

STATE OF ILLINOIS
DEPARTMENT OF TRANSPORTATION

FINANCIAL AUDIT

For the Year Ended June 30, 2009

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

STATE OF ILLINOIS
DEPARTMENT OF TRANSPORTATION

FINANCIAL AUDIT

For the Year Ended June 30, 2009

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STATE OF ILLINOIS
DEPARTMENT OF TRANSPORTATION

FINANCIAL AUDIT

For the Year Ended June 30, 2009

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STATE OF ILLINOIS
DEPARTMENT OF TRANSPORTATION

AGENCY OFFICIALS

Secretary	Gary Hannig
Chief of Staff	Bill Grunloh
Assistant Secretary	David D. Phelps
Chief Counsel	Ellen Schanzle-Haskins
Director, Office of Finance and Administration	Ann L. Schneider
Acting Director, Office of Business and Workforce Diversity	Lawrence Parrish
Director, Office of Communications	John A. Webber
Acting Director, Office of Planning and Programming	Charles J. Ingersoll
Director, Office of Quality Compliance and Review	Daniel Kennelly
Director, Division of Aeronautics	Susan Shea
Director, Division of Highways	Christine M. Reed
Director, Division of Public and Intermodal Transportation	Joseph P. Clary
Director, Division of Traffic Safety	Michael R. Stout

Agency main offices are located at:

2300 S. Dirksen Parkway
Springfield, IL 62764

STATE OF ILLINOIS
DEPARTMENT OF TRANSPORTATION

FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying basic financial statements of the State of Illinois, Department of Transportation (Department) was performed by Sikich LLP as special assistants for the Auditor General.

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

SUMMARY OF FINDINGS

The auditors identified matters involving the Department's internal control over financial reporting that they considered to be significant deficiencies. The significant deficiencies are described in the accompanying Schedule of Findings on pages 50-56 of this report, as findings 09-1 through 09-3, summarized below. The auditors also consider finding 09-3 to be a material weakness.

- 09-1 Weaknesses in preparation of GAAP reporting forms submitted to the Illinois Office of the Comptroller and preparation of year-end Department financial statements
- 09-2 Inaccurate commodities inventory records
- 09-3 Weaknesses in the reporting of capital assets

PRIOR FINDINGS NOT REPEATED

- A. Revenue recognition/deferred revenue
- B. Restatement of shared revenues

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Department personnel at an exit conference on March 11, 2010. Attending were:

Department of Transportation

Gary Hannig, Secretary
Lori Beeler, Audit Coordinator/Risk Manager
Mark Blankenship, Section Chief, Financial and Administrative Services Section
Jarod Hitchings, Assistant to Audit Coordinator/Risk Manager
Ron McKechan, Chief of Audits
Aaron Weatherholt, Bureau Chief, Bureau of Operations
Bill Winberg, Acting Chief of Fiscal Operations

Office of the Auditor General

Peggy Hartson, Audit Manager

Sikich LLP – Special Assistant Auditors

Amy L. Sherwood, Partner
Sarah Sullivan, Senior Accountant

The responses to the recommendations were provided by Secretary Gary Hannig in a letter dated March 17, 2010.



3201 West White Oaks Drive, Suite 102 • Springfield, IL 62704

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INDEPENDENT AUDITORS' 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, each major fund, and the aggregate remaining fund information of the State of Illinois, Department of Transportation (the Department), as of and for the year ended June 30, 2009, which collectively comprise the Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Department's 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 Department are intended to present the financial position, changes in financial position and cash flows, where applicable, of only that portion of the governmental activities, each major fund, and the aggregate remaining fund information of the State that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the State of Illinois as of June 30, 2009, and the changes in its financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Department, as of June 30, 2009, 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 March 24, 2010 on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Department has not presented a management's discussion and analysis and budgetary comparison information for any of its funds 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 Department's basic financial statements. The combining General Revenue Fund, Motor Fuel Tax Fund, and nonmajor fund financial statements and schedules listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining General Revenue Fund, Motor Fuel Tax Fund, and nonmajor 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.

Schick LLP

Springfield, Illinois
March 24, 2010

State of Illinois
Department of Transportation

Statement of Net Assets

June 30, 2009 (Expressed in Thousands)

	Governmental Activities
ASSETS	
Unexpended appropriations	\$ 685,104
Cash equity with State Treasurer	23,507
Cash and cash equivalents	4,165
Receivables, net:	
Intergovernmental	537,535
Other	4,997
Due from other State funds	225,614
Due from State of Illinois component units	527
Inventories	53,452
Loans receivable, net	37,209
Capital assets not being depreciated	2,242,995
Capital assets being depreciated, net	13,106,153
Total assets	16,921,258
LIABILITIES	
Accounts payable and accrued liabilities	339,309
Intergovernmental payables	409,602
Due to other State fiduciary funds	3,041
Due to other State funds	12,702
Due to State of Illinois component units	3,666
Long term obligations:	
Due within one year	9,751
Due subsequent to one year	69,850
Total liabilities	847,921
NET ASSETS	
Invested in capital assets, net of related debt	15,325,917
Restricted for:	
Transportation programs	5,780
Debt service	2,272
Unrestricted net assets	739,368
Total net assets	\$ 16,073,337

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

State of Illinois
Department of Transportation
Statement of Activities

For the Year Ended June 30, 2009 (Expressed in Thousands)

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
Transportation	\$ 3,891,233	\$ 54,606	\$ 314,876	\$ (2,061,507)
Interest	1,346	-	-	(1,346)
Total governmental activities	<u>\$ 3,892,579</u>	<u>\$ 54,606</u>	<u>\$ 314,876</u>	<u>\$ (2,062,853)</u>
General revenues and transfers				
Appropriations from State Resources				10,821,129
Reappropriation to future year(s)				(6,034,211)
Lapsed appropriations				(1,315,308)
Receipts collected and transmitted to State Treasury				(1,415,039)
Net change in liabilities for reappropriated accounts				76,461
Other revenues				324
Interest and investment income				1,480
Net capital transfers from other State agencies				582
Amount of SAMS transfers-in				(532,545)
Amount of SAMS transfers-out				594,585
Transfers-in				588,868
Transfers-out				(40,540)
Total general revenues and transfers				<u>2,745,786</u>
Change in net assets				682,933
Net assets, July 1, 2008, as restated				15,390,404
Net assets, June 30, 2009				<u>\$ 16,073,337</u>

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

State of Illinois
Department of Transportation
Balance Sheet-Governmental Funds

June 30, 2009 (Expressed in Thousands)

	General Fund 0001	Road Fund 0011	State Construction Account 0902	Nonmajor Funds	Total Governmental Funds
ASSETS					
Unexpended appropriations	\$ 417	\$ 386,933	\$ 73,861	\$ 223,893	\$ 685,104
Cash equity with State Treasurer	45	2,657	-	20,647	23,349
Cash and cash equivalents	-	836	371	2,958	4,165
Intergovernmental receivables, net	1,001	509,135	-	27,399	537,535
Other receivables, net	-	4,950	27	20	4,997
Due from other Department funds	30	48,077	46,641	4,932	99,680
Due from other State funds	-	2,800	7	222,543	225,350
Due from State of Illinois component units	-	527	-	-	527
Inventories	-	53,452	-	-	53,452
Loans receivable, net	843	-	-	36,366	37,209
Total assets	\$ 2,336	\$ 1,009,367	\$ 120,907	\$ 538,758	\$ 1,671,368
LIABILITIES					
Accounts payable and accrued liabilities	\$ 239	\$ 229,869	\$ 72,974	\$ 36,192	\$ 339,274
Intergovernmental payables	138	134,987	1,195	273,282	409,602
Due to other State fiduciary funds	-	2,943	-	98	3,041
Due to other Department funds	31	424	-	99,262	99,717
Due to other State funds	-	11,775	63	864	12,702
Due to State of Illinois component units	-	2,260	-	1,406	3,666
Unavailable revenue	973	59,710	-	16,708	77,391
Matured portion of long-term obligations	-	506	-	-	506
Total liabilities	1,381	442,474	74,232	427,812	945,899
FUND BALANCES					
Reserved for:					
Encumbrances	9	5,001	-	-	5,010
Inventories	-	53,452	-	-	53,452
Long-term portion of:					
Loans and notes receivable	843	-	-	36,366	37,209
Designated for reappropriated accounts in special revenue funds	-	-	-	7,466	7,466
Unreserved, undesignated:					
General fund	103	-	-	-	103
Special revenue funds	-	508,440	46,675	64,454	619,569
Capital project funds	-	-	-	418	418
Debt service fund	-	-	-	2,242	2,242
Total fund balances	955	566,893	46,675	110,946	725,469
Total liabilities and fund balances	\$ 2,336	\$ 1,009,367	\$ 120,907	\$ 538,758	\$ 1,671,368

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

State of Illinois
Department of Transportation
Reconciliation of Governmental Funds Balance Sheet
to Statement of Net Assets
June 30, 2009
(Expressed in Thousands)

Total fund balances-governmental funds \$ 725,469

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 15,349,148

Internal service funds are used to charge costs of air transportation activities to individual funds. The assets and liabilities of the Air Transportation Fund are reported as governmental activities in the Statement of Net Assets. 424

Revenues in the Statement of Activities that do not provide current financial resources are deferred in the funds. 77,391

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:

Compensated absences	\$ (42,839)	
Capital lease obligations	(1)	
Auto liability claims	(12,025)	
Pollution remediation obligations	(1,000)	
Certificates of participation	(23,230)	
		(79,095)

Net assets of governmental activities \$ 16,073,337

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

State of Illinois
Department of Transportation

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

For the Year Ended June 30, 2009 (Expressed in Thousands)

	General Fund 0001	Road Fund 0011	State Construction Account 0902	Nonmajor Funds	Total Governmental Funds
REVENUES					
Operating grants - Federal	\$ 952	\$ 155,613	\$ -	\$ 97,374	\$ 253,939
Capital grants - Federal	-	1,462,728	-	-	1,462,728
Other operating grants	39	66,107	-	13,014	79,160
Other capital grants	-	5,115	-	-	5,115
Licenses and fees	-	19,418	-	52	19,470
Other charges for services	-	41,588	-	365	41,953
Other	-	-	-	314	314
Interest and other investment income	-	-	-	1,480	1,480
Total revenues	991	1,750,569	-	112,599	1,864,159
EXPENDITURES					
Transportation	25,536	1,522,882	7,632	1,319,864	2,875,914
Debt service - principal	-	13	-	1,520	1,533
Debt service - interest	-	1	-	1,345	1,346
Capital outlays	-	375,865	932,902	6,511	1,315,278
Total expenditures	25,536	1,898,761	940,534	1,329,240	4,194,071
Deficiency of revenues under expenditures	(24,545)	(148,192)	(940,534)	(1,216,641)	(2,329,912)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES					
Appropriations from State resources	32,071	6,640,968	1,706,084	2,442,006	10,821,129
Reappropriation to future year(s)	-	(4,709,825)	(759,697)	(564,689)	(6,034,211)
Lapsed appropriations	(6,585)	(81,935)	-	(1,226,788)	(1,315,308)
Receipts collected and transmitted to State Treasury	(1,067)	(1,411,997)	(84)	(1,891)	(1,415,039)
Net change in liabilities for reappropriated accounts	53	56,620	(5,819)	25,607	76,461
Amount of SAMS Transfers-in	-	(317,271)	(215,274)	-	(532,545)
Amount of SAMS Transfers-out	-	-	-	594,585	594,585
Transfers-in	-	311,231	226,509	620,387	1,158,127
Transfers-out	-	(4,266)	-	(605,533)	(609,799)
Net other sources (uses) of financial resources	24,472	483,525	951,719	1,283,684	2,743,400
Net change in fund balances	(73)	335,333	11,185	67,043	413,488
Fund balances, July 1, 2008	1,028	213,919	35,490	43,903	294,340
Increase for changes in inventories	-	17,641	-	-	17,641
FUND BALANCES, JUNE 30, 2009	\$ 955	\$ 566,893	\$ 46,675	\$ 110,946	\$ 725,469

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

State of Illinois
Department of Transportation
Reconciliation of Statement of Governmental Funds Revenues, Expenditures,
and Changes in Fund Balances to Statement of Activities
For the Year Ended June 30, 2009
(Expressed in Thousands)

Net change in fund balances	\$	413,488
Change in inventories		17,641
		431,129
 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 capital outlays exceeded depreciation in the current period.		
		284,857
 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.		
		1,533
 Some capital assets were transferred in/out from/to other State agencies and, therefore, no payments were made for the capital asset's value. This is the net amount transferred in from other State agencies.		
		582
 Internal service funds are used to charge 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.		
		21
 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.		
		(33,350)
 Proceeds from sales of capital assets are reported in the governmental funds. However, in the Statement of Activities, losses from the sale of capital assets are also reported. This is the amount of the book value of the capital assets sold.		
		(716)
 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.		
Increase in compensated absence		(1,936)
Decrease in intergovernmental financing		1,949
Increase in auto liability claims		(2,068)
Decrease in pollution remediation obligations		932
		932
Change in net assets of governmental activities	\$	682,933

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

State of Illinois

Department of Transportation

Statement of Net Assets - Proprietary Fund

Air Transportation Revolving Fund (0309)

June 30, 2009 (Expressed in Thousands)

	Governmental Activities - Internal Service Fund
<hr/>	
ASSETS	
Cash equity with State Treasurer	\$ 158
Due from other Department funds	37
Due from other State funds	264
Total current assets	<hr/> 459 <hr/>
LIABILITIES	
Accounts payable and accrued liabilities	<hr/> 35 <hr/>
NET ASSETS	
Unrestricted	424
Total net assets	<hr/> \$ 424 <hr/> <hr/>

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

State of Illinois

Department of Transportation

Statement of Revenues, Expenses, and Changes in

Fund Net Assets - Proprietary Fund

Air Transportation Revolving Fund (0309)

For the Year Ended June 30, 2009 (Expressed in Thousands)

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Charges for sales and services	\$ 721
OPERATING EXPENSES	
Cost of sales and services	700
Total operating expenses	<u>700</u>
Operating income and change in net assets	<u>21</u>
Net assets, July 1, 2008	<u>403</u>
NET ASSETS, JUNE 30, 2009	<u><u>\$ 424</u></u>

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

State of Illinois

Department of Transportation

Statement of Cash Flows - Proprietary Fund

Air Transportation Revolving Fund (0309)

For the Year Ended June 30, 2009 (Expressed in Thousands)

	Governmental Activities - Internal Service Fund
<hr/>	
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from sales and services	\$ 7
Cash received from transactions with other funds	626
Cash payments to suppliers for goods and services	(752)
Net cash provided by operating activities	<u>(119)</u>
Net (decrease) in cash and cash equivalents	(119)
Cash and cash equivalents, July 1, 2008	<u>277</u>
CASH AND CASH EQUIVALENTS, JUNE 30, 2009	<u><u>\$ 158</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
OPERATING INCOME	\$ 21
Adjustments to reconcile operating income to net cash provided by operating activities:	
Changes in assets and liabilities:	
(Increase) in due from other funds	(88)
(Decrease) in accounts payable and accrued liabilities	(52)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ (119)</u></u>

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

**STATE OF ILLINOIS
DEPARTMENT OF TRANSPORTATION**

Notes to Financial Statements

June 30, 2009

(1) Organization

The Department of Transportation (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 of the Illinois General Assembly. The Department operates under a budget approved by the General Assembly in which resources primarily from the Road Fund and the State Construction Fund are appropriated for the use of the Department. Activities of the Department are subject to the authority of the Office of the Governor, the State's chief executive officer, and other departments of the executive and legislative branches of government (such as the Department of Central Management Services, the Governor's Office of Management and Budget, the State Treasurer's Office, and the State Comptroller's Office) as defined by the Illinois General Assembly. All funds appropriated to the Department and all other cash received are under the custody and control of the State Treasurer, with the exception of locally-held retainage accounts authorized by State law.

The Department is organized to provide safe, cost-effective transportation for Illinois in ways that enhance quality of life, promote economic prosperity, and demonstrate respect for our environment.

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

**STATE OF ILLINOIS
DEPARTMENT OF TRANSPORTATION**

Notes to Financial Statements

June 30, 2009

(2) Summary of Significant Accounting Policies (continued)

(b) Basis of Presentation

The financial statements of the State of Illinois, Department of Transportation, are intended to present the financial position, the changes in financial position, and the cash flows, when applicable, of only that portion of the governmental activities, each major fund of the State of Illinois, and the aggregate remaining fund information of the State of Illinois that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the State of Illinois as of June 30, 2009 and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The financial activities of the Department, which consist only of governmental activities, are reported under the transportation function in the State of Illinois' Comprehensive Annual Financial Report. A brief description of the Department's government-wide and fund financial statements is as follows:

Government-wide Statements. The government-wide statement of net assets and statement of activities report the overall financial activity of the Department. Eliminations have been made to minimize the double-counting of internal activities of the Department. The financial activities of the Department consist only of governmental activities, which are primarily supported by taxes, charges for services, and intergovernmental revenues.

The statement of net assets presents the assets and liabilities of the Department's governmental 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 transportation function of the Department's governmental activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

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

**STATE OF ILLINOIS
DEPARTMENT OF TRANSPORTATION**

Notes to Financial Statements

June 30, 2009

(2) Summary of Significant Accounting Policies (continued)

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, public transportation and air transportation for the Governor and State Legislature on official business. Certain resources obtained from federal grants and used to support general governmental activities are accounted for in the General Fund consistent with applicable legal requirements.

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

State Construction Account – This fund accounts for the construction, reconstruction, and maintenance of the State maintained highway system. Funding sources include a portion of motor vehicle registration fees, weight taxes, and transfers from the Motor Fuel Tax Fund.

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 issues.

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

Proprietary Fund Types:

Internal Service – This fund accounts for air travel provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis.

**STATE OF ILLINOIS
DEPARTMENT OF TRANSPORTATION**

Notes to Financial Statements

June 30, 2009

(2) Summary of Significant Accounting Policies (continued)

(c) Measurement Focus and Basis of Accounting

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, principal and interest on formal debt issues, claims and judgments, and compensated absences are recorded only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Significant revenue sources which are susceptible to accrual include federal aid and motor fuel tax revenue. All other revenue sources including fines, penalties, licenses and other miscellaneous revenue 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.

(d) Shared Fund Presentation

The financial statement presentation for the General Fund, Road Fund, State Construction Fund, and the Motor Fuel Tax and General Obligation Bond Retirement and Interest Funds, nonmajor governmental funds, 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:

**STATE OF ILLINOIS
DEPARTMENT OF TRANSPORTATION**

Notes to Financial Statements

June 30, 2009

(2) Summary of Significant Accounting Policies (continued)

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.

Reappropriation to Future Year(s)

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

Lapsed Appropriations

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

Net Change in Liabilities for Reappropriated Accounts

This account reflects the amount which should be added to or subtracted from the current year appropriation for shared funds to reflect the increase or decrease from prior year to current year for amounts included in obligations for reappropriated accounts which are liabilities at June 30 of the prior year and June 30 of the current year.

Receipts Collected and Transmitted to State Treasury

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

Amount of SAMS Transfers-In

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

**STATE OF ILLINOIS
DEPARTMENT OF TRANSPORTATION**

Notes to Financial Statements

June 30, 2009

(2) Summary of Significant Accounting Policies (continued)

Amount of SAMS Transfers-Out

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

(e) Eliminations

Eliminations have been made in the government-wide statement of net 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 and proprietary funds statement of net assets 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 funds 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. Also, eliminations have been made in the statement of activities to remove the “doubling-up” effect of interdepartmental internal service fund activity.

(f) Cash and Cash Equivalents

Cash equivalents are defined as short-term, highly liquid investments readily convertible to cash with maturities of less than 90 days at time of purchase. Cash and cash equivalents include cash on hand, petty cash funds, and cash held in local bank accounts such as retainage due to contractors.

(g) Inventories

For governmental funds, the Department recognizes the costs of inventories as expenditures when purchased. At year-end, physical counts are taken of significant inventories, consisting primarily of road salt and sand, traffic signs, and traffic sign materials, in governmental funds and are reported at cost on the average cost method. Inventories reported in governmental funds do not reflect current appropriable resources, and therefore, the Department reserves an equivalent portion of fund balance.

(h) Interfund Transactions

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

**STATE OF ILLINOIS
DEPARTMENT OF TRANSPORTATION**

Notes to Financial Statements

June 30, 2009

(2) Summary of Significant Accounting Policies (continued)

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 sheets or the government-wide and proprietary 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 the State of Illinois component units primarily related to research grants and purchases of services.

(i) Capital Assets

Capital assets, which include property, plant, equipment and infrastructure, are reported at cost or estimated historical cost. 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:

Capital Asset Category	Capitalization Threshold	Estimated Useful Life (in Years)
Infrastructure	\$250,000	20-40
Land	100,000	N/A
Land Improvements	25,000	N/A
Site Improvements	25,000	3-50
Buildings	100,000	10-60
Building Improvements	25,000	10-45
Equipment	5,000	3-25

**STATE OF ILLINOIS
DEPARTMENT OF TRANSPORTATION**

Notes to Financial Statements

June 30, 2009

(2) Summary of Significant Accounting Policies (continued)

(j) Compensated Absences

The liability for compensated absences reported in the government-wide and proprietary statements of net assets 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.

(k) Pollution Remediation Obligations

In the government-wide Statement of Net Assets, pollution remediation obligations are reported at the current value of expected outlays to fund remediation costs using the expected cash flow technique. This technique measures the sum of probability-weighted amounts in a range of possible estimated amounts and uses all expectations about possible cash flows on a site-specific basis. Such ranges are weighted within 'most likely', 'worst case' and/or 'best case' scenarios and are based on actual remediation cost experience, remediation cost estimates and/or discrete cost remediation treatment possibilities. All reported obligation amounts are estimates and are subject to change resulting from price increases or reductions, technology, or changes in applicable laws or regulations. In cases where remediation activities beyond site investigation/assessment or feasibility studies have not begun, remaining remediation costs are not reasonably estimable and liabilities for such cases are not reported.

(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 as to use for specific purposes. Designations of fund balances represent tentative State plans that are subject to change.

(m) Net Assets

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

**STATE OF ILLINOIS
DEPARTMENT OF TRANSPORTATION**

Notes to Financial Statements

June 30, 2009

(2) Summary of Significant Accounting Policies (continued)

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 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. 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) New Accounting Pronouncements

Effective for the year ending June 30, 2009, the Department adopted GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, which established standards of accounting and financial reporting for pollution remediation obligations which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities. The net assets of the Department have been restated \$1.932 million as a result of pollution remediation obligations measured on a retroactive basis as of June 30, 2008.

(p) Future Adoption of GASB Statements

Effective for the year ending June 30, 2010 the Department will adopt GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, which establishes guidance for recognition and amortization of intangible assets in the financial statements of governments. The Department has not yet determined the impact of the Department’s financial statements as a result of adopting this statement.

(3) Deposits

The State Treasurer is the custodian of the State’s cash and cash equivalents for funds maintained in 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

**STATE OF ILLINOIS
DEPARTMENT OF TRANSPORTATION**

Notes to Financial Statements

June 30, 2009

(3) Deposits (continued)

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.

Cash on deposit for locally held funds had a carrying amount and bank balance of \$4.161 million at June 30, 2009. Of the total bank balance, \$342 thousand was exposed to custodial credit risk as uninsured and uncollateralized. The Department does not have a deposit policy for custodial credit risk.

Cash on hand totaled \$4 thousand at June 30, 2009.

(4) Interfund Balances and Activity

(a) Balances Due to/from Other Funds

The following balances (amounts expressed in thousands) at June 30, 2009 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>	
General	\$ 30	\$ -	Due from Department nonmajor governmental funds for loan repayments.
Road	48,077	2,800	Due from Motor Fuel Tax Fund for motor fuel tax allocation from June and for reimbursements of expenditures incurred and from other State funds for expenditures incurred.
State Construction Account	46,641	7	Due from Motor Fuel Tax Fund for motor fuel tax allocation from June and from other State funds for reimbursements of expenditures incurred.
Nonmajor governmental funds	4,932	222,543	Due from Motor Fuel Tax Fund for motor fuel tax allocation from June, from other Department funds for reimbursement of expenditures incurred and for debt service payments, and from other State funds for June sales tax allocations and for reimbursement of expenditures.
Internal service funds	37	264	Due from other Department funds and other State funds for air transportation services provided.
	<u>\$ 99,717</u>	<u>\$ 225,614</u>	

**STATE OF ILLINOIS
DEPARTMENT OF TRANSPORTATION**

Notes to Financial Statements

June 30, 2009

(4) Interfund Balances and Activity (continued)

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

The following balances (amounts expressed in thousands) at June 30, 2009 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 State Fiduciary Funds</u>	
General	\$ 31	\$ -	\$ -	Due to Department internal service funds for air transportation services received.
Road	424	11,775	2,943	Due to Department internal service funds for air transportation services received and to other Department funds for reimbursement of expenditures incurred, to other State funds for reimbursement of expenditures incurred and for services received, and to State pension (and other employee benefit) trust funds for postemployment benefits.
State Construction Account	-	63	-	Due to other State funds for reimbursement of expenditures incurred.
Nonmajor governmental funds	99,262	864	98	Due to other Department Funds for reimbursement of expenditures incurred.
	<u>\$ 99,717</u>	<u>\$ 12,702</u>	<u>\$ 3,041</u>	

**STATE OF ILLINOIS
DEPARTMENT OF TRANSPORTATION**

Notes to Financial Statements

June 30, 2009

(4) Interfund Balances and Activity (continued)

(b) Transfers to/from Other Funds

Interfund transfers in (amounts expressed in thousands) for the year ended June 30, 2009, 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>	
Road	\$ 311,231	\$ -	Transfers from Motor Fuel Tax Fund for motor fuel tax allocation pursuant to State statute.
State Construction Account	226,509	-	Transfers from Motor Fuel Tax Fund for motor fuel tax allocation pursuant to State statute.
Nonmajor governmental funds	31,519	588,868	Transfers from Motor Fuel Tax Fund for motor fuel tax allocation pursuant to State statute, other Department nonmajor governmental funds for debt service, and from other State funds for sales tax allocation, debt service, and for other purposes.
	<u>\$ 569,259</u>	<u>\$ 588,868</u>	

**STATE OF ILLINOIS
DEPARTMENT OF TRANSPORTATION**

Notes to Financial Statements

June 30, 2009

(4) Interfund Balances and Activity (continued)

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

Interfund transfers out (amounts expressed in thousands) for the year ended June 30, 2009, were as follows:

Fund	Transfers out to		Description/Purpose
	Other Department Funds	Other State Funds	
Road	\$ 4,266	\$ -	Transfers to Department nonmajor governmental funds for debt service payments.
Nonmajor governmental funds	564,993	40,540	Transfers to Department funds per statutory guidelines and to other State funds for administration of Railroad Safety program, budget shortfalls, and for other purposes.
	\$ 569,259	\$ 40,540	

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

The Illinois Toll Highway Authority owes the Department's Road Fund \$527 thousand at June 30, 2009 for reimbursements of expenditures incurred.

**STATE OF ILLINOIS
DEPARTMENT OF TRANSPORTATION**

Notes to Financial Statements

June 30, 2009

(4) Interfund Balances and Activity (continued)

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

The following balances (amounts expressed in thousands) at June 30, 2009 represent amounts due to State of Illinois Component Units for reimbursements for expenditures incurred for grant programs.

Component Unit	Due to	
	Road Fund	Nonmajor Governmental Funds
Illinois Toll Highway Authority	\$ 29	\$ -
Western Illinois University	-	249
Illinois State University	-	220
Northern Illinois University	123	695
Southern Illinois University	325	52
University of Illinois	1,783	190
	\$ 2,260	\$ 1,406

**STATE OF ILLINOIS
DEPARTMENT OF TRANSPORTATION**

Notes to Financial Statements

June 30, 2009

(5) Capital Assets

Capital asset activity (amounts expressed in thousands) for the year ended June 30, 2009 was as follows:

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Net Transfers</u>	<u>Balance June 30, 2009</u>
Governmental activities:					
Capital assets not being depreciated:					
Land and land improvements	\$ 2,154,385	\$ 86,736	\$ 559	\$ -	\$ 2,240,562
Construction in progress	763	1,670	-	-	2,433
Total capital assets not being depreciated	<u>2,155,148</u>	<u>88,406</u>	<u>559</u>	<u>-</u>	<u>2,242,995</u>
Capital assets being depreciated:					
Infrastructure	22,895,369	1,172,765	650,764	(29)	23,417,341
Site improvements	2,497	-	-	-	2,497
Buildings and building improvements	115,417	10,032	-	-	125,449
Equipment	361,221	44,075	8,124	611	397,783
Capital leases - equipment	<u>36</u>	<u>-</u>	<u>16</u>	<u>-</u>	<u>20</u>
Total capital assets being depreciated	<u>23,374,540</u>	<u>1,226,872</u>	<u>658,904</u>	<u>582</u>	<u>23,943,090</u>
Less accumulated depreciation:					
Infrastructure	10,100,822	993,703	650,764	-	10,443,761
Site improvements	2,249	61	-	-	2,310
Buildings and building improvements	73,358	6,200	-	-	79,558
Equipment	288,813	30,445	7,967	-	311,291
Capital leases - equipment	<u>21</u>	<u>12</u>	<u>16</u>	<u>-</u>	<u>17</u>
Total accumulated depreciation	<u>10,465,263</u>	<u>1,030,421</u>	<u>658,747</u>	<u>-</u>	<u>10,836,937</u>
Total capital assets being depreciated, net	<u>12,909,277</u>	<u>196,451</u>	<u>157</u>	<u>582</u>	<u>13,106,153</u>
Governmental activity capital assets, net	<u>\$15,064,425</u>	<u>\$ 284,857</u>	<u>\$ 716</u>	<u>\$ 582</u>	<u>\$ 15,349,148</u>

**STATE OF ILLINOIS
DEPARTMENT OF TRANSPORTATION**

Notes to Financial Statements

June 30, 2009

(5) Capital Assets (continued)

Depreciation expense for governmental activities (amounts expressed in thousands) for the year ended June 30, 2009 was charged to the following function:

Transportation	\$ <u>1,030,421</u>
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(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, 2009 were as follows:

	Balance			Balance	Amounts
	July 1,			June 30,	Due Within
	2008,	Additions	Deletions	2009	One Year
	as restated				
Governmental activities:					
Compensated absences	\$ 40,903	\$ 25,379	\$ 23,443	\$42,839	\$ 4,644
Intergovernmental financing	1,949	-	1,949	-	-
Capital lease obligations	14	-	13	1	1
Auto liability claims	9,957	3,802	1,228	12,531	3,006
Pollution remediation obligations	1,932	-	932	1,000	500
Certificates of participation	24,750	-	1,520	23,230	1,600
	<u>24,750</u>	<u>-</u>	<u>1,520</u>	<u>23,230</u>	<u>1,600</u>
Total	<u>\$ 79,505</u>	<u>\$ 29,181</u>	<u>\$ 29,085</u>	<u>\$79,601</u>	<u>\$ 9,751</u>

Compensated absences have been liquidated by the applicable governmental funds that account for the salaries and wages of the related employees. Claims and judgments typically have been liquidated from the Road Fund. Pollution remediation obligations have been liquidated by the applicable governmental fund that accounts for the related construction project.

The Department has recognized a liability of \$506 thousand in the Road Fund as of June 30, 2009, representing auto liability claims that were due as of year end. The remaining auto liability claims of \$12.025 million, and all other long-term obligations are considered to be general long-term liabilities and are recognized only in the government-wide financial statements.

**STATE OF ILLINOIS
DEPARTMENT OF TRANSPORTATION**

Notes to Financial Statements

June 30, 2009

(6) Long-Term Obligations (continued)

(b) Intergovernmental Financing - State of Illinois/State of Missouri Joint Agreement

The Department entered into an agreement with the State of Missouri for the construction of the Cape Girardeau Bridge. The agreement required that the Department reimburse the State of Missouri for 40% of the costs incurred for bridge construction. In accordance with a pre-established payment plan, the Department repays one-quarter of its annual obligation each year for four years following the year costs were incurred. Each year, the State of Missouri incurs costs and each year, the Department makes payments on costs incurred in prior years (unless such costs have been totally reimbursed) subject to the same one-quarter reimbursement arrangement. The State of Missouri assesses 5.3% interest on the unpaid balance. On September 29, 2008, the Department chose to pay the remaining debt and accrued interest on the agreement.

(c) Capital lease obligations

The Department leases land, office facilities, office and computer equipment, and other assets with a historical cost and accumulated depreciation of \$20 thousand and \$17 thousand, 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 noncancelable leases for financial reporting. Interest varies from 4.499% - 4.939%. Future minimum lease payments (amounts expressed in thousands) at June 30, 2009 are as follows:

Year Ending	Principal	Interest	Total
June 30	<u> </u>	<u> </u>	<u> </u>
2010	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 1</u>
	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 1</u>

(d) Pollution remediation obligations

The Department has recorded pollution remediation obligations for investigations and remediation of contaminated soils generally consisting of soil sampling, disposal of impact soil, and installation of groundwater monitoring wells.

(e) Certificates of Participation

The Department financed the purchase of certain Department-owned real and personal property (District 1 headquarters) through a third party (non-State issued) certificate. This non-state issued certificate is sold by a private concern and is repaid by Department appropriations pursuant to an installment purchase agreement. Interest varies from 3.9% - 5.5%. Future debt service requirements under certificates of participation (amounts expressed in thousands) at June 30, 2009, are as follows:

**STATE OF ILLINOIS
DEPARTMENT OF TRANSPORTATION**

Notes to Financial Statements

June 30, 2009

(6) Long-Term Obligations (continued)

(e) Certificates of Participation (continued)

Year Ending June 30	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 1,600	\$ 1,264	\$ 2,864
2011	1,680	1,178	2,858
2012	1,770	1,087	2,857
2013	1,860	991	2,851
2014	1,965	887	2,852
2015-2019	11,610	2,574	14,184
2020-2021	2,745	80	2,825
	<u>\$ 23,230</u>	<u>\$ 8,061</u>	<u>\$ 31,291</u>

(7) 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 2009 are included in the State of Illinois' Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2009. 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.

The Department pays employer retirement contributions based upon an actuarially determined percentage of their payrolls. For fiscal year 2009, the employer contribution rate was 21.049%. 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.

**STATE OF ILLINOIS
DEPARTMENT OF TRANSPORTATION**

Notes to Financial Statements

June 30, 2009

(8) Post-employment Benefits

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

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

A summary of post-employment benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established are included as an integral part of the financial statements of the Department of Healthcare and Family Services. A copy of the financial statements of the Department of Healthcare and Family Services may be obtained by writing to the Department of Healthcare and Family Services, 201 South Grand Ave., Springfield, Illinois, 62763-3838.

(9) Fund Deficits

The Grade Crossing Protection Fund, Federal Local Airport Fund and Federal Mass Transit Fund had deficit fund balances (amounts expressed in thousands) of \$5,152, \$15,324, and \$1,374, respectively, at June 30, 2009. The deficit for the Grade Crossing Protection Fund will be eliminated by use of future resources transferred from the Motor Fuel Tax Fund. The deficits for the Federal Local Airport and the Federal Mass Transit Fund will be eliminated by future recognition of earned but unavailable revenues and future grant resources.

**STATE OF ILLINOIS
DEPARTMENT OF TRANSPORTATION**

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June 30, 2009

(10) Risk Management

The Department is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; aviation liability; auto liability; workers compensation; and natural disasters. Except for a portion of the auto liability, the State retains the risk of loss (i.e. self insured) for these risks.

Auto 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. The Department's risk financing for auto liabilities has been determined using an estimate of claims outstanding.

The following is a reconciliation of the Department's claims liabilities for the years ended June 30, 2008 and June 30, 2009.

<u>Year Ended June 30</u>	<u>Beginning Balance</u>	<u>Claims Incurred</u>	<u>Decreases</u>	<u>Ending Balance</u>
2008	\$ 7,265	\$ 5,002	\$ 2,310	\$ 9,957
2009	\$ 9,957	\$ 3,802	\$ 1,228	\$ 12,531

(11) Commitments and Contingencies

(a) Commitments

The Department has outstanding construction projects for highway program improvements and administrative expenses in which it has entered into future commitments. The amount of the Department's commitments was \$2.166 billion at June 30, 2009.

(b) Operating leases

The Department leases various real property and equipment under the terms of noncancelable operating lease agreements that require the Department to make minimum lease payments plus pay a pro rata share of certain operating costs. Rent expense under operating leases was \$9.414 million for the year ended June 30, 2009.

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

**STATE OF ILLINOIS
DEPARTMENT OF TRANSPORTATION**

Notes to Financial Statements

June 30, 2009

(11) Commitments and Contingencies (continued)

(b) Operating Leases (continued)

<u>Year ending June 30,</u>	<u>Amount</u>
2010	\$ 590
2011	542
2012	460
2013	368
2014	367
2015-2019	734
	<u>\$ 3,061</u>

(c) Federal Funding

The Department receives federal grants which are subject to review and audit by federal grantor agencies. Certain costs could be questioned as not being an eligible expenditure under the terms of the grants. At June 30, 2009, there were no material questioned costs that have not been resolved with the federal awarding agencies. However, questioned costs could still be identified during audits to be conducted in the future. Management of the Department believes there will be no material adjustments to the federal grants and, accordingly, has not recorded a provision for possible repayment.

(d) Litigation

On April 19, 2004, an auto accident occurred wherein the plaintiff sued the State in *Chraca v. Miles*. On September 8, 2009, judgment was entered in the Circuit Court of Cook County for the amount of \$23.8 million against the State. On February 18, 2010, the State appealed the judgment to the First District Appellate Court of Illinois and a decision is not expected until 2011. An amount of \$2 million, the statutory limit on auto liability exposure per case, has been included in the long-term auto liability. Any amount to be paid in addition to this \$2 million is uncertain at this time. Any amount, including the \$2 million already accrued, would be paid from the Road Fund.

The Department is also 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.

SUPPLEMENTARY INFORMATION

State of Illinois
Department of Transportation

Combining Schedule of Accounts -
General Revenue Fund

June 30, 2009 (Expressed in Thousands)

	General Fund Accounts		
	General Revenue 0001	I-Fly 0306	Total
ASSETS			
Unexpended appropriations	\$ 417	\$ -	\$ 417
Cash equity with State Treasurer	-	45	45
Intergovernmental receivables, net	1,001	-	1,001
Due from other Department funds	30	-	30
Loans receivable, net	843	-	843
Total assets	\$ 2,291	\$ 45	\$ 2,336
LIABILITIES			
Accounts payable and accrued liabilities	\$ 239	\$ -	\$ 239
Intergovernmental payables	138	-	138
Due to other Department funds	31	-	31
Unavailable revenue	973	-	973
Total liabilities	1,381	-	1,381
FUND BALANCES			
Reserved for encumbrances	9	-	9
Reserved for long-term portion of loans and notes receivable	843	-	843
Unreserved, undesignated	58	45	103
Total fund balances	910	45	955
Total liabilities and fund balances	\$ 2,291	\$ 45	\$ 2,336

State of Illinois
Department of Transportation

**Combining Statement of Revenues,
Expenditures, and Changes in Fund Balances -
General Revenue Fund**

For the Year Ended June 30, 2009 (Expressed in Thousands)

	<u>General Fund Accounts</u>		
	<u>General Revenue 0001</u>	<u>I-Fly 0306</u>	<u>Total</u>
REVENUES			
Federal operating grants	\$ 952	\$ -	\$ 952
Other operating grants	39	-	39
Total revenues	<u>991</u>	<u>-</u>	<u>991</u>
EXPENDITURES			
Transportation	25,536	-	25,536
Total expenditures	<u>25,536</u>	<u>-</u>	<u>25,536</u>
Deficiency of revenues under expenditures	<u>(24,545)</u>	<u>-</u>	<u>(24,545)</u>
OTHER SOURCES (USES) OF FINANCIAL RESOURCES			
Appropriations from State resources	32,071	-	32,071
Lapsed appropriations	(6,585)	-	(6,585)
Receipts collected and transmitted to State Treasury	(1,067)	-	(1,067)
Net change in liabilities for reappropriated accounts	53	-	53
Net other sources (uses) of financial resources	<u>24,472</u>	<u>-</u>	<u>24,472</u>
Net change in fund balances	<u>(73)</u>	<u>-</u>	<u>(73)</u>
Fund balances (deficits), July 1, 2008	<u>983</u>	<u>45</u>	<u>1,028</u>
FUND BALANCES, JUNE 30, 2009	<u>\$ 910</u>	<u>\$ 45</u>	<u>\$ 955</u>

State of Illinois
Department of Transportation
Combining Schedule of Accounts -
Motor Fuel Tax Fund
 June 30, 2009 (Expressed in Thousands)

	Special Revenue					
	Motor Fuel Tax 0012	Motor Fuel Tax- Counties 0413	Motor Fuel Tax- Municipalities 0414	Motor Fuel Tax- Townships and Road Districts 0415	Eliminations	Total
ASSETS						
Unexpended appropriations	\$ 189,621	\$ 11,799	\$ 16,547	\$ 5,355	\$ (33,701)	\$ 189,621
Due from other Department funds	-	31,448	44,104	14,273	(89,825)	-
Total assets	\$ 189,621	\$ 43,247	\$ 60,651	\$ 19,628	\$ (123,526)	\$ 189,621
LIABILITIES						
Accounts payable and accrued liabilities	\$ 260	-	-	-	-	260
Intergovernmental payables	19	31,448	44,104	14,273	-	89,844
Due to other State fiduciary funds	98	-	-	-	-	98
Due to other Department funds	188,401	-	-	-	(89,825)	98,576
Due to other State funds	843	-	-	-	-	843
Total liabilities	189,621	31,448	44,104	14,273	(89,825)	189,621
FUND BALANCES (DEFICITS)						
Reserved for encumbrances	-	11,799	16,547	5,355	(33,701)	-
Total fund balances (deficits)	-	11,799	16,547	5,355	(33,701)	-
Total liabilities and fund balances (deficits)	\$ 189,621	\$ 43,247	\$ 60,651	\$ 19,628	\$ (123,526)	\$ 189,621

State of Illinois
Department of Transportation
Combining Statement of Revenues,
Expenditures, and Changes in Fund Balances -
Motor Fuel Tax Fund

For the Year Ended June 30, 2009 (Expressed in Thousands)

	Special Revenue					
	Motor Fuel Tax- 0012	Motor Fuel Tax- Counties 0413	Motor Fuel Tax- Municipalities 0414	Motor Fuel Tax- Townships and Road Districts 0415	Eliminations	Total
EXPENDITURES						
Transportation	9,527	206,333	289,373	93,649	-	598,882
Total expenditures	<u>9,527</u>	<u>206,333</u>	<u>289,373</u>	<u>93,649</u>	<u>-</u>	<u>598,882</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(9,527)</u>	<u>(206,333)</u>	<u>(289,373)</u>	<u>(93,649)</u>	<u>-</u>	<u>(598,882)</u>
OTHER SOURCES (USES) OF FINANCIAL RESOURCES						
Appropriations from State resources	10,849	232,600	326,300	105,600	-	675,349
Lapsed appropriations	(1,322)	(26,368)	(37,061)	(11,997)	-	(76,748)
Receipts collected and transmitted to State Treasury	-	-	(7)	-	-	(7)
Net change in liabilities for reappropriated accounts	(6,242)	101	141	46	11,437	5,483
Amount of SAMS Transfers-in	-	(210,337)	(294,989)	(95,466)	600,792	-
Amount of SAMS Transfers-out	1,195,377	-	-	-	(600,792)	594,585
Transfers-in	-	206,333	289,373	93,649	(589,355)	-
Transfers-out	(1,189,135)	-	-	-	589,355	(599,780)
Net other sources (uses) of financial resources	<u>9,527</u>	<u>202,329</u>	<u>283,757</u>	<u>91,832</u>	<u>11,437</u>	<u>598,882</u>
Net change in fund balances	<u>-</u>	<u>(4,004)</u>	<u>(5,616)</u>	<u>(1,817)</u>	<u>11,437</u>	<u>-</u>
Fund balances (deficits), July 1, 2008	-	15,803	22,163	7,172	(45,138)	-
FUND BALANCES (DEFICITS), JUNE 30, 2009	<u>\$ -</u>	<u>\$ 11,799</u>	<u>\$ 16,547</u>	<u>\$ 5,355</u>	<u>\$ (33,701)</u>	<u>\$ -</u>

State of Illinois
Department of Transportation
Combining Balance Sheet -
Nonmajor Governmental Funds
 June 30, 2009 (Expressed in Thousands)

	Special Revenue									
	Motor Fuel Tax Fund 0012	Grade Crossing Protection Fund 0019	Aeronautics Fund 0046	Federal Local Airport Fund 0095	DOT Special Projects Fund 0174	Intercity Passenger Rail Fund 0233	State Rail Freight Loan Repayment Fund 0265			
ASSETS										
Unexpended appropriations	\$ 189,621	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash equity with State Treasurer	-	740	118	2,817	61	51	11,859	-	-	-
Cash and cash equivalents	-	-	-	-	-	-	-	-	-	-
Intergovernmental receivables, net	-	-	-	23,054	-	-	-	-	-	-
Other receivables, net	-	-	-	-	-	-	8	-	-	-
Due from other Department funds	-	4,500	-	14	-	-	-	-	-	-
Due from other State funds	-	-	-	-	-	-	-	-	-	-
Loans receivable, net	-	-	-	-	-	598	-	-	-	-
Total assets	\$ 189,621	\$ 5,240	\$ 118	\$ 25,885	\$ 61	\$ 649	\$ 18,219	\$ -	\$ -	\$ 30,086
LIABILITIES										
Accounts payable and accrued liabilities	\$ 260	\$ 4,372	\$ -	\$ 8,610	\$ 57	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental payables	89,844	6,005	-	17,275	-	-	-	-	-	-
Due to other State fiduciary funds	98	-	-	-	-	-	-	-	-	-
Due to other Department funds	98,576	-	-	-	-	-	-	-	-	-
Due to other State funds	843	15	-	-	-	-	-	-	-	-
Due to State of Illinois component units	-	-	-	-	-	-	-	-	-	-
Unavailable revenue	-	-	-	15,324	-	-	-	-	-	-
Total liabilities	189,621	10,392	-	41,209	57	-	-	-	-	-
FUND BALANCES (DEFICITS)										
Reserved for loans and notes receivable	-	-	-	-	-	-	18,219	-	-	-
Designated for other	-	-	-	-	-	-	-	-	-	5,698
Unreserved, undesignated	-	(5,152)	118	(15,324)	4	649	6,169	-	-	-
Total fund balances (deficits)	-	(5,152)	118	(15,324)	4	649	30,086	-	-	-
Total liabilities and fund balances (deficits)	\$ 189,621	\$ 5,240	\$ 118	\$ 25,885	\$ 61	\$ 649	\$ 30,086	\$ -	\$ -	\$ 30,086

State of Illinois
Department of Transportation
Combining Balance Sheet -
Nonmajor Governmental Funds
 June 30, 2009 (Expressed in Thousands)

		Special Revenue					
		Tax Recovery Fund 0310	Comprehensive Regional Planning Fund 0406	Federal Civil Preparedness Administrative Fund 0497	Transportation Safety Highway Hire-Back Fund 0589	Public Transportation Fund 0627	Down-State Public Transportation Fund 0648
ASSETS							
Unexpended appropriations	\$	-	-	-	-	-	-
Cash equity with State Treasurer	733	150	-	42	66	499	
Cash and cash equivalents	-	-	-	-	-	-	
Intergovernmental receivables, net	-	-	-	-	-	-	
Other receivables, net	-	-	-	-	-	-	
Due from other Department funds	-	-	-	-	-	-	
Due from other State funds	-	-	-	-	137,913	84,032	
Loans receivable, net	-	-	-	-	-	-	
Total assets	\$ 733	\$ 150	\$ -	\$ 42	\$ 137,979	\$ 84,531	
LIABILITIES							
Accounts payable and accrued liabilities	\$ 55	-	-	-	-	-	
Intergovernmental payables	-	-	-	-	137,979	7,533	
Due to other State fiduciary funds	-	-	-	-	-	-	
Due to other Department funds	-	-	-	-	-	-	
Due to other State funds	-	-	-	-	-	-	
Due to State of Illinois component units	-	-	-	-	-	-	
Unavailable revenue	-	-	-	-	-	-	
Total liabilities	55	-	-	-	137,979	7,533	
FUND BALANCES (DEFICITS)							
Reserved for loans and notes receivable	-	-	-	-	-	-	
Designated for other	-	-	-	-	-	-	
Unreserved, undesignated	678	150	-	42	-	76,998	
Total fund balances (deficits)	678	150	-	42	-	76,998	
Total liabilities and fund balances (deficits)	\$ 733	\$ 150	\$ -	\$ 42	\$ 137,979	\$ 84,531	

State of Illinois
Department of Transportation
Combining Balance Sheet -
Nonmajor Governmental Funds
 June 30, 2009 (Expressed in Thousands)

	Special Revenue				
	Airport Land Loan Revolving Fund 0669	Metro-East Public Transportation Fund 0794	Federal Mass Transit Fund 0853	Cycle Rider Safety Training Fund 0863	Rail Freight Loan Repayment Fund 0936
ASSETS					
Unexpended appropriations	\$ -	\$ -	\$ -	\$ 4,595	\$ -
Cash equity with State Treasurer	90	110	243	-	3,068
Cash and cash equivalents	-	-	-	-	-
Intergovernmental receivables, net	-	-	4,345	-	-
Other receivables, net	-	-	-	-	2
Due from other Department funds	-	-	-	-	-
Due from other State funds	-	-	-	-	-
Loans receivable, net	-	-	-	-	2,288
Total assets	\$ 90	\$ 110	\$ 4,588	\$ 4,595	\$ 5,358
LIABILITIES					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 3,015	\$ 3,459	\$ -
Intergovernmental payables	-	-	661	-	-
Due to other State fiduciary funds	-	-	-	-	-
Due to other Department funds	-	-	642	-	-
Due to other State funds	-	6	-	-	-
Due to State of Illinois component units	-	-	270	1,136	-
Unavailable revenue	-	-	1,374	-	-
Total liabilities	-	6	5,962	4,595	-
FUND BALANCES (DEFICITS)					
Reserved for loans and notes receivable	-	-	-	-	2,288
Designated for other	-	-	-	-	1,768
Unreserved, undesignated	90	104	(1,374)	-	1,302
Total fund balances (deficits)	90	104	(1,374)	-	5,358
Total liabilities and fund balances (deficits)	\$ 90	\$ 110	\$ 4,588	\$ 4,595	\$ 5,358

State of Illinois
Department of Transportation
Combining Balance Sheet -
Nonmajor Governmental Funds
 June 30, 2009 (Expressed in Thousands)

	Capital Projects			Debt Service			Total
	Transportation Bond Series A		Transportation Bond Series B	General Obligation Bond Retirement and Interest Fund		IDOT COP Debt Service Fund	
	Fund 0553	Fund 0554		Fund 0101	Fund 2494		
ASSETS							
Unexpended appropriations	\$ 11,752	\$ 17,925	\$ -	\$ -	\$ -	\$ 223,893	
Cash equity with State Treasurer	-	-	-	-	-	20,647	
Cash and cash equivalents	686	-	-	-	2,272	2,958	
Intergovernmental receivables, net	-	-	-	-	-	27,399	
Other receivables, net	10	-	-	-	-	20	
Due from other Department funds	-	-	418	-	-	4,932	
Due from other State funds	-	-	-	-	-	222,543	
Loans receivable, net	-	-	-	-	15,859	36,366	
Total assets	\$ 12,448	\$ 17,925	\$ 418	\$ 15,859	\$ 2,272	\$ 538,758	
LIABILITIES							
Accounts payable and accrued liabilities	\$ 12,438	\$ 3,926	\$ -	\$ -	\$ -	\$ 36,192	
Intergovernmental payables	-	13,985	-	-	-	273,282	
Due to other State fiduciary funds	-	-	-	-	-	98	
Due to other Department funds	-	14	-	30	-	99,262	
Due to other State funds	-	-	-	-	-	864	
Due to State of Illinois component units	-	-	-	-	-	1,406	
Unavailable revenue	10	-	-	-	-	16,708	
Total liabilities	12,448	17,925	-	30	-	427,812	
FUND BALANCES (DEFICITS)							
Reserved for loans and notes receivable	-	-	-	15,859	-	36,366	
Designated for other	-	-	-	-	-	7,466	
Unreserved, undesignated	-	-	418	(30)	2,272	67,114	
Total fund balances (deficits)	-	-	418	15,829	2,272	110,946	
Total liabilities and fund balances (deficits)	\$ 12,448	\$ 17,925	\$ 418	\$ 15,859	\$ 2,272	\$ 538,758	

**State of Illinois
Department of Transportation**

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

For the Year Ended June 30, 2009 (Expressed in Thousands)

	Special Revenue										
	Motor Fuel Tax Fund 0012	Grade Crossing Protection Fund 0019	Aeronautics Fund 0046	Federal Airport Fund 0095	DOT Projects Fund 0174	Intercity Passenger Rail Fund 0233	State Rail Freight Loan Repayment Fund 0265				
REVENUES											
Operating grants - Federal	\$ -	\$ -	\$ -	\$ 79,351	\$ -	\$ -	\$ -				
Other operating grants	-	-	-	13,014	-	-	-				
Licenses and fees	-	-	48	-	4	-	-				
Other charges for services	-	-	-	-	-	-	-				
Other	-	35	-	-	-	-	-				
Interest and other investment income	-	-	-	-	-	-	12				765
Total revenues	-	35	48	92,365	4	12	765				765
EXPENDITURES											
Transportation	598,882	23,897	72	77,752	-	735	652				
Debt service - principal	-	-	-	-	-	-	-				
Debt service - interest	-	-	-	-	-	-	-				
Capital outlays	-	-	-	-	-	-	-				
Total expenditures	598,882	23,897	72	77,752	-	735	652				
Excess (deficiency) of revenues over (under) expenditures	(598,882)	(23,862)	(24)	14,613	4	(723)	113				
OTHER SOURCES (USES) OF FINANCIAL RESOURCES											
Appropriations from State resources	675,349	-	-	-	-	-	-				
Reappropriation to future year(s)	-	-	-	-	-	-	-				
Lapsed appropriations	(76,748)	-	-	-	-	-	-				
Receipts collected and transmitted to State Treasury	(7)	-	-	-	-	-	-				
Net change in liabilities for reappropriated accounts	5,483	-	-	-	-	-	-				
Amount of SAMS Transfers-out	594,585	-	-	-	-	-	-				
Transfers-in	-	27,000	-	-	-	-	-			1,314	-
Transfers-out	(599,780)	(2,250)	-	(253)	-	-	(2,000)			-	
Net other sources (uses) of financial resources	598,882	24,750	-	(253)	-	1,314	(2,000)				
Net change in fund balances	-	888	(24)	14,360	4	591	(1,887)				
Fund balances (deficits), July 1, 2008	-	(6,040)	142	(29,684)	-	58	31,973				
FUND BALANCES (DEFICITS), JUNE 30, 2009	\$ -	\$ (5,152)	\$ 118	\$ (15,324)	\$ 4	\$ 649	\$ 30,086				

**State of Illinois
Department of Transportation**

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

For the Year Ended June 30, 2009 (Expressed in Thousands)

	Special Revenue					
	Tax Recovery Fund 0310	Comprehensive Regional Planning Fund 0406	Federal Civil Preparedness Administrative Fund 0497	Transportation Safety Highway Hire-Back Fund 0589	Public Transportation Fund 0627	Down-State Public Transportation Fund 0648
REVENUES						
Operating grants - Federal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other operating grants	-	-	-	-	-	-
Licenses and fees	-	-	-	-	-	-
Other charges for services	365	-	-	275	-	-
Other	-	-	-	-	-	-
Interest and other investment income	-	-	-	-	-	-
Total revenues	365	-	-	275	-	-
EXPENDITURES						
Transportation	350	4,850	-	275	397,203	128,620
Debt service - principal	-	-	-	-	-	-
Debt service - interest	-	-	-	-	-	-
Capital outlays	-	-	-	-	-	-
Total expenditures	350	4,850	-	275	397,203	128,620
Excess (deficiency) of revenues over (under) expenditures	15	(4,850)	-	-	(397,203)	(128,620)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES						
Appropriations from State resources	-	-	-	-	-	-
Reappropriation to future year(s)	-	-	-	-	-	-
Lapsed appropriations	-	-	-	-	-	-
Receipts collected and transmitted to State Treasury	-	-	(15)	-	-	-
Net change in liabilities for reappropriated accounts	-	-	-	-	-	-
Amount of SAMS Transfers-out	-	-	-	-	-	-
Transfers-in	-	5,000	-	-	397,203	185,742
Transfers-out	(250)	-	-	-	-	-
Net other sources (uses) of financial resources	(250)	5,000	(15)	-	397,203	185,742
Net change in fund balances	(235)	150	(15)	-	-	57,122
Fund balances (deficits), July 1, 2008	913	-	15	42	-	19,876
FUND BALANCES (DEFICITS), JUNE 30, 2009	\$ 678	\$ 150	\$ -	\$ 42	\$ -	\$ 76,998

**State of Illinois
Department of Transportation**

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

For the Year Ended June 30, 2009 (Expressed in Thousands)

	Special Revenue					
	Airport Land Loan Revolving Fund 0669	Metro-East Public Transportation Fund 0794	Federal Mass Transit Fund 0853	Cycle Rider Safety Training Fund 0863	Rail Freight Loan Repayment Fund 0936	
REVENUES						
Operating grants - Federal	-	\$ -	18,023	\$ -	-	\$ -
Other operating grants	-	-	-	-	-	-
Licenses and fees	-	-	-	-	-	-
Other charges for services	-	-	-	-	-	-
Other	2	-	-	-	-	170
Interest and other investment income	2	-	18,023	-	-	170
Total revenues						
	-	5	19,321	7,077	-	665
EXPENDITURES						
Transportation	-	5	19,321	7,077	-	665
Debt service - principal	-	-	-	-	-	-
Debt service - interest	-	-	-	-	-	-
Capital outlays	-	-	-	-	-	-
Total expenditures						
	-	5	19,321	7,077	-	665
Excess (deficiency) of revenues over (under) expenditures	2	(5)	(1,298)	(7,077)	-	(495)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES						
Appropriations from State resources	-	-	-	7,949	-	-
Reappropriation to future year(s)	-	-	-	(4,656)	-	-
Lapsed appropriations	-	-	-	(201)	-	-
Receipts collected and transmitted to State Treasury	-	-	-	(1)	-	-
Net change in liabilities for reappropriated accounts	-	-	-	3,986	-	-
Amount of SAMS Transfers-out	-	-	-	-	-	-
Transfers-in	-	(391)	-	-	-	-
Transfers-out	-	-	-	-	-	(1,000)
Net other sources (uses) of financial resources	-	(391)	-	7,077	-	(1,000)
Net change in fund balances	2	(396)	(1,298)	-	-	(1,495)
Fund balances (deficits), July 1, 2008	88	500	(76)	-	-	6,853
FUND BALANCES (DEFICITS), JUNE 30, 2009	\$ 90	\$ 104	\$ (1,374)	\$ -	\$ -	\$ 5,358

State of Illinois
Department of Transportation

**Combining Statement of Revenues,
Expenditures, and Changes in Fund Balances ·
Nonmajor Governmental Funds**

For the Year Ended June 30, 2009 (Expressed in Thousands)

	Capital Projects			Debt Service			Total
	General			Obligation			
	Transportation Bond Series A Fund 0553	Transportation Bond Series B Fund 0554	IDOT Capital Projects Fund 1494	Retirement and Interest Fund 0101	IDOT COP Debt Service Fund 2494		
REVENUES							
Operating grants - Federal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	97,374
Other operating grants	-	-	-	-	-	-	13,014
Licenses and fees	-	-	-	-	-	-	52
Other charges for services	-	-	-	-	-	-	365
Other	-	-	-	4	-	-	314
Interest and other investment income	-	-	-	512	19	-	1,480
Total revenues	-	-	-	516	19	-	112,599
EXPENDITURES							
Transportation	11,527	46,929	1,052	-	-	-	1,319,864
Debt service - principal	-	-	-	-	1,520	-	1,520
Debt service - interest	-	-	-	-	1,345	-	1,345
Capital outlays	3,150	3,361	-	-	-	-	6,511
Total expenditures	14,677	50,290	1,052	-	2,865	-	1,329,240
Excess (deficiency) of revenues over (under) expenditures	(14,677)	(50,290)	(1,052)	516	(2,846)	-	(1,216,641)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES							
Appropriations from State resources	560,338	1,198,370	-	-	-	-	2,442,006
Reappropriation to future year(s)	(457,034)	(102,999)	-	-	-	-	(564,689)
Lapsed appropriations	(100,001)	(1,049,838)	-	-	-	-	(1,226,788)
Receipts collected and transmitted to State Treasury	(13)	(3)	-	(1,852)	-	-	(1,891)
Net change in liabilities for reappropriated accounts	11,378	4,760	-	-	-	-	25,607
Amount of SAMS Transfers-out	-	-	-	-	-	-	594,585
Transfers-in	-	-	1,360	253	2,906	-	620,387
Transfers-out	-	-	-	-	-	-	(605,533)
Net other sources (uses) of financial resources	14,668	50,290	1,360	(1,599)	2,906	-	1,283,684
Net change in fund balances	(9)	-	308	(1,083)	60	-	67,043
Fund balances (deficits), July 1, 2008	9	-	110	16,912	2,212	-	43,903
FUND BALANCES (DEFICITS), JUNE 30, 2009	\$ -	\$ -	\$ 418	\$ 15,829	\$ 2,272	\$ -	\$ 110,946



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

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the State of Illinois, Department of Transportation (the Department), as of and for the year ended June 30, 2009, which collectively comprise the Department's basic financial statements and have issued our report thereon dated March 24, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Department's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements and not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in finding 09-3 in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in findings 09-1 and 09-2 in the accompanying schedule of findings to be significant deficiencies.

Compliance and Other Matters

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

The Department's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Department's responses and, accordingly, we express no opinion on them.

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

Schick LLP

Springfield, Illinois
March 24, 2010

STATE OF ILLINOIS
DEPARTMENT OF TRANSPORTATION

SCHEDULE OF FINDINGS

June 30, 2009

FINDINGS (*GOVERNMENT AUDITING STANDARDS*)

- 09-1 FINDING:** (Weaknesses in preparation of GAAP reporting forms submitted to the Illinois Office of the Comptroller and preparation of year-end Department financial statements)

The Department of Transportation's (Department's) year-end financial reporting in accordance with generally accepted accounting principles (GAAP) to the Illinois Office of the Comptroller contained weaknesses and inaccuracies. These problems, if not detected and corrected, could materially misstate the Department's financial statements and negatively impact the statewide financial statements prepared by the Illinois Office of the Comptroller.

During our audit of the June 30, 2009 Department financial statements, we noted:

- GAAP reporting packages were not submitted to the Comptroller in a timely manner. GAAP reporting packages were due to the Comptroller on September 11, 2009. The Department submitted 7 of its 32 (22%) packages late. The final package was submitted on October 14, 2009, approximately 1 month late. Due to discussions and communication between the Department, Comptroller, and other State agencies and universities, the forms did not receive the Comptroller's final review until December 15, 2009 and the final draft of the financial statements, after adjustments for the implementation of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation*, which establishes standards for accounting and financial reporting for pollution remediation obligations, was provided on February 19, 2010.
- The Department could not provide supporting documentation from its accounting records for \$59,423,000 (4%) of \$1,412,088,000 federal expenditures reported to the Office of the State Comptroller on its Grant/Contract Analysis Form (SCO-563) for five federal programs. The expenditure totals reported in the SCO-563 for those programs were derived by subtracting prior year grant receivables from the current year grant receipts.
- We noted weaknesses in the financial accounting for the Department's inventory balance due to inaccurate commodities inventory records. These weaknesses are explained in more detail in Finding 09-2.

- We noted weaknesses in the financial accounting for, and reporting of, capital assets which led to a \$21,259,000 correction of the beginning balance (which was adjusted through the current year) and the revision to the Department's SAMS to GAAP Reconciliation Form (SCO-537) and Capital Asset Summary Form (SCO-538) due to \$135,188,000 of errors discovered as a result of our audit testing. These weaknesses are explained in more detail in Finding 09-3.
- The Department's liability estimation model does not permit for the calculation of encumbrances. Rather, it considers liabilities for expenditures incurred prior to year end pertaining to tangible items to be accounts payable. The encumbrances recorded in the Department's financial statements were calculated using Comptroller's Statewide Accounting Management System (SAMS) Procedure 27.20.50, which does not consider the impact of reappropriated funds. During fieldwork, the Department performed an analysis of its encumbrances at June 30, 2009 and determined that encumbrances were approximately \$2,321,000 more than what was recorded in its financial statements. The amount underestimated was not material to its financial statements for the year ended June 30, 2009, but could be in the future.

In recent years, the Department has endured numerous retirements of key employees and, in 2009, the individual responsible for overseeing the financial reporting process unexpectedly passed away. As a result, the Department lost a significant amount of institutional knowledge. To fill those voids, the Department contracted with a public accounting firm for management consulting and has begun to hire employees to replace those who are no longer with the Department.

Department management attributed the noted weaknesses to the loss of these key individuals and the difficulty of implementing a new GASB Statement.

The Comptroller requires State agencies to prepare GAAP Reporting Packages for each of their funds to assist in the annual preparation of the statewide financial statements and the Department financial statements. GAAP Reporting Package instructions are specified in the Comptroller's Statewide Accounting Management System (SAMS) Manual, Chapter 27. The Comptroller sets due dates for the financial information to be submitted in order for the statewide financial statements and statewide Schedule of Expenditures of Federal Awards (SEFA) to be prepared and audited within a specified timeline to provide users of these statements information in a timely manner.

In addition, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001), requires all State agencies to establish and maintain a system of internal fiscal control to provide assurance that revenues, expenditures and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of reliable financial reports.

Accurate and timely preparation of the Department's financial information for GAAP reporting purposes is important due to the complexity of the Department and the impact adjustments have on the statewide financial statements. (Finding Code No. 09-1)

RECOMMENDATION:

We recommend the Department implement procedures and cross-training measures to ensure GAAP Reporting Packages are prepared in a timely, accurate and complete manner. This should include allocating sufficient staff resources and the implementation of formal procedures to ensure GAAP financial information is prepared and submitted to the Office of the Comptroller in a timely and accurate manner, and that all supporting documentation is maintained in a contemporaneous manner. Additionally, the Department should modify its accounts payable model to include the dates tangible items such as commodities and fixed assets are ordered and received so that the encumbrances can be accurately computed. Please refer to Findings 09-2 and 09-3 for specific recommendations concerning inventory and fixed assets.

DEPARTMENT RESPONSE:

The Department agrees with the finding.

The Department experienced the unexpected loss of key personnel during the GAAP reporting process. As a result, cross training of personnel has begun in the Fiscal Operations Unit in order to address the issues in this finding and facilitate timely preparation of GAAP reporting. After the completion of the audit field work, the Department identified additional reports that support the expenditure amounts reported on the SCO-563. In addition, these reports will be able to be used for future year reporting and the written GAAP procedures will be updated to identify this process. The Department will discuss possible modifications to the accounts payable model in order to adequately identify encumbrances.

09-2 FINDING: (Inaccurate commodities inventory records)

The Department of Transportation (Department) maintained inaccurate commodities inventory records for the year ended June 30, 2009.

The Department performed year-end commodities inventory counts at each location to determine the value of commodities inventory to be reported in the financial statements. These counts were performed around June 30, 2009.

Inventory Counts

During our physical inventory counts, we counted 650 inventory items and noted discrepancies between audit test counts and Department inventory counts for 240 (37%) items. The errors resulted in an understatement of the year end inventory balance of \$327,000 which, when extrapolated over the entire inventory population, resulted in an estimated understatement of \$4,093,000. The Department was not able to reconcile between audit test counts and Department physical inventory counts for these differences.

Inventory Pricing

During our price testing, we sampled 67 inventory items. We were not provided with price documentation for 6 (9%) items in our sample. Of the documentation provided, 23 (34%) items contained an inaccurate price. It was determined that certain commodities were given equal pricing across the state although actual commodity costs varied by location. In other instances, the inventoried commodities costs did not agree to the actual invoice at the time the commodities were purchased. The discrepancies between final inventory prices and invoice prices, including the six items for which no documentation was provided, resulted in an overstatement of the year end inventory amount of \$308,000. When extrapolated over the entire inventory population, this discrepancy resulted in an estimated overstatement of \$7,478,000.

The Department did not adjust its financial statements for these errors as they were considered immaterial to Department's overall financial statements.

The Comptroller's Statewide Accounting Management System (SAMS) Procedure 02.50.20 (page 6 of 12) requires detailed subsidiary records be maintained for inventories and periodically reconciled to control accounts; in addition, it requires issues, transfers, retirements and losses be reported and accounted for timely. Good business practices require that internal controls be in place and operating to maintain effective accounting control over assets and to ensure they are properly reported. In addition, Chapter 7 of the Department's Property Control and Inventory Procedures Manual mandates an annual physical inventory of consumable commodity items as part of the external audit process. Year-end physical inventories are to be taken and the Department's records are to be adjusted accordingly.

In response to this continued prior year finding, the Department stated the Division of Highways staff would prepare a spreadsheet that includes the prior year counts to distribute to all districts on which they could record the inventory counts and explain any significant variances from the prior year. Additionally, the Department stated it would encourage greater attention to detail of correct pricing. Despite these measures, the inventory count and pricing errors continued to ensue.

Department management acknowledged that discrepancies were noted between the audit test counts and Department physical inventory counts which were caused by coordination weaknesses between the parties involved. Furthermore, due to the high volume of purchases for various commodity items, an extensive overhaul would be required in order to provide multiple unit price information for common items. Therefore, certain commodities were given equal pricing.

Failure to maintain accurate commodities records could result in lost or misappropriated items, inaccurate financial statements, and noncompliance with SAMS and internal Department procedures. (Finding Code No. 09-2, 08-02, 07-03, 06-04, 05-12, 04-04, 03-05, 02-09, 00-04, 99-05, 98-04, 96-07, 94-06)

RECOMMENDATION:

We recommend the Department strongly emphasize the importance of maintaining accurate inventory quantity and cost records throughout the year. Additionally, the Department should perform periodic physical inventory counts throughout the year and reconcile those to Department records. Finally, we recommend the Department implement a review at year-end to compare costs assigned per inventory listings to the most recent inventory purchases to ensure accurate unit costs.

DEPARTMENT RESPONSE:

The Department agrees with the finding.

The Department is committed to resolving the issues involved with the commodities inventory process. The Department recognizes that communication of expectations is key to resolving count issues. A written inventory procedure has been drafted and will be implemented for future counts. This process outlines the expectations of the Central Office, the procedures by which the count is to be conducted and identified key personnel. A written procedure for the inventory pricing is being drafted that will incorporate detailed pricing spreadsheets that will allow for pricing at the district level with an emphasis on maintaining adequate documentation to support all pricing.

09-3 FINDING: (Weaknesses in the reporting of capital assets)

The Department of Transportation (Department) did not accurately report capital assets to the Illinois Office of the Comptroller for fiscal year 2009.

We noted the following errors and weaknesses in the Department's capital asset reporting process:

- The Department determined that its June 30, 2008 government activity capital assets balance, net, was understated by \$21,259,000 due to errors in the preparation of its quarterly State property balance reported in the Agency Report of State Property (C-15). The balance reported on this form to the Illinois Office of the Comptroller is the starting point of the calculation of SAMS to GAAP Reconciliation Form (SCO-537). When the Department discovered the error in fiscal year 2009, it determined to record the activity necessary to correct the understatement in fiscal year 2009 rather than restating the balance as of July 1, 2008. This treatment, while significant, did not result in materially misstating the Department's financial statements for the year ended June 30, 2009. However, the error represents deficiencies in the operation of the Department's control over the capital asset reporting process. The Department attributed this error to the loss of several key employees in recent years due to retirements, which led to a loss of institutional knowledge. The inexperience of the employees later assigned to complete the C-15 resulted in omitting certain assets from consideration in the C-15 preparation.
- Our testing noted errors of \$135,188,000 in the initial SAMS to GAAP Reconciliation Form (SCO-537) and Capital Asset Summary Form (SCO-538) submitted by the Department to the Comptroller. These errors included rounding infrastructure accounts payable to millions rather than thousands, resulting in a three-digit balance instead of a six-digit balance; mathematical inaccuracies of data input; and improper determination of the cost basis of Right of Way land assets disposed of during fiscal year 2009. The Department attributed these problems to human error.

The Comptroller's Statewide Accounting Management System (SAMS) Procedures 29.20.10, 27.20.37 and 27.20.38 outline the instructions for preparing the C-15, SCO-537, and SCO-538, respectively. This reporting process is necessary to complete Department wide and State wide financial statements in accordance with generally accepted accounting principles (GAAP).

In addition, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system of internal fiscal control to provide assurance that revenues, expenditures and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of reliable financial reports.

Inadequate control over maintaining accurate capital assets records prevents the Department from preparing financial information in accordance with GAAP and results in inaccurate, incomplete and untimely preparation of financial information. (Finding Code No. 09-3)

RECOMMENDATION:

We recommend the Department devote sufficient resources to its financial accounting function such that the capital asset information is properly recorded and accounted for to permit the preparation of reliable financial information and reports to the Office of the Comptroller.

DEPARTMENT RESPONSE:

The Department agrees with the finding.

The Department identified errors in the prior year capital asset reporting and as a result had significant corrections to the capital asset balances during FY 2009. Appropriate staff has been assigned to the reporting process and written procedures are being drafted in order to ensure accurate and timely reporting of reliable financial information and reports to the Illinois Office of the Comptroller.

STATE OF ILLINOIS
DEPARTMENT OF TRANSPORTATION

PRIOR FINDINGS NOT REPEATED

A. Prior Finding – Revenue Recognition/Deferred Revenue

During the prior audit, the Department failed to pro-rate Federal receipts between fiscal year 2008 and fiscal year 2009 for projects that had costs incurred during both fiscal periods. Also, a material amount of revenue which was earned prior to year end but received after the Department's cut-off date of its review of lapse period receipts, was not recorded until the following year.

The Department accepted the recommendation to review accounts receivable monthly to ensure that reimbursement projects are billed on a current basis and that receipts, where applicable, are prorated between periods for accurate recognition in the appropriate accounting period. The Department now captures data on federal revenues collected in July and August and the related expenditure data, including the service dates, which generated the revenue, to accurately prorate the data into the fiscal year in which it was earned. We noted no exceptions during our testing of revenue recognition/deferred revenue during the current audit. (Finding Code No. 08-1)

B. Prior Finding – Restatement of Shared Revenues

The Department restated the beginning fund balance for fuel tax revenues which were not properly accrued as revenues for fiscal year 2007.

The Department accepted the recommendation that procedures were needed to ensure disbursements of shared revenues were accrued to the extent the revenues were earned. At June 30, 2009, the shared revenues pertaining to fuel taxes appeared properly accrued in all material respects. No restatements were made to the financial statements for the year ended June 30, 2009. (Finding Code No. 08-3)