,831 | 25,667 | 90 | 21,217 | 9,861 | 4,292 | - | 62,958 |
| CASH AND CASH EQUIVALENTS, JUNE 30, 2006 | \$ 1,831 | \$ 25,667 | \$ 90 | \$ 21,217 | \$ 13,302 | \$ 4,292 | \$ - | \$ 66,399 |

State of Illinois

Department of Central Management Services

Combining Statement of Cash Flows
Internal Service Funds

For the Year Ended June 30, 2006 (Expressed in Thousands)

| | State Garage Revolving 0303 | Statistical Services Revolving 0304 | Paper and Printing Revolving 0308 | Communications Revolving 0312 | Facilities Management Fund 0314 | Professional Services Fund 0317 | Health Insurance Reserve Fund 0907 | Total |
|---|-----------------------------------|--|--|-------------------------------------|--|---------------------------------------|---|-----------|
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | | | | | | |
| OPERATING INCOME (LOSS) | \$ 1,364 | \$ 2,380 | \$ (52) | \$ 5,140 | \$ 15,126 | \$ 3,037 | \$ - | \$ 26,995 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | | | | | |
| Depreciation | 69 | 3,756 | - | 8,390 | 11,601 | - | - | 23,816 |
| Changes in assets and liabilities: | | | | | | | | |
| (Increase) decrease in accounts receivable | 2 | - | - | (180) | (5) | - | - | (183) |
| (Increase) decrease in intergovernmental receivables | 2 | - | - | (132) | - | - | - | (130) |
| (Increase) decrease in due from other funds | (232) | (4,128) | 104 | (2,659) | (15,569) | 320 | - | (22,164) |
| (Increase) decrease in due from component units | 1 | 14 | 1 | (48) | (36) | 140 | - | 72 |
| (Increase) decrease in inventories | 215 | 42 | 143 | - | - | - | - | 400 |
| (Increase) decrease in prepaid expenses | - | 138 | - | - | - | - | - | 138 |
| Increase (decrease) in accounts payable and accrued liabilities | (1,830) | (2,740) | (67) | (8,176) | (12,346) | 461 | - | (24,698) |
| Increase (decrease) in intergovernmental payables | - | 6,223 | - | 6,935 | (586) | - | - | 12,572 |
| Increase (decrease) in due to other funds | 380 | 2,663 | 12 | 514 | (183) | (12) | - | 3,374 |
| Increase (decrease) in due to component units | (11) | - | - | (1) | 186 | - | - | 174 |
| Increase (decrease) in other liabilities | 43 | 231 | 1 | 200 | 296 | (62) | - | 709 |
| Total adjustments | (1,361) | 6,199 | 194 | 4,843 | (16,642) | 847 | - | (5,920) |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | \$ 3 | \$ 8,579 | \$ 142 | \$ 9,983 | \$ (1,516) | \$ 3,884 | \$ - | \$ 21,075 |
| NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES | | | | | | | | |
| Cost of installment purchases | \$ 285 | \$ 248 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 533 |
| Gain (loss) on sale of property and equipment | - | (725) | - | (1,812) | - | - | - | (2,537) |
| Transfer of capital assets, net of related debt, to/from other Stat | 2 | 425 | - | (8) | 8,134 | - | - | 8,553 |
| Total noncash investing, capital and financing activities | \$ 287 | \$ (52) | \$ - | \$ (1,820) | \$ 8,134 | \$ - | \$ - | \$ 6,549 |

State of Illinois

Department of Central Management Services

Combining Statement of Fiduciary Net Assets

Agency Funds

June 30, 2006 (Expressed in Thousands)

| | Flexible Spending Account 0202 | Group Insurance Premium 0457 | Total |
|--|---|---|------------------|
| ASSETS | | | |
| Cash equity with State Treasurer | \$ 2,054 | \$ 7,165 | \$ 9,219 |
| Cash and cash equivalents | 2,040 | - | 2,040 |
| Other receivables, net | - | 28 | 28 |
| Due from other Department funds | - | 4,259 | 4,259 |
| Due from other State funds | - | 10 | 10 |
| Due from State of Illinois component units | - | 329 | 329 |
| Total assets | \$ 4,094 | \$ 11,791 | \$ 15,885 |
| LIABILITIES | | | |
| Accounts payable and accrued liabilities | \$ 4,075 | \$ 11,791 | \$ 15,866 |
| Due to State of Illinois component units | 19 | - | 19 |
| Total liabilities | \$ 4,094 | \$ 11,791 | \$ 15,885 |

State of Illinois

Department of Central Management Services

Combining Statement of Changes in Assets and Liabilities

Agency Funds

For the Year Ended June 30, 2006 (Expressed in Thousands)

| | Balance at June 30, 2005 | Additions | Deletions | Balance at June 30, 2006 |
|---|-----------------------------|------------------|------------------|-----------------------------|
| Flexible Spending Account Fund (0202): | | | | |
| ASSETS | | | | |
| Cash equity with State Treasurer | \$ 2,109 | \$ 17,626 | \$ 17,681 | \$ 2,054 |
| Cash and cash equivalents | 2,213 | - | 173 | 2,040 |
| Total assets | \$ 4,322 | \$ 17,626 | \$ 17,854 | \$ 4,094 |
| LIABILITIES | | | | |
| Accounts payable and accrued liabilities | \$ 4,315 | \$ 17,607 | \$ 17,847 | \$ 4,075 |
| Due to component units | 7 | 19 | 7 | 19 |
| Total liabilities | \$ 4,322 | \$ 17,626 | \$ 17,854 | \$ 4,094 |
| Group Insurance Premium Fund (0457): | | | | |
| ASSETS | | | | |
| Cash equity with State Treasurer | \$ 10,824 | \$ 75,182 | \$ 78,841 | \$ 7,165 |
| Other receivables, net | 30 | 28 | 30 | 28 |
| Due from other Department funds | 318 | 4,259 | 318 | 4,259 |
| Due from other State funds | 51 | 10 | 51 | 10 |
| Due from State of Illinois component units | 463 | 329 | 463 | 329 |
| Total assets | \$ 11,686 | \$ 79,808 | \$ 79,703 | \$ 11,791 |
| LIABILITIES | | | | |
| Accounts payable and accrued liabilities | \$ 11,686 | \$ 11,791 | \$ 11,686 | \$ 11,791 |
| Total liabilities | \$ 11,686 | \$ 11,791 | \$ 11,686 | \$ 11,791 |
| Total | | | | |
| ASSETS | | | | |
| Cash equity with State Treasurer | \$ 12,933 | \$ 92,808 | \$ 96,522 | \$ 9,219 |
| Cash and cash equivalents | 2,213 | - | 173 | 2,040 |
| Other receivables, net | 30 | 28 | 30 | 28 |
| Due from other Department funds | 318 | 4,259 | 318 | 4,259 |
| Due from other State funds | 51 | 10 | 51 | 10 |
| Due from State of Illinois component units | 463 | 329 | 463 | 329 |
| Total assets | \$ 16,008 | \$ 97,434 | \$ 97,557 | \$ 15,885 |
| LIABILITIES | | | | |
| Accounts payable and accrued liabilities | \$ 16,001 | \$ 29,398 | \$ 29,533 | \$ 15,866 |
| Due to component units | 7 | 19 | 7 | 19 |
| Total liabilities | \$ 16,008 | \$ 29,417 | \$ 29,540 | \$ 15,885 |