

# McGladrey & Pullen

Certified Public Accountants

## **State of Illinois Department of Revenue**

Financial Audit  
For the Year Ended June 30, 2007  
Performed as Special Assistant Auditors  
For the Auditor General, State of Illinois

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**State of Illinois  
Department of Revenue**

**Agency Officials  
For the Year Ended June 30, 2007**

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Director	Brian A. Hamer
Assistant Director	Pat Welch
Associate Director	Jodie Winnett
Chief of Staff	Lainie Krozel (10/26/07 – Current) Lainie Krozel (Acting 2/5/07 – 10/25/07) Jennifer Ricker (9/7/04 – 2/4/07)
Chief Fiscal Officer	Mark Lewis (10/26/07 – Current) Mark Lewis (Acting 10/1/06 – 10/25/07) Dave Hunt (5/1/90 – 9/18/06)
Lottery	Jodie Winnett (Acting 3/27/07 – Current) Carolyn Adams (6/18/03 – 3/26/07)
Liquor	Lainie Krozel (Acting 5/29/07 – Current) Jennifer Ricker (Acting 8/26/06 – 2/4/07) Michael Malone (12/15/03 – 8/25/06)
Program Administrators:	
Administrative Services	Stephanie Arkin
Account Processing	Carolyn Davlin
Information Services	Curt Smith
Tax Enforcement	Pat Welch (Acting 1/19/07 – Current) Luke Hartigan (Acting 1/16/07 – 1/18/07) Terrance Neathery (Acting 12/18/06 – 1/15/07) Luke Hartigan (Acting 9/30/06 – 12/17/06) August Yount (2/1/05 – 9/29/06)
Policy and Communications Office Mike Klemens	
Managers:	
Financial Control Bureau	Larry Lascody, Jr.
Returns and Deposits	Patty Walbaum (1/16/07 – Current) Laurie Riva (1/1/03 – 12/31/06)
General Counsel	John McCaffrey (5/1/07 – Current) Louise Calbert (Acting 3/16/07 – 4/30/07) Mark Hellner (3/1/05 – 3/15/07)

Agency offices are located at:

101 West Jefferson  
Springfield, Illinois 62794

James R. Thompson Center  
100 West Randolph, Suite 7-500  
Chicago, Illinois 60601-3274

**State of Illinois  
Department of Revenue**

**Financial Statement Report**

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**Summary**

The audit of the accompanying basic financial statements of the State of Illinois, Department of Revenue (Department), was performed by McGladrey & Pullen, LLP.

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 beginning on page 62 of this report, as findings 07-1 and 07-2. The auditors also consider findings 07-1 and 07-2 to be material weaknesses.

**Exit Conference**

The findings and recommendations appearing in this report were discussed with Department personnel at an exit conference on April 2, 2008. Attending were:

	<b>Department</b>
Brian A. Hamer	Director
Jose Borjon	Audit Liaison
Mark Lewis	Chief Fiscal Officer
Curt Smith	Program Administrator-Information Services
John McCaffrey	General Counsel
Lainie Krozel	Chief of Staff
Larry Lascody	Manager-Financial Control Bureau
Mike Klemens	Program Administrator-Policy and Communications Office
Dave Hunt	Administrative and Regulatory Shared Services Center
Shelly Banks	Administrative and Regulatory Shared Services Center
	<b>McGladrey &amp; Pullen, LLP</b>
Joseph Evans	Partner
Linda Abernethy	Partner
	<b>Office of the Auditor General</b>
Candace Long	Audit Manager
Kathy Lovejoy	IS Audit Manager
Joe Butcher	Audit Manager
Alison Schertz	Audit Supervisor
Patrick Meridith	Staff Auditor

The responses to the recommendations were provided by Brian A. Hamer, Director, in a letter dated April 11, 2008.

# McGladrey & Pullen

Certified Public Accountants

## Independent Auditor's Report

Honorable William G. Holland  
Auditor General  
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State of Illinois, Department of Revenue, as of and for the year ended June 30, 2007, which collectively comprise the State of Illinois, Department of Revenue's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of Illinois, Department of Revenue'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 State of Illinois, Department of Revenue are intended to present the financial position and changes in financial position and cash flows, where applicable, of only that portion of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State that is attributable to the transactions of the State of Illinois, Department of Revenue. They do not purport to, and do not, present fairly the financial position of the State of Illinois as of June 30, 2007, and its changes in financial position including cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State of Illinois, Department of Revenue, as of June 30, 2007, 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.

As discussed in Note 13 to the financial statements, the June 30, 2006 net assets for governmental activities and the June 30, 2006 fund balance for the General Fund have been restated (decreased by \$149.7 million) to correct an error in accounting for amounts due to other Department funds.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 1, 2008 on our consideration of the State of Illinois, Department of Revenue'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 State of Illinois, Department of Revenue has not presented a management's discussion and analysis and budgetary comparison information for the General and Motor Fuel Tax 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 State of Illinois, Department of Revenue's basic financial statements. The combining statements and schedules listed as supplementary information in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining statements and schedules listed as supplementary information in the table of contents 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.

*McGladrey & Pullen, LLP*

Schaumburg, Illinois  
May 1, 2008

**State of Illinois**  
**Department of Revenue**

**Statement of Net Assets**

June 30, 2007 (Expressed in Thousands)

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Unexpended appropriations	\$ 24,697	\$ -	\$ 24,697
Cash equity in State Treasury	1,239,756	29,187	1,268,943
Cash and cash equivalents	4	3,863	3,867
Investments	-	1,044	1,044
Taxes receivable, net	1,353,364	-	1,353,364
Intergovernmental receivables	424	-	424
Other receivables, net	3,991	20,628	24,619
Due from Department fiduciary funds	-	443	443
Due from Department funds	(60,715)	60,715	-
Due from State funds	2,699	-	2,699
Due from State of Illinois component units	316,383	-	316,383
Inventories	773	289	1,062
Prepaid expenses	-	341	341
Capital assets being depreciated, net	1,496	554	2,050
<b>Total assets</b>	<b>2,882,872</b>	<b>117,064</b>	<b>2,999,936</b>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	1,145,805	75,687	1,221,492
Intergovernmental payables	1,095,737	-	1,095,737
Due to other Department fiduciary funds	66,816	-	66,816
Due to other State fiduciary funds	817	3,437	4,254
Due to other State funds	66,234	64	66,298
Due to State of Illinois component units	480	1	481
Unearned revenue	15,998	6,438	22,436
Long-term obligations:			
Portion due or payable within one year	750	163	913
Portion due or payable after one year	14,668	2,122	16,790
<b>Total liabilities</b>	<b>2,407,305</b>	<b>87,912</b>	<b>2,495,217</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	1,496	554	2,050
Restricted for education	-	28,598	28,598
Unrestricted net assets	474,071	-	474,071
<b>Total net assets</b>	<b>\$ 475,567</b>	<b>\$ 29,152</b>	<b>\$ 504,719</b>

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

**State of Illinois  
Department of Revenue  
Statement of Activities**

For the Year Ended June 30, 2007 (Expressed in Thousands)

Functions/Programs	Program Revenues			Net (Expense) Revenues and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental activities</b>						
General government	\$ 334,128	\$ 37,692	\$ 117	\$ (286,319)	\$ -	\$ (286,319)
Health and social services	13,336	844	-	(12,492)	-	(12,492)
Employment and economic development	5,000	-	-	(5,000)	-	(5,000)
Environment and business regulation	13,524	6,454	-	(7,070)	-	(7,070)
Intergovernmental-revenue sharing	4,999,309	-	-	(4,999,309)	-	(4,999,309)
Total governmental activities	<u>5,365,297</u>	<u>44,990</u>	<u>117</u>	<u>(5,320,190)</u>	<u>-</u>	<u>(5,320,190)</u>
<b>Business-type activities</b>						
Lottery	1,370,633	2,003,739	-	-	633,106	633,106
Total Department	<u>\$ 6,735,930</u>	<u>\$ 2,048,729</u>	<u>\$ 117</u>			
<b>General revenues</b>						
Taxes:						
Income taxes				12,654,509	-	12,654,509
Sales taxes				9,819,811	-	9,819,811
Motor fuel taxes				1,443,544	-	1,443,544
Public utility taxes				1,533,614	-	1,533,614
Other taxes				1,801,723	-	1,801,723
Interest and investment income				7,784	517	8,301
Other revenues				66,871	-	66,871
Appropriations from State Resources				239,747	-	239,747
Lapsed appropriations				(11,044)	-	(11,044)
Receipts collected and transmitted to State Treasury				(20,592,081)	-	(20,592,081)
Amount of SAMS transfers-in				(3,259,946)	-	(3,259,946)
Amount of SAMS transfers-out				1,444,718	-	1,444,718
Capital transfers to other State agencies				(54)	-	(54)
Transfers-in				631,481	-	631,481
Transfers-out				(390,309)	(631,033)	(1,021,342)
Total general revenues and transfers				<u>5,390,368</u>	<u>(630,516)</u>	<u>4,759,852</u>
Change in net assets				70,178	2,590	72,768
Net assets, July 1, 2006, as restated				405,389	26,562	431,951
Net assets, June 30, 2007				<u>\$ 475,567</u>	<u>\$ 29,152</u>	<u>\$ 504,719</u>



**State of Illinois**  
**Department of Revenue**

**Balance Sheet -**  
**Governmental Funds**

June 30, 2007 (Expressed in Thousands)

	General Fund	Motor Fuel Tax Fund 0012	Nonmajor funds	Total Governmental Funds
<b>ASSETS</b>				
Unexpended appropriations	\$ 12,714	\$ 10,695	\$ 1,288	\$ 24,697
Cash equity in State Treasury	434,821	5,174	799,761	1,239,756
Cash and cash equivalents	-	-	4	4
Taxes receivables, net	922,778	125,848	304,738	1,353,364
Intergovernmental receivables	352	72	-	424
Other receivables	-	-	3,991	3,991
Due from other Department funds	3,147	-	272,754	275,901
Due from other State funds	-	-	2,699	2,699
Due from State of Illinois component units	-	-	316,383	316,383
Inventories	773	-	-	773
<b>Total assets</b>	<u>\$ 1,374,585</u>	<u>\$ 141,789</u>	<u>\$ 1,701,618</u>	<u>\$ 3,217,992</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 1,079,395	\$ 6,064	\$ 60,346	\$ 1,145,805
Intergovernmental payables	2,452	6,802	1,086,483	1,095,737
Due to other Department fiduciary funds	41,292	-	25,524	66,816
Due to other State fiduciary funds	389	168	260	817
Due to other Department funds	287,856	-	48,760	336,616
Due to other State funds	64,988	444	802	66,234
Due to State of Illinois component units	38	-	442	480
Unavailable revenue	154,953	15,262	71,444	241,659
Unearned revenue	15,998	-	-	15,998
<b>Total liabilities</b>	<u>1,647,361</u>	<u>28,740</u>	<u>1,294,061</u>	<u>2,970,162</u>
<b>FUND BALANCES (DEFICITS)</b>				
Reserved for:				
Encumbrances	-	-	103	103
Inventories	773	-	-	773
Unreserved, undesignated				
General fund	(273,549)	-	-	(273,549)
Special revenue funds	-	113,049	407,454	520,503
Total fund balances (deficits)	<u>(272,776)</u>	<u>113,049</u>	<u>407,557</u>	<u>247,830</u>
<b>Total liabilities and fund balances (deficits)</b>	<u>\$ 1,374,585</u>	<u>\$ 141,789</u>	<u>\$ 1,701,618</u>	<u>\$ 3,217,992</u>

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

**State of Illinois  
Department of Revenue  
Reconciliation of Governmental Funds Balance Sheet  
to Statement of Net Assets  
June 30, 2007  
(Expressed in Thousands)**

<b>Total fund balances-governmental funds</b>	<b>\$ 247,830</b>
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.	1,496
Revenues in the Statement of Activities that do not provide current financial resources are deferred in the funds.	241,659
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 activities consist of:	
Compensated absences	<u>(15,418)</u>
<b>Net assets of governmental activities</b>	<b><u><u>\$ 475,567</u></u></b>

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

**State of Illinois**  
**Department of Revenue**

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

For the Year Ended June 30, 2007 (Expressed in Thousands)

	General Fund	Motor Fuel Tax Fund 0012	Nonmajor funds	Total Governmental Funds
<b>REVENUES</b>				
Federal operating grants	\$ -	\$ 9	\$ 60	\$ 69
Income taxes	11,350,980	-	1,209,891	12,560,871
Sales taxes	7,185,298	-	2,652,713	9,838,011
Motor fuel taxes	-	1,359,883	76,635	1,436,518
Public utility taxes	1,130,922	-	403,000	1,533,922
Other taxes	609,923	-	1,191,599	1,801,522
Licenses and fees	6,676	734	35,057	42,467
Other charges for services	2,296	-	261	2,557
Interest and other investment income	142	-	7,642	7,784
Other	3,678	-	63,193	66,871
<b>Total revenues</b>	<b>20,289,915</b>	<b>1,360,626</b>	<b>5,640,051</b>	<b>27,290,592</b>
<b>EXPENDITURES</b>				
General government	158,335	62,413	112,201	332,949
Health and social services	-	-	13,336	13,336
Employment and economic development	-	-	5,000	5,000
Environment and business regulation	-	-	13,524	13,524
Intergovernmental	-	-	4,999,309	4,999,309
Capital outlays	189	75	266	530
<b>Total expenditures</b>	<b>158,524</b>	<b>62,488</b>	<b>5,143,636</b>	<b>5,364,648</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>20,131,391</b>	<b>1,298,138</b>	<b>496,415</b>	<b>21,925,944</b>
<b>OTHER SOURCES (USES) OF FINANCIAL RESOURCES</b>				
Appropriations from State resources	154,226	80,958	4,563	239,747
Lapsed appropriations	(6,213)	(4,502)	(329)	(11,044)
Receipts collected and transmitted to State Treasury	(18,255,976)	(1,376,285)	(959,820)	(20,592,081)
Amount of SAMS Transfers-in	(3,222,146)	-	(37,800)	(3,259,946)
Amount of SAMS Transfers-out	1,443,379	-	1,339	1,444,718
Transfers-in	1,315,725	-	1,407,555	2,723,280
Transfers-out	(1,584,688)	-	(897,420)	(2,482,108)
<b>Net other sources (uses) of financial resources</b>	<b>(20,155,693)</b>	<b>(1,299,829)</b>	<b>(481,912)</b>	<b>(21,937,434)</b>
<b>Net change in fund balances</b>	<b>(24,302)</b>	<b>(1,691)</b>	<b>14,503</b>	<b>(11,490)</b>
Fund balances (deficits), July 1, 2006, as restated	(248,964)	114,740	393,054	258,830
Increase for changes in inventories	490	-	-	490
<b>FUND BALANCES (DEFICITS), JUNE 30, 2007</b>	<b>\$ (272,776)</b>	<b>\$ 113,049</b>	<b>\$ 407,557</b>	<b>\$ 247,830</b>

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

**State of Illinois**  
**Department of Revenue**  
**Reconciliation of Statement of Revenues, Expenditures and Changes in**  
**Fund Balances of Governmental Funds to Statement of Activities**  
**For the Year Ended June 30, 2007**  
**(Expressed in Thousands)**

<b>Net change in fund balances</b>	\$	(11,490)
Change in inventories		490
		(11,000)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which depreciation exceeded capital outlays in the current period.		(156)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This amount represents the increase in unavailable revenue over the prior year.		82,371
Prepaid expenses in the Statement of Net Assets are not reported as expenses in governmental funds. This amount represents the decrease in prepaid expense from the prior year.		(550)
Some capital assets were transferred out to other State agencies and, therefore, no proceeds were received for the capital asset's value.		(54)
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.		
Increase in compensated absences obligation		(433)
		(433)
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b>70,178</b>

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

**State of Illinois**  
**Department of Revenue**

**Statement of Net Assets -**  
**Proprietary Funds**

June 30, 2007 (Expressed in Thousands)

	Nonmajor Enterprise Fund State Lottery 0711
<b>ASSETS</b>	
Cash equity in State Treasury	\$ 29,187
Cash and cash equivalents	3,863
Investments, short-term	107
Other receivables, net	20,628
Due from other Department fiduciary funds	443
Due from other Department funds	60,715
Inventories	289
Prepaid expenses	341
<b>Total current assets</b>	<u>115,573</u>
Investments	937
Capital assets being depreciated, net	554
<b>Total assets</b>	<u>117,064</u>
<b>LIABILITIES</b>	
Accounts payable and accrued liabilities	75,687
Due to other State fiduciary funds	3,437
Due to other State funds	64
Due to State of Illinois component units	1
Unearned revenue	6,438
Current portion of long-term obligations	163
<b>Total current liabilities</b>	<u>85,790</u>
Noncurrent portion of long-term obligations	2,122
<b>Total liabilities</b>	<u>87,912</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	554
Restricted for education	28,598
<b>Total net assets</b>	<u>\$ 29,152</u>

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

*State of Illinois*

*Department of Revenue*

**Statement of Revenues, Expenses and Changes in Fund**

**Net Assets - Proprietary Funds**

For the Year Ended June 30, 2007 (Expressed in Thousands)

	<b>Nonmajor Enterprise Fund State Lottery 0711</b>
<b>OPERATING REVENUES</b>	
Charges for sales and services	\$ 1,998,970
Other	4,769
<b>Total operating revenues</b>	<u>2,003,739</u>
<b>OPERATING EXPENSES</b>	
Cost of sales and services	146,969
Prizes and claims	1,159,571
General and administrative	63,764
Depreciation	255
<b>Total operating expenses</b>	<u>1,370,559</u>
<b>Operating income (loss)</b>	<u>633,180</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest and investment income	517
Other expenses	(74)
<b>Income (loss) before transfers</b>	<u>633,623</u>
Transfers-out	<u>(631,033)</u>
<b>Net income (loss)</b>	<u>2,590</u>
Net assets (deficit), July 1, 2006	<u>26,562</u>
<b>NET ASSETS (DEFICIT), JUNE 30, 2007</b>	<u>\$ 29,152</u>

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

**State of Illinois**  
**Department of Revenue**

**Statement of Cash Flows -**  
**Proprietary Funds**

For the Year Ended June 30, 2007 (Expressed in Thousands)

	<u>Nonmajor Enterprise Fund State Lottery 0711</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from sales and services (net of \$887,785 cash prizes paid by agents and \$100,871 commission retained by agents)	\$ 1,006,704
Cash payments to employees for services	(110,468)
Cash payments for lottery prizes	(260,856)
Cash receipts from other operating activities	5,069
Net cash provided (used) by operating activities	<u>640,449</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers-out to other funds	(626,551)
Net cash provided (used) by noncapital financing activities	<u>(626,551)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition and construction of capital assets	(188)
Net cash (used) by capital and related financing activities	<u>(188)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest and dividends on investments	517
Net cash provided (used) by investing activities	<u>517</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>14,227</b>
Cash and cash equivalents, July 1, 2006	<u>18,823</u>
<b>CASH AND CASH EQUIVALENTS, JUNE 30, 2007</b>	<b>\$ 33,050</b>
<b>Reconciliation of cash and cash equivalents to the statement of net assets:</b>	
Total cash and cash equivalents per the statement of net assets	3,863
Add: Cash equity with State Treasurer	29,187
<b>CASH AND CASH EQUIVALENTS, JUNE 30, 2007</b>	<b>\$ 33,050</b>

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

**State of Illinois**

**Department of Revenue**

**Statement of Cash Flows -  
Proprietary Funds**

For the Year Ended June 30, 2007 (Expressed in Thousands)

	<u>Nonmajor Enterprise Fund State Lottery 0711</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>	
<b>OPERATING INCOME (LOSS)</b>	<u>\$ 633,180</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	255
Provision for uncollectible accounts	1,911
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(9,593)
(Increase) decrease in due from other funds	597
(Increase) decrease in inventory	1,002
(Increase) decrease in prepaid expenses	(261)
Increase (decrease) in accounts payable and accrued liabilities	9,123
Increase (decrease) in intergovernmental payables	(286)
Increase (decrease) in due to other funds	435
Increase (decrease) in due to component units	(1)
Increase (decrease) in unearned revenues	4,073
Increase (decrease) in other liabilities	14
Total adjustments	<u>7,269</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>\$ 640,449</u>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>	
Transfers of capital assets to other State funds	<u>\$ (74)</u>

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



**State of Illinois**  
**Department of Revenue**

**Statement of Fiduciary Net Assets**

June 30, 2007 (Expressed in Thousands)

	<u>Investment Trust Fund</u>		
		<u>Deferred Prize Winners Trust Fund 0978</u>	<u>Agency Funds</u>
<b>ASSETS</b>			
Cash equity in State Treasury	\$ 3,332		\$ 280,089
Cash and cash equivalents	-		2,834
Fixed income investments	624,526		-
Taxes receivable, net	-		133,189
Other receivables, net	2		554
Due from other Department funds	-		66,816
<b>Total assets</b>	<u>627,860</u>		<u>\$ 483,482</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	-		\$ 1,753
Intergovernmental payables	-		478,892
Due to other Department funds	443		-
Other liabilities	2,889		2,837
<b>Total liabilities</b>	<u>3,332</u>		<u>\$ 483,482</u>
<b>NET ASSETS</b>			
Held in trust for prizewinners	624,528		
<b>Total net assets</b>	<u>\$ 624,528</u>		

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

**State of Illinois**  
**Department of Revenue**

**Statement of Changes in Fiduciary Net Assets**

For the Year Ended June 30, 2007 (Expressed in Thousands)

	<u>Investment Trust Fund</u>
	<u>Deferred Prize Winners Trust Fund 0978</u>
<b>ADDITIONS:</b>	
Investment earnings:	
Interest, dividends and other investment income	\$ 44,695
Net decrease in the fair value of investments	(6,790)
Net investment income	<u>37,905</u>
Participant account transactions:	
Prize securities deposited	<u>29,128</u>
<b>Total additions</b>	<u>67,033</u>
<b>DEDUCTIONS:</b>	
Payments to prizewinners	<u>150,788</u>
<b>Total deductions</b>	<u>150,788</u>
<b>Net additions (deductions)</b>	(83,755)
Net assets, July 1, 2006	<u>708,283</u>
<b>Net assets, JUNE 30, 2007</b>	<u>\$ 624,528</u>

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

**STATE OF ILLINOIS  
DEPARTMENT OF REVENUE**

Notes to Financial Statements

June 30, 2007

**(1) Organization**

The Department of Revenue (the Department) is a part of the executive branch of government of the State of Illinois (State) and operates under the authority of and review by the Illinois General Assembly. The Department operates under a budget approved by the General Assembly in which resources primarily from the General Revenue Fund and the Motor Fuel Tax Funds 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 the Surety Bond Fund, the Lottery Agent Security Deposits Fund, and the Evidence Fund.

The Department is organized to provide for administering, collecting, enforcing and determining distribution of the taxes imposed by the State's major tax acts. The Department also administers and oversees the operations of the Illinois Lottery, the Liquor Control Commission, the Illinois Gaming Board, and the Illinois Racing Board.

**(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 REVENUE**

Notes to Financial Statements

June 30, 2007

**(b) Basis of Presentation**

The financial statements of the State of Illinois, Department of Revenue, are intended to present the financial position, changes in financial position, and cash flows of only that portion of the governmental activities, each major governmental fund of the State of Illinois, the enterprise fund, 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, 2007 the changes in financial position for the year then ended, and the cash flows in conformity with accounting principles generally accepted in the United States of America.

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

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

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

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

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

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

**General** - This is the State's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The

**STATE OF ILLINOIS  
DEPARTMENT OF REVENUE**

Notes to Financial Statements

June 30, 2007

services which are administered by the Department and accounted for in the general fund include, among others, general government services.

**Motor Fuel Tax** – This fund accounts for the activities for various transportation related program expenditures and the administrative cost of supervising the use of funds apportioned to municipalities, counties and road districts. Funding sources include State fuel taxes and an allocation (transfer) of State sales tax collections from the General Fund.

Additionally, the Office administers the following fund 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.

**Proprietary Fund Types:**

**Enterprise** – The State Lottery Fund accounts for operations of the State Lottery in which the net proceeds are used for the support of the State's Common School Fund.

**Fiduciary Fund Types:**

**Investment Trust** – The Deferred Lottery Prizewinners Trust Fund accounts for the external portion of investment pools made on behalf of Lottery prizewinners.

**Agency** – These funds account for taxes and other assets collected and held by the Department, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

**(c) Measurement Focus and Basis of Accounting**

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Nonexchange transactions, in which the Department gives (or receives) value without directly receiving (or giving) equal value in exchange, include income, sales, motor fuel, excise and replacement taxes. On an accrual basis, revenues from these taxes are recognized in the fiscal year in which the underlying exchange transaction occurs. 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

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June 30, 2007

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 income taxes, sales taxes, public utility taxes, motor fuel taxes, other taxes and interest. All other revenue sources including fines, penalties, licenses, and other miscellaneous revenues are considered to be measurable and available only when cash is received.

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

**(d) Shared Fund Presentation**

The financial statement presentation for the General Revenue Fund, Education Assistance Fund, Motor Fuel Tax Fund, Public Utility Fund, Underground Storage Tank Fund, Illinois Gaming Law Enforcement Fund, Used Tire Management Fund, Natural Areas Acquisition Fund, Open Space Lands Acquisition and Development Fund, Common School Fund, Drycleaner Environment Response Trust Fund, Supplemental Low Income Energy Assistance Fund, Renewable Energy Resources Trust Fund, School Infrastructure Fund, Petroleum Resources Revolving Fund, International Tourism Fund, Tobacco Settlement Recovery Fund, Emergency Public Health Fund, Build Illinois Fund, and Local Tourism Fund represent only the portion of the shared fund 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:

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.

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June 30, 2007

Appropriations from State Resources

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

Lapsed Appropriations

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

Receipts Collected and Transmitted to State Treasury

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

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.

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 as interdepartmental interfund receivables and payables have been eliminated in the government-wide statement of net assets. Amounts reported in the governmental funds balance sheet and proprietary statement of net assets as receivable from or payable to fiduciary funds have been included in the government-wide statement of net assets as receivable from and payable to external parties, rather than as internal balances.

**STATE OF ILLINOIS  
DEPARTMENT OF REVENUE**

Notes to Financial Statements

June 30, 2007

**(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 and cash in banks for locally held funds.

**(g) Inventories**

Inventories, consisting primarily of lottery tickets and postage and printing supplies, are valued at cost, principally on the first-in, first-out (FIFO) method. Significant inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

**(h) Prepaid items**

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

**(i) Interfund Transactions**

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

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

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

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

**(j) Capital Assets**

Capital assets, which consist of equipment and automobiles, are reported at cost. Contributed assets are reported at estimated fair value at the time received. Capital assets are depreciated using the straight-line method.

The capitalization threshold for equipment and automobiles is \$5,000 and the estimated useful life is 3-15 years.



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DEPARTMENT OF REVENUE**

Notes to Financial Statements

June 30, 2007

**(k) *Compensated Absences***

The liability for compensated absences reported in the government-wide and proprietary fund 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 tax).

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 January 1, 1984 and December 31, 1997 (with a 50% cash value) would only be used after all days with no cash value are depleted. Any sick days earned and unused after December 31, 1997 will be converted to service time for purposes of calculating employee pension benefits.

**(l) *Fund Balances***

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties 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:

***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."

**STATE OF ILLINOIS  
DEPARTMENT OF REVENUE**

Notes to Financial Statements

June 30, 2007

**(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) Future Adoption of GASB Statements**

Effective for the year ending June 30, 2008 the Department will adopt GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenue*, which established accounting and financial reporting standards for transactions in which a government receives, or is entitled to, resources in exchange for future cash flows generated by collecting specific receivables or specific future revenues. The Department has not yet determined the impact on the Department's financial statements as a result of adopting this statement.

**(3) Deposits and Investments**

**(a) Deposits**

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

Deposits in the custody of the State Treasurer are pooled and invested with other State funds in accordance with the Deposit of State Moneys Act of the Illinois Compiled Statutes (15 ILCS 520/11). Funds held by the State Treasurer have not been categorized as to credit risk because the 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.

**STATE OF ILLINOIS  
DEPARTMENT OF REVENUE**

Notes to Financial Statements

June 30, 2007

**(b) Investments**

As of June 30, 2007, the Department had the following investments outside of the State Treasury:

	<u>Fair Value (Thousands)</u>	<u>Weighted Average Maturity (Years)</u>
<i>Enterprise Funds</i>		
Annuities	\$ 1,044	6.878
<i>Fiduciary Funds</i>		
U.S. Treasury Bonds	\$ 624,526	4.038

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

**Credit Risk:** Prior to July 30, 1985, the Department did not have a formal investment policy that limited investment choices. Subsequent to July 30, 1985, the Department is limited to investing in direct obligations of the United States of America or backed by the full faith and credit of the United States of America. The Department's investments in annuities are not rated.

**(4) Taxes Receivable**

Taxes receivable (amounts expressed in thousands) at June 30, 2007 are as follows:

	<u>General Fund</u>	<u>Motor Fuel Tax Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Fiduciary Funds</u>
Taxes receivable:				
Income	\$ 775,840	\$ -	\$ 131,441	\$ -
Sales	575,239	-	210,888	122,733
Motor fuel tax	-	143,424	11,914	-
Public utility	16,582	-	14,039	8,493
Other	30,899	-	25,093	1,963
Total taxes receivable	1,398,560	143,424	393,375	133,189
Less: allowance for uncollectible taxes	475,782	17,576	88,637	-
Taxes receivable, net	\$ 922,778	\$ 125,848	\$ 304,738	\$ 133,189

**STATE OF ILLINOIS  
DEPARTMENT OF REVENUE**

Notes to Financial Statements

June 30, 2007

**(5) Interfund Balances and Activity**

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

The following balances (amounts expressed in thousands) at June 30, 2007 represent amounts due from other Department funds.

<u>Fund</u>	<u>Due from</u>			<u>Description/Purpose</u>
	<u>Other Department Funds</u>	<u>Other State Funds</u>	<u>Other Department Fiduciary Funds</u>	
General	\$ 3,147	\$ -	\$ -	Due from other Department funds pursuant to statutory tax allocations.
Nonmajor governmental funds	272,754	2,699	-	Due from other Department funds and State funds pursuant to statutory tax allocations.
Lottery	60,715	-	443	Due from General Fund for cumulative overpayment of lottery profits and for unclaimed lottery prizes.
Fiduciary Funds	66,816	-	-	Due from other Department funds pursuant to statutory tax allocations.
	<u>\$ 403,432</u>	<u>\$ 2,699</u>	<u>\$ 443</u>	

**STATE OF ILLINOIS  
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Notes to Financial Statements

June 30, 2007

The following balances (amounts expressed in thousands) at June 30, 2007 represent amounts due to other Department and State of Illinois funds.

Fund	Due to				Description/Purpose
	Other Department Funds	Other State Funds	Other Department Fiduciary Funds	Other State Fiduciary Funds	
General	\$ 287,856	\$ 64,988	\$ 41,292	\$ 389	Due to other Department funds pursuant to statutory tax allocations and cumulative overpayment of lottery profits, to other State funds for administrative expenses, and to other State fiduciary funds for payment of retirement benefits.
Motor Fuel	-	444	-	168	Due to other State funds for administrative expenses and to other State fiduciary funds for payment of retirement benefits.
Nonmajor governmental funds	48,760	802	25,524	260	Due to other Department funds pursuant to statutory tax allocations, to other State funds for administrative expenses, other Department fiduciary funds pursuant to statutory tax allocations, and to other State fiduciary funds for payment of retirement benefits.
Lottery	-	64	-	3,437	Due to other State funds for administrative expenses and due to other State fiduciary funds for payment of retirement benefits.
Fiduciary Funds	443	-	-	-	Due to Lottery Fund for unclaimed lottery prizes.
	<u>\$ 337,059</u>	<u>\$ 66,298</u>	<u>\$ 66,816</u>	<u>\$ 4,254</u>	

**STATE OF ILLINOIS  
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Notes to Financial Statements

June 30, 2007

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

Interfund transfers in (amounts expressed in thousands) for the year ended June 30, 2007, 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>	
General	\$ 1,315,725	\$ -	Transfers from Lottery Fund for lottery profits and other Department funds pursuant to statutory tax allocations.
Nonmajor governmental funds	1,403,486	4,069	Transfers from other Department funds and other State funds pursuant to statutory tax allocations.
	<u>\$ 2,719,211</u>	<u>\$ 4,069</u>	

Interfund transfers out (amounts expressed in thousands) for the year ended June 30, 2007, were as follows:

<u>Fund</u>	<u>Transfers out to</u>		<u>Description/Purpose</u>
	<u>Other Department Funds</u>	<u>Other State Funds</u>	
General	\$ 1,203,748	\$ 380,940	Transfers to other Department funds and other State funds pursuant to statutory tax allocations.
Nonmajor governmental funds	888,051	9,369	Transfers to other Department funds and other State funds pursuant to statutory tax allocations and to other State funds for budget shortfalls.
Lottery Fund	627,412	3,621	Transfers to General Fund for lottery profits and to other State funds for budget shortfalls.
	<u>\$ 2,719,211</u>	<u>\$ 393,930</u>	

**STATE OF ILLINOIS  
DEPARTMENT OF REVENUE**

Notes to Financial Statements

June 30, 2007

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

The Illinois Housing Development Authority owes the Department's nonmajor governmental funds \$316.383 million at June 30, 2007 for advances on loan programs.

The following balances (amounts expressed in thousands) at June 30, 2007 represent amounts due to State of Illinois Component Units for reimbursements for expenses incurred.

Fund	Due to		
General Fund	Nonmajor Governmental Fund	Lottery Fund	
Illinois Toll Highway	\$ -	\$ 10	\$ 1
University of Illinois	38	432	-
	\$ 38	\$ 442	\$ 1

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Notes to Financial Statements

June 30, 2007

**(6) Capital Assets**

Capital asset activity (amounts expressed in thousands) for the year ended June 30, 2007 was as follows:

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Net Transfers</u>	<u>Balance June 30, 2007</u>
<b>Governmental activities:</b>					
Capital assets being depreciated:					
Equipment	\$ 10,807	\$ 530	\$ 7	\$ (4,753)	\$ 6,577
Less accumulated depreciation:					
Equipment	<u>9,101</u>	<u>686</u>	<u>7</u>	<u>(4,699)</u>	<u>5,081</u>
Governmental activity capital assets, net	<u>\$ 1,706</u>	<u>\$ (156)</u>	<u>\$ -</u>	<u>\$ (54)</u>	<u>\$ 1,496</u>

Depreciation expense for governmental activities (amounts expressed in thousands) for the year ended June 30, 2007 was charged to functions as follows:

	General government	<u>\$ 686</u>			
	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Net Transfers</u>	<u>Balance June 30, 2007</u>
<b>Business-type activities:</b>					
Capital assets being depreciated:					
Equipment	\$ 2,773	\$ 188	\$ 5	\$ (810)	\$ 2,146
Less accumulated depreciation:					
Equipment	<u>2,078</u>	<u>255</u>	<u>5</u>	<u>(736)</u>	<u>1,592</u>
Business-type activity capital assets, net	<u>\$ 695</u>	<u>\$ (67)</u>	<u>\$ -</u>	<u>\$ (74)</u>	<u>\$ 554</u>



**STATE OF ILLINOIS  
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Notes to Financial Statements

June 30, 2007

**(7) Long-Term Obligations**

***(a) Changes in Long-Term Obligations***

Changes in long-term obligations (amounts expressed in thousands) for the year ended June 30, 2007 were as follows:

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2007</u>	<u>Amounts Due Within One Year</u>
<b>Governmental activities:</b>					
Compensated Absences	\$ 14,985	\$ 9,019	\$ 8,586	\$15,418	\$ 750
<b>Total governmental activities</b>	<u>\$ 14,985</u>	<u>\$ 9,019</u>	<u>\$ 8,586</u>	<u>\$15,418</u>	<u>\$ 750</u>
<b>Business-type activities:</b>					
Compensated Absences	\$ 1,227	\$ 641	\$ 627	\$ 1,241	\$ 56
Obligations to Lottery prizewinners	<u>1,104</u>	<u>-</u>	<u>60</u>	<u>1,044</u>	<u>107</u>
<b>Total business-type activities</b>	<u>\$ 2,331</u>	<u>\$ 641</u>	<u>\$ 687</u>	<u>\$ 2,285</u>	<u>\$ 163</u>

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

***(b) Obligations to Lottery Prize Winners***

The State has obligations to certain lottery prize winners for awards payable in annual installments ranging from nineteen years to the life of the prize winner, with the first payment being made after the claim is presented for payment. In addition, the State has fulfilled its obligations for certain other prize winners through the purchase of annuities under group contracts.

For certain prize winners, annuities were purchased in the name of the State for which the State has retained the rights of ownership. Effective July 30, 1985, State law provides that the State Treasurer, with the consent of the Director of Revenue, may contract to invest in securities, which provide payments corresponding to the Lottery's obligation to these winners. The present value of these annuities and the related liabilities owed to prize winners, approximating \$1.0 million, have been reported in the financial statements of the State Lottery Fund, a nonmajor enterprise fund.

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DEPARTMENT OF REVENUE**

Notes to Financial Statements

June 30, 2007

In addition to the prize obligations discussed above, the State has provided for other payments corresponding to the Lottery's obligation to prize winners through the purchase of direct obligations of the federal government, primarily in the form of United States Treasury zero coupon bonds. As established by State law, such securities shall be maintained in the Deferred Lottery Prize Winners Trust Fund, a special trust fund separate and apart from all public money or funds of the State. These investments are purchased in amounts to provide for annual annuity payments to the prize winner(s) of each qualifying individual drawing. Since these monies are invested by the State on behalf of external legally separate entities (the prize winners), with specific investments being acquired for these individual entities for which the income from and changes in the value of the investments affect only the prize winners for whom they were acquired, in accordance with the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, the Deferred Lottery Prize Winners Trust Fund is reported as an investment trust fund. The investments of the fund are reported at fair value, \$624.5 million at June 30, 2007, and the net assets are reported as held in trust for prizewinners.

**(8) Pension Plan**

Substantially all of the Department's full-time employees who are not eligible for participation in another state-sponsored retirement plan participate in the State Employees' Retirement System (SERS), which is a pension trust fund in the State of Illinois reporting entity. The SERS is a single-employer defined benefit public employee retirement system (PERS) in which State employees participate, except those covered by the State Universities, Teachers', General Assembly, and Judges' Retirement Systems. The financial position and results of operations of the SERS for fiscal year 2007 are included in the State of Illinois' Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2007. 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 2007, the employer contribution rate was 11.525%. 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 REVENUE**

Notes to Financial Statements

June 30, 2007

**(9) Post-employment Benefits**

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

**(10) Fund Deficits**

The General Fund and the State & Local Sales Tax Reform, Local Government Tax, Illinois Racing Board Grant, Illinois Tax Increment, School Infrastructure, and Personal Property Tax Replacement funds, nonmajor governmental funds, had fund balance deficits of \$272.776 million, \$1.167 million, \$3.523 million, \$46 thousand, \$569 thousand, \$2.081 million, and \$64.032 million, respectively, at June 30, 2007. The fund deficits in the General and School Infrastructure funds will be eliminated through the appropriation of future State revenues to the Department. The fund deficits in the State & Local Sales Tax Reform, Local Government Tax, and the Personal Property Tax Replacement funds will be eliminated by future recognition of earned but unavailable revenues. The fund deficit of the Illinois Racing Board Grant and the Illinois Tax Increment funds will be eliminated through future revenues earned.

**(11) Risk Management**

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

The Department's risk management activities are financed through appropriations to the Illinois Department of Central Management Services and are accounted for in the general fund of the State. The claims are not considered to be a liability of the Department; and accordingly, have not been reported in the Department's financial statements for the year ended June 30, 2007.

**(12) Commitments and Contingencies**

**(a) Operating leases**

The Department leases certain office space under annual agreements which require the Department to make minimum lease payments. Rent expense under operating leases was \$2.604 million for the year ended June 30, 2007.

**STATE OF ILLINOIS  
DEPARTMENT OF REVENUE**

Notes to Financial Statements

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**(b) Litigation**

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

**(13) Restatement**

The Department restated the beginning fund balance in the General Fund for the correction of an error totaling \$149.726 million for sales tax revenues which should have been reported as due to the Local Government Tax Fund, a nonmajor governmental fund, and the Home Rule Municipal ROT Fund, an agency fund, and public utility tax revenues which should have been reported as due to the Municipal Telecommunications Fund, an agency fund. In addition, the Local Government Tax Fund, the Home Rule Municipal ROT Fund, and the Municipal Telecommunications Fund underreported amounts due to local governments.

	Governmental Activities		
	Governmental Funds		
	General	Nonmajor Fund	
		Local Government Tax	Governmental Activities
<b>Fund Balance/Net Assets, June 30, 2006, as previously reported</b>	\$ (99,238)	\$ 393,054	\$ 555,115
Allocation of sales tax revenue	(117,160)	73,356	(43,804)
Allocation of public utility tax revenue	(32,566)	-	(32,566)
Underreported intergovernmental payables	-	(73,356)	(73,356)
<b>Fund Balance/Net Assets, June 30, 2006, as restated</b>	<u>\$ (248,964)</u>	<u>\$ 393,054</u>	<u>\$ 405,389</u>

	Agency Funds	
	Home Rule Municipal ROT	Municipal Telecommunications
	<b>Total assets/liabilities, June 30, 2006 as previously reported</b>	\$ 98,881
Allocation of sales tax revenue	43,804	-
Allocation of public utility tax revenue	-	32,566
<b>Total assets/liabilities, June 30, 2006 as restated</b>	<u>\$ 142,685</u>	<u>\$ 79,525</u>

**State of Illinois  
Department of Revenue**

**Combining Schedule of Accounts  
General Fund**

June 30, 2007 (Expressed in Thousands)

	General Revenue Account 0001	Common School Special 0005	Education Assistance 0007	Income Tax Refund 0278	Common School 0412	Eliminations	Total
<b>ASSETS</b>							
Unexpended appropriation	\$ 12,714	-	-	-	-	\$ -	12,714
Cash equity in State Treasury	155,900	43,462	7,275	220,647	7,537	-	434,821
Taxes receivable, net	716,625	102,809	30,424	70,712	2,208	-	922,778
Intergovernmental receivables	-	-	-	352	-	-	352
Due from other Department funds	70,706	-	2,145	-	-	(69,704)	3,147
Inventories	773	-	-	-	-	-	773
<b>Total assets</b>	<b>\$ 956,718</b>	<b>\$ 146,271</b>	<b>\$ 39,844</b>	<b>\$ 291,711</b>	<b>\$ 9,745</b>	<b>\$ (69,704)</b>	<b>\$ 1,374,585</b>

<b>LIABILITIES</b>							
Accounts payable and accrued liabilities	\$ 183,269	\$ 50,465	-	\$ 840,881	\$ 4,780	\$ -	1,079,395
Intergovernmental payables	2,452	-	-	-	-	-	2,452
Due to other Department fiduciary funds	41,292	-	-	-	-	-	41,292
Due to other State fiduciary funds	389	-	-	-	-	-	389
Due to other Department funds	140,932	-	-	155,913	60,715	(69,704)	287,856
Due to other State funds	64,988	-	-	-	-	-	64,988
Due to State of Illinois Component Units	38	-	-	-	-	-	38
Unavailable revenue	113,849	5,167	8,945	26,701	291	-	154,953
Unearned revenue	15,998	-	-	-	-	-	15,998
<b>Total liabilities</b>	<b>\$ 563,207</b>	<b>\$ 55,632</b>	<b>\$ 8,945</b>	<b>\$ 1,023,495</b>	<b>\$ 65,786</b>	<b>\$ (69,704)</b>	<b>\$ 1,647,361</b>

<b>FUND BALANCES (DEFICITS)</b>							
Reserved for:							
Inventories	773	-	-	-	-	-	773
Unreserved, undesignated	392,738	90,639	30,899	(731,784)	(56,041)	-	(273,549)
Total fund balances (deficits)	393,511	90,639	30,899	(731,784)	(56,041)	-	(272,776)
<b>Total liabilities and fund balances</b>	<b>\$ 956,718</b>	<b>\$ 146,271</b>	<b>\$ 39,844</b>	<b>\$ 291,711</b>	<b>\$ 9,745</b>	<b>\$ (69,704)</b>	<b>\$ 1,374,585</b>

**State of Illinois**  
**Department of Revenue**  
**Combining Schedule of Revenues,**  
**Expenditures and Changes in Fund Balance -**  
**General Fund**

For the Year Ended June 30, 2007 (Expressed in Thousands)

	General Revenue Account 0001	Common School Special 0005	Education Assistance 0007	Income Tax Refund 0278	Common School 0412	Eliminations	Total
<b>REVENUES</b>							
Income taxes	\$ 10,389,722	\$ -	\$ 811,645	\$ 149,613	\$ -	\$ -	\$ 11,350,980
Sales taxes	5,403,160	1,782,138	-	-	-	-	7,185,298
Public utility taxes	1,022,797	-	-	-	108,125	-	1,130,922
Other taxes	440,829	-	-	-	169,094	-	609,923
Licenses and fees	6,411	-	-	-	265	-	6,676
Other charges for services	1,518	-	778	-	-	-	2,296
Interest and investment income	-	-	-	-	142	-	142
Other	3,678	-	-	-	-	-	3,678
<b>Total revenues</b>	<b>17,288,115</b>	<b>1,782,138</b>	<b>812,423</b>	<b>149,613</b>	<b>277,626</b>	<b>-</b>	<b>20,289,915</b>
<b>EXPENDITURES</b>							
General government	139,104	-	-	19,231	-	-	158,335
Capital outlay	189	-	-	-	-	-	189
<b>Total expenditures</b>	<b>139,293</b>	<b>-</b>	<b>-</b>	<b>19,231</b>	<b>-</b>	<b>-</b>	<b>158,524</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>17,128,822</b>	<b>1,782,138</b>	<b>812,423</b>	<b>130,382</b>	<b>277,626</b>	<b>-</b>	<b>20,131,391</b>
<b>OTHER SOURCES (USES) OF FINANCIAL RESOURCES</b>							
Appropriations from State resources	154,226	-	-	-	-	-	154,226
Lapsed appropriations	(6,213)	-	-	-	-	-	(6,213)
Receipts collected and transmitted to State Treasury	(17,155,137)	-	(815,306)	-	(285,533)	-	(18,255,976)
Amount of SAMS transfers-in	(125,401)	-	(985,000)	-	(2,411,745)	-	(3,222,146)
Amount of SAMS transfers-out	1,443,379	-	-	-	-	-	1,443,379
Transfers-in	110,874	-	686,425	-	2,416,713	(1,898,287)	1,315,725
Transfers-out	(1,454,136)	(1,789,301)	-	(239,538)	-	1,898,287	(1,584,688)
<b>Net other sources (uses) of financial resources</b>	<b>(17,032,408)</b>	<b>(1,789,301)</b>	<b>(813,881)</b>	<b>(239,538)</b>	<b>(280,565)</b>	<b>-</b>	<b>(20,155,693)</b>
<b>Net change in fund balances</b>	<b>96,414</b>	<b>(7,163)</b>	<b>(1,458)</b>	<b>(109,156)</b>	<b>(2,939)</b>	<b>-</b>	<b>(24,302)</b>
Fund balances (deficits), July 1, 2006, as restated	296,607	97,602	32,357	(622,628)	(53,102)	-	(248,964)
Increase for changes in inventories	490	-	-	-	-	-	490
<b>FUND BALANCES (DEFICITS), JUNE 30, 2007</b>	<b>\$ 393,511</b>	<b>\$ 90,639</b>	<b>\$ 30,899</b>	<b>\$ (731,784)</b>	<b>\$ (56,041)</b>	<b>\$ -</b>	<b>(272,776)</b>

**State of Illinois**  
**Department of Revenue**  
**Combining Balance Sheet -**  
**Nonmajor Governmental Funds**  
 June 30, 2007 (Expressed in Thousands)

	Special Revenue									
	Public Utility 0059	Underground Storage Tank 0072	Illinois Gaming Law Enforcement 0085	State Gaming 0129	IDOR Federal Trust 0140	Rental Housing Support Program 0150	State & Local Sales Tax Reform 0186	RTA Occupation and Use Tax Replacement 0187		
<b>ASSETS</b>										
Unexpended appropriations	\$ -	\$ 33	\$ 1,249	\$ -	\$ -	\$ -	\$ -	\$ -		
Cash equity in State Treasury	13	447	28	16,692	56	39,054	40,500			
Cash and cash equivalents	-	-	-	-	-	-	-	-		
Taxes receivable, net	1,662	9,115	712	3,947	-	-	17,327	-		
Other receivables, net	-	-	-	-	-	-	-	-		
Due from other Department funds	-	-	-	-	-	-	-	5,666		
Due from other State funds	-	-	-	-	-	-	-	-		
Due from State of Illinois component units	-	-	-	-	-	-	-	-		
<b>Total assets</b>	<b>\$ 1,875</b>	<b>\$ 9,595</b>	<b>\$ 1,989</b>	<b>\$ 20,639</b>	<b>\$ 56</b>	<b>\$ 39,054</b>	<b>\$ 57,827</b>	<b>\$ 5,666</b>		
<b>LIABILITIES</b>										
Accounts payable and accrued liabilities	\$ 68	\$ 278	\$ 56	\$ 1,865	\$ 15	\$ 10,750	\$ 12,477	\$ 5,666		
Intergovernmental payables	-	2	1,207	12,349	-	-	-	-		
Due to other Department fiduciary funds	-	-	-	-	-	-	-	-		
Due to other State fiduciary funds	-	8	10	74	-	-	-	-		
Due to other Department funds	-	-	-	2,145	-	-	44,988	-		
Due to other State funds	-	-	5	281	-	-	362	-		
Due to State of Illinois component units	2	482	9	123	-	-	1,167	-		
Unavailable revenue	-	-	-	-	-	-	-	-		
<b>Total liabilities</b>	<b>70</b>	<b>750</b>	<b>1,287</b>	<b>16,837</b>	<b>15</b>	<b>10,750</b>	<b>58,994</b>	<b>5,666</b>		
<b>FUND BALANCES (DEFICITS)</b>										
Reserved for encumbrances	-	-	-	-	2	65	-	-		
Unreserved, undesignated	1,805	8,845	702	3,802	39	28,239	(1,167)	-		
Total fund balances	1,805	8,845	702	3,802	41	28,304	(1,167)	-		
<b>Total liabilities and fund balances (deficits)</b>	<b>\$ 1,875</b>	<b>\$ 9,595</b>	<b>\$ 1,989</b>	<b>\$ 20,639</b>	<b>\$ 56</b>	<b>\$ 39,054</b>	<b>\$ 57,827</b>	<b>\$ 5,666</b>		

**State of Illinois**  
**Department of Revenue**  
**Combining Balance Sheet -**  
**Nonmajor Governmental Funds**  
 June 30, 2007 (Expressed in Thousands)

	Special Revenue									
	County & Mass Transit	Local Government Tax	Illinois Sports Facility	Illinois Racing Board Charity	Emergency Public Health	Racing Board Fingerprint License	Illinois Racing Board Grant	Debt Collection	Illinois Tax Increment	
	0188	0189	0225	0271	0240	0248	0280	0279	0281	
\$	51,548	225,153	4,125	-	1	89	128	29	3,030	
	19,636	101,301	3,938	-	-	-	-	-	1,492	
	-	34,989	625	-	523	-	-	-	8	
\$	71,184	361,443	8,688	89	524	89	128	29	4,530	
\$	45,376	361,443	8,688	-	-	-	174	2	588	
	25,524	-	-	-	-	-	-	-	4,448	
	-	-	-	-	-	-	-	-	3	
	-	-	-	-	-	19	-	-	-	
	284	3,523	-	-	12	-	-	-	80	
	71,184	364,966	8,688	19	12	19	174	2	5,099	
	-	-	-	-	-	-	-	-	2	
	-	(3,523)	-	-	512	70	(46)	27	(571)	
	-	(3,523)	-	-	512	70	(46)	27	(569)	
\$	71,184	361,443	8,688	89	524	89	128	29	4,530	

**ASSETS**

Unexpended appropriations  
 Cash equity in State Treasury  
 Cash and cash equivalents  
 Taxes receivable, net  
 Other receivables, net  
 Due from other Department funds  
 Due from other State funds  
 Due from State of Illinois component units  
**Total assets**

**LIABILITIES**

Accounts payable and accrued liabilities  
 Intergovernmental payables  
 Due to other Department fiduciary funds  
 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**

**FUND BALANCES (DEFICITS)**

Reserved for encumbrances  
 Unreserved, undesignated  
**Total fund balances**  
**Total liabilities and fund balances (deficits)**



**State of Illinois**  
**Department of Revenue**  
**Combining Balance Sheet -**  
**Nonmajor Governmental Funds**  
 June 30, 2007 (Expressed in Thousands)

	Special Revenue						
	Illinois Affordable Housing Trust 286	Used Tire Management 0294	Natural Areas Acquisition 0298	Open Space Lands Acquisition & Development 0299	Horse Racing Equity Trust 0313	Tax Compliance and Administration 0384	Local Government Distributive 0515
<b>ASSETS</b>							
Unexpended appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash equity in State Treasury	27,989	3	322	752	43,081	1,100	47
Cash and cash equivalents	-	-	-	-	-	-	-
Taxes receivable, net	-	-	-	-	-	652	-
Other receivables, net	103	1,970	-	-	404	-	-
Due from other Department funds	-	-	-	-	-	-	135,815
Due from other State funds	2,699	-	-	-	-	-	-
Due from State of Illinois component units	316,383	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 347,174</b>	<b>\$ 1,973</b>	<b>\$ 322</b>	<b>\$ 752</b>	<b>\$ 43,485</b>	<b>\$ 1,752</b>	<b>\$ 135,862</b>
<b>LIABILITIES</b>							
Accounts payable and accrued liabilities	\$ 22,815	\$ -	\$ -	\$ -	\$ -	\$ 142	\$ -
Intergovernmental payables	-	-	-	-	-	4	135,237
Due to other Department fiduciary funds	-	-	-	-	-	-	-
Due to other State fiduciary funds	-	-	-	-	-	20	-
Due to other Department funds	-	315	-	-	-	-	625
Due to other State funds	-	-	-	-	-	7	-
Due to State of Illinois component units	-	48	-	-	-	-	-
Unavailable revenue	-	-	-	-	-	239	-
<b>Total liabilities</b>	<b>22,815</b>	<b>363</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>412</b>	<b>135,862</b>
<b>FUND BALANCES (DEFICITS)</b>							
Reserved for encumbrances	-	-	-	-	-	-	-
Unreserved, undesignated	324,359	1,610	322	752	43,485	1,340	-
Total fund balances	324,359	1,610	322	752	43,485	1,340	-
<b>Total liabilities and fund balances (deficits)</b>	<b>\$ 347,174</b>	<b>\$ 1,973</b>	<b>\$ 322</b>	<b>\$ 752</b>	<b>\$ 43,485</b>	<b>\$ 1,752</b>	<b>\$ 135,862</b>

State of Illinois  
 Department of Revenue  
 Combining Balance Sheet -  
 Nonmajor Governmental Funds  
 June 30, 2007 (Expressed in Thousands)

	Special Revenue																			
	Drycleaner Environmental Response 0548	Supplemental Low Income Energy Assistance 0550	Renewable Energy Resource 0564	School Infrastructure 0568	Petroleum Resources 0573	International Tourism 0621	Horse Racing 0632	Municipal Economic Development 0650												
<b>ASSETS</b>																				
Unexpended appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash equity in State Treasury	-	5,604	350	1,439	-	787	1,254	-	-	-	-	-	-	-	-	-	-	-	-	167
Cash and cash equivalents	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Taxes receivable, net	209	7,023	-	1,354	-	1,138	76	-	-	-	-	-	-	-	-	-	-	-	-	19
Other receivables, net	-	-	438	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Due from other Department funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Due from other State funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Due from State of Illinois component units	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total assets</b>	\$ 209	\$ 12,627	\$ 788	\$ 2,793	\$ -	\$ 1,925	\$ 1,330	\$ -	\$ -	\$ 1,925	\$ 1,330	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 186
<b>LIABILITIES</b>																				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ 4,588	\$ -	\$ 26	\$ 240	\$ -	\$ -	\$ -	\$ 12	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental payables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Due to other Department fiduciary funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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	-	-	-	286	-	55	319	-	-	-	-	-	-	-	-	-	-	-	-	19
<b>Total liabilities</b>	\$ -	\$ -	\$ -	\$ 4,874	\$ -	\$ 81	\$ 1,329	\$ -	\$ -	\$ 81	\$ 1,329	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 182
<b>FUND BALANCES (DEFICITS)</b>																				
Reserved for encumbrances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unreserved, undesignated	209	12,627	788	(2,081)	-	1,844	1	-	-	1,844	1	-	-	-	-	-	-	-	-	4
Total fund balances	209	12,627	788	(2,081)	-	1,844	1	-	-	1,844	1	-	-	-	-	-	-	-	-	4
<b>Total liabilities and fund balances (deficits)</b>	\$ 209	\$ 12,627	\$ 788	\$ 2,793	\$ -	\$ 1,925	\$ 1,330	\$ -	\$ -	\$ 1,925	\$ 1,330	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 186

**State of Illinois**  
**Department of Revenue**  
**Combining Balance Sheet -**  
**Nonmajor Governmental Funds**  
 June 30, 2007 (Expressed in Thousands)

		Special Revenue							
		Tobacco Settlement Recovery 0733	Personal Property Tax Replacement 0802	Dram Shop 0821	Senior Citizen Real Estate Deferred Tax 0930	Build Illinois 0960	Local Tourism 0969	Evidence Fund 1369	Total
<b>ASSETS</b>									
	Unexpended appropriations	\$ 6	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,288
	Cash equity in State Treasury	-	320,909	1,637	1,489	10,539	1,399	-	799,761
	Cash and cash equivalents	-	-	-	-	-	-	4	4
	Taxes receivable, net	-	96,891	-	-	36,254	1,992	-	304,738
	Other receivables, net	-	545	-	-	-	-	-	3,991
	Due from other Department funds	-	86,209	-	-	9,450	-	-	272,754
	Due from other State funds	-	-	-	-	-	-	-	2,699
	Due from State of Illinois component units	-	-	-	-	-	-	-	316,383
	<b>Total assets</b>	\$ 6	\$ 504,554	\$ 1,637	\$ 1,489	\$ 56,243	\$ 3,391	\$ 4	\$ 1,701,618
<b>LIABILITIES</b>									
	Accounts payable and accrued liabilities	2	6,632	78	-	12,164	47	-	60,346
	Intergovernmental payables	-	497,747	1	1,489	-	-	-	1,086,483
	Due to other Department fiduciary funds	-	-	-	-	-	-	-	25,524
	Due to other State fiduciary funds	-	86	2	-	-	-	-	260
	Due to other Department funds	-	-	-	-	-	-	-	48,760
	Due to other State funds	-	89	25	-	-	-	-	802
	Due to State of Illinois component units	-	-	-	-	-	-	-	442
	Unavailable revenue	-	64,032	-	-	1,180	66	-	71,444
	<b>Total liabilities</b>	2	568,586	106	1,489	13,334	113	-	1,294,061
<b>FUND BALANCES (DEFICITS)</b>									
	Reserved for encumbrances	4	-	26	4	-	-	-	103
	Unreserved, undesignated	-	(64,032)	1,505	(4)	42,909	3,278	4	407,454
	<b>Total fund balances</b>	4	(64,032)	1,531	-	42,909	3,278	4	407,557
	<b>Total liabilities and fund balances (deficits)</b>	\$ 6	\$ 504,554	\$ 1,637	\$ 1,489	\$ 56,243	\$ 3,391	\$ 4	\$ 1,701,618

**State of Illinois**  
**Department of Revenue**  
**Combining Statement of Revenues,**  
**Expenditures and Changes in Fund Balance -**  
**Nonmajor Governmental Funds**  
For the Year Ended June 30, 2007 (Expressed in Thousands)

	Special Revenue							
	Public Utility 0059	Underground Storage Tank 0072	Illinois Gaming Law Enforcement 0085	State Gaming 0129	IDOR Federal Trust 0140	Rental Housing Support Program 0150	State & Local Sales Tax Reform 0186	RTA Occupation and Use Tax Replacement 0187
<b>REVENUES</b>								
Federal operating grants	\$ -	\$ -	\$ -	\$ -	\$ 60	\$ -	\$ -	\$ -
Income taxes	-	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	245,262	-
Motor fuel taxes	-	76,635	-	-	-	-	-	-
Public utility taxes	7,150	-	3,274	817,590	-	25,705	-	-
Other taxes	1,674	-	325	809	-	-	-	-
License and fees	-	-	-	-	-	-	-	-
Other charges for services	-	-	-	-	-	-	-	-
Interest and other investment income	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Total revenues</b>	<b>8,824</b>	<b>76,635</b>	<b>3,599</b>	<b>818,399</b>	<b>60</b>	<b>25,705</b>	<b>245,262</b>	<b>-</b>
<b>EXPENDITURES</b>								
General government	-	840	-	67	19	11,546	3	1
Health and social services	-	-	-	895	-	-	-	-
Employment and economic development	-	-	-	-	-	-	-	-
Environment and business regulation	-	-	-	-	-	-	-	-
Intergovernmental	-	-	2,309	129,646	-	-	50,194	24,525
Capital outlay	-	-	-	220	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>840</b>	<b>2,309</b>	<b>130,828</b>	<b>19</b>	<b>11,546</b>	<b>50,197</b>	<b>24,526</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>8,824</b>	<b>75,795</b>	<b>1,290</b>	<b>687,571</b>	<b>41</b>	<b>14,159</b>	<b>195,065</b>	<b>(24,526)</b>
<b>OTHER SOURCES (USES) OF FINANCIAL RESOURCES</b>								
Appropriations from State resources	-	894	2,503	-	-	-	-	-
Lapsed appropriations	-	(53)	(201)	-	-	-	-	-
Receipts collected and transmitted to State Treasury	(12,233)	(78,172)	(3,620)	-	-	-	-	-
Amount of SAMS transfers-in	-	-	-	-	-	-	-	-
Amount of SAMS transfers-out	-	-	-	-	-	-	-	24,526
Transfers-in	-	-	-	-	-	-	-	-
Transfers-out	-	-	-	(686,425)	-	-	(196,232)	-
<b>Net other sources (uses) of financial resources</b>	<b>(12,233)</b>	<b>(77,331)</b>	<b>(1,318)</b>	<b>(686,425)</b>	<b>-</b>	<b>-</b>	<b>(196,232)</b>	<b>24,526</b>
<b>Net change in fund balances</b>	<b>(3,409)</b>	<b>(1,536)</b>	<b>(28)</b>	<b>1,146</b>	<b>41</b>	<b>14,159</b>	<b>(1,167)</b>	<b>-</b>
Fund balances (deficits), July 1, 2006	5,014	10,381	730	2,656	-	14,145	-	-
<b>FUND BALANCES (DEFICITS), JUNE 30, 2007</b>	<b>\$ 1,605</b>	<b>\$ 8,845</b>	<b>\$ 702</b>	<b>\$ 3,802</b>	<b>\$ 41</b>	<b>\$ 28,304</b>	<b>\$ (1,167)</b>	<b>\$ -</b>

**State of Illinois  
Department of Revenue**

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

For the Year Ended June 30, 2007 (Expressed in Thousands)

	Special Revenue									
	County & Mass Transit 0188	Local Government Tax 0189	Illinois Sports Facility 0225	Illinois Emergency Public Health 0240	Racing Board Fingerprint License 0248	Illinois Racing Board Charity 0271	Debt Collection Board Grant 0279	Illinois Racing Board Grant 0280	Illinois Tax Increment 0281	
<b>REVENUES</b>										
Federal operating grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Income taxes	-	-	-	-	-	-	-	-	-	-
Sales taxes	342,509	1,624,381	-	-	-	-	-	-	-	20,464
Motor fuel taxes	-	-	-	-	-	-	-	-	-	-
Public utility taxes	-	-	-	-	-	-	-	-	-	-
Other taxes	-	-	-	-	-	-	634	-	-	-
License and fees	-	-	-	3,532	109	389	-	-	-	-
Other charges for services	-	-	-	-	-	-	-	-	-	-
Interest and other investment income	-	-	-	-	-	-	-	-	-	137
Other	-	-	-	-	-	27	-	-	-	-
<b>Total revenues</b>	<b>342,509</b>	<b>1,624,381</b>	<b>-</b>	<b>3,532</b>	<b>109</b>	<b>389</b>	<b>634</b>	<b>-</b>	<b>-</b>	<b>20,601</b>
<b>EXPENDITURES</b>										
General government	-	-	-	-	-	5	-	-	-	1
Health and social services	-	-	-	-	-	-	-	-	-	-
Employment and economic development	-	-	5,000	-	-	-	-	-	-	-
Environment and business regulation	-	-	-	-	100	750	-	663	-	-
Intergovernmental	342,509	1,623,858	-	-	-	-	-	-	-	20,536
Capital outlay	-	-	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>342,509</b>	<b>1,623,858</b>	<b>5,000</b>	<b>-</b>	<b>100</b>	<b>750</b>	<b>663</b>	<b>-</b>	<b>-</b>	<b>20,537</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>-</b>	<b>523</b>	<b>(5,000)</b>	<b>3,532</b>	<b>9</b>	<b>(361)</b>	<b>22</b>	<b>(29)</b>	<b>-</b>	<b>64</b>
<b>OTHER SOURCES (USES) OF FINANCIAL RESOURCES</b>										
Appropriations from State resources	-	-	-	-	-	-	-	-	-	-
Lapsed appropriations	-	-	-	-	-	-	-	-	-	-
Receipts collected and transmitted to State Treasury	-	-	-	(3,426)	-	-	-	-	-	-
Amount of SAMS transfers-in	-	-	-	-	-	-	-	-	-	-
Amount of SAMS transfers-out	-	-	-	-	-	-	-	-	-	-
Transfers-in	-	-	5,000	-	-	-	-	-	-	-
Transfers-out	-	-	-	-	-	-	-	-	-	-
<b>Net other sources (uses) of financial resources</b>	<b>-</b>	<b>-</b>	<b>5,000</b>	<b>(3,426)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>-</b>	<b>523</b>	<b>-</b>	<b>106</b>	<b>9</b>	<b>(361)</b>	<b>22</b>	<b>(29)</b>	<b>-</b>	<b>64</b>
Fund balances (deficits), July 1, 2006	-	(4,046)	-	408	61	361	5	(17)	-	(633)
<b>FUND BALANCES (DEFICITS), JUNE 30, 2007</b>	<b>\$ -</b>	<b>\$ (3,523)</b>	<b>\$ -</b>	<b>\$ 512</b>	<b>\$ 70</b>	<b>\$ -</b>	<b>\$ 27</b>	<b>\$ (46)</b>	<b>\$ -</b>	<b>\$ (569)</b>

State of Illinois

Department of Revenue

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

For the Year Ended June 30, 2007 (Expressed in Thousands)

	Special Revenue						
	Illinois Affordable Housing Trust 286	Used Tire Management 0294	Natural Areas Acquisition 0298	Open Space Lands Acquisition & Development 0299	Horse Racing Equity Trust 0313	Tax Compliance and Administration 0384	Local Government Distributive 0615
<b>REVENUES</b>							
Federal operating grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Income taxes	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	10	-
Motor fuel taxes	-	-	-	-	-	-	-
Public utility taxes	-	-	-	-	-	1,375	-
Other taxes	49,376	-	14,812	34,562	39,755	42	-
License and fees	35	13,384	-	-	-	1,004	-
Other charges for services	3,553	-	-	-	-	261	-
Interest and other investment income	58,296	-	-	-	-	-	-
Other	111,260	13,384	14,812	34,562	39,755	2,692	-
<b>Total revenues</b>	<b>104,765</b>	<b>13,384</b>	<b>14,812</b>	<b>34,562</b>	<b>39,755</b>	<b>2,183</b>	<b>1,244,951</b>
<b>EXPENDITURES</b>							
General government	92,344	-	-	-	-	2,183	72
Health and social services	12,441	-	-	-	-	-	-
Employment and economic development	-	-	-	-	-	-	-
Environment and business regulation	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	1,244,879
Capital outlay	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>104,785</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,183</b>	<b>1,244,951</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>6,475</b>	<b>13,384</b>	<b>14,812</b>	<b>34,562</b>	<b>39,755</b>	<b>509</b>	<b>(1,244,951)</b>
<b>OTHER SOURCES (USES) OF FINANCIAL RESOURCES</b>							
Appropriations from State resources	-	-	-	-	-	-	-
Lapsed appropriations	-	(13,018)	(14,945)	(34,872)	-	-	-
Receipts collected and transmitted to State Treasury	-	-	-	-	-	-	-
Amount of SAMS transfers-in	-	1,338	-	-	-	-	-
Amount of SAMS transfers-out	-	(1,194)	-	-	3,730	-	1,249,951
Transfers-in	(3,775)	(1,194)	-	-	-	(628)	(5,000)
Transfers-out	-	-	-	-	-	-	-
<b>Net other sources (uses) of financial resources</b>	<b>(3,775)</b>	<b>(12,873)</b>	<b>(14,945)</b>	<b>(34,872)</b>	<b>3,730</b>	<b>(628)</b>	<b>1,244,951</b>
<b>Net change in fund balances</b>	<b>2,700</b>	<b>511</b>	<b>(133)</b>	<b>(310)</b>	<b>43,485</b>	<b>(119)</b>	<b>-</b>
Fund balances (deficits), July 1, 2006	321,659	1,099	455	1,062	-	1,459	-
<b>FUND BALANCES (DEFICITS), JUNE 30, 2007</b>	<b>\$ 324,359</b>	<b>\$ 1,610</b>	<b>\$ 322</b>	<b>\$ 752</b>	<b>\$ 43,485</b>	<b>\$ 1,340</b>	<b>\$ -</b>

State of Illinois  
Department of Revenue

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

For the Year Ended June 30, 2007 (Expressed in Thousands)

	Special Revenue									
	Drycleaner Environmental Response 0548	Supplemental Low Income Energy Assistance 0550	Renewable Energy Resource 0564	School Infrastructure 0568	Petroleum Resources 0573	International Tourism 0621	Horse Racing 0632	Municipal Economic Development 0650		
<b>REVENUES</b>										
Federal operating grants	-	-	-	-	-	-	-	-	-	-
Income taxes	-	-	-	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-	-	-
Motor fuel taxes	-	84,256	-	97,124	-	-	-	-	-	265
Public utility taxes	1,009	-	-	60,000	326	9,462	8,513	-	-	-
Other taxes	2,571	-	5,269	-	-	-	-	-	-	-
License and fees	-	-	-	-	-	-	-	-	-	-
Other charges for services	-	-	-	-	-	-	-	-	-	2
Interest and other investment income	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
<b>Total revenues</b>	<b>3,580</b>	<b>84,256</b>	<b>5,269</b>	<b>157,124</b>	<b>326</b>	<b>9,462</b>	<b>8,513</b>	<b>267</b>		
<b>EXPENDITURES</b>										
General government	-	-	-	-	-	-	-	-	-	529
Health and social services	-	-	-	-	-	-	-	-	-	-
Employment and economic development	-	-	-	-	-	-	-	-	-	-
Environment and business regulation	-	-	-	-	-	-	6,947	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	17	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,964</b>	<b>529</b>		
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>3,580</b>	<b>84,256</b>	<b>5,269</b>	<b>157,124</b>	<b>326</b>	<b>9,462</b>	<b>1,549</b>	<b>(262)</b>		
<b>OTHER SOURCES (USES) OF FINANCIAL RESOURCES</b>										
Appropriations from State resources	-	-	-	-	-	-	-	-	-	-
Lapsed appropriations	-	-	-	-	-	-	-	-	-	-
Receipts collected and transmitted to State Treasury	(3,545)	(81,306)	(5,065)	(156,810)	(349)	(9,136)	-	-	-	-
Amount of SAMS transfers-in	-	-	-	-	-	-	-	-	-	-
Amount of SAMS transfers-out	-	-	-	-	-	-	-	-	-	189
Transfers-in	-	-	-	-	-	-	-	-	-	-
Transfers-out	-	-	-	-	-	-	(1,585)	-	-	-
<b>Net other sources (uses) of financial resources</b>	<b>(3,545)</b>	<b>(81,306)</b>	<b>(5,065)</b>	<b>(156,810)</b>	<b>(349)</b>	<b>(9,136)</b>	<b>(1,585)</b>	<b>189</b>		
<b>Net change in fund balances</b>	<b>35</b>	<b>2,950</b>	<b>184</b>	<b>214</b>	<b>(23)</b>	<b>326</b>	<b>(36)</b>	<b>(73)</b>		
Fund balances (deficits), July 1, 2006	174	9,677	604	(2,285)	23	1,518	37	77		
<b>FUND BALANCES (DEFICITS), JUNE 30, 2007</b>	<b>\$ 209</b>	<b>\$ 12,627</b>	<b>\$ 788</b>	<b>\$ (2,081)</b>	<b>\$ -</b>	<b>\$ 1,844</b>	<b>\$ 1</b>	<b>\$ 4</b>		

State of Illinois  
Department of Revenue

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

For the Year Ended June 30, 2007 (Expressed in Thousands)

	Special Revenue										Total
	Tobacco Settlement Recovery 0733	Personal Property Tax Replacement 0802	Dram Shop 0821	Citizen Real Estate Deferred Tax 0930	Build Illinois 0960	Local Tourism 0969	Evidence Fund 1369				
<b>REVENUES</b>											
Federal operating grants											
Income taxes		1,209,891									1,209,891
Sales taxes					420,087						2,652,713
Motor fuel taxes											76,835
Public utility taxes		212,830									403,000
Other taxes					109,718	16,821					1,191,599
License and fees			5,956								35,057
Other charges for services		3,950									281
Interest and other investment income			9	4,861							7,842
Other											63,193
<b>Total revenues</b>	1,082	1,426,671	5,965	4,861	529,805	16,821					5,640,051
<b>EXPENDITURES</b>											
General government		129		4,461						1	112,201
Health and social services											13,336
Employment and economic development											5,000
Environment and business regulation	1,082		3,982								13,524
Intergovernmental		1,560,853									4,989,309
Capital outlay		17	12								266
<b>Total expenditures</b>	1,082	1,560,999	3,994	4,461						1	5,143,636
<b>Excess (deficiency) of revenues over (under) expenditures</b>	(1,082)	(134,328)	1,971	400	529,805	16,821	(1)				496,415
<b>OTHER SOURCES (USES) OF FINANCIAL RESOURCES</b>											
Appropriations from State resources	1,166										4,563
Lapsed appropriations	(75)										(929)
Receipts collected and transmitted to State Treasury	(2)				(526,959)	(16,242)					(959,820)
Amount of SAMS transfers-in					(37,800)						(37,800)
Amount of SAMS transfers-out											1,339
Transfers-in		86,209	150		37,800						1,407,555
Transfers-out			(2,181)	(400)							(897,420)
<b>Net other sources (uses) of financial resources</b>	1,089	86,209	(2,031)	(400)	(526,959)	(16,242)					(481,912)
<b>Net change in fund balances</b>	7	(48,119)	(60)		2,846	579	(1)				14,503
Fund balances (deficits), July 1, 2006	(3)	(15,913)	1,591		40,063	2,699				5	393,054
<b>FUND BALANCES (DEFICITS), JUNE 30, 2007</b>	4	(64,032)	1,531		42,909	3,278	4			4	407,557



**State of Illinois**  
**Department of Revenue**  
**Combining Statement of Fiduciary Net Assets**  
**Agency Funds**

June 30, 2007 (Expressed in Thousands)

	Agency					
	County Water Commission Tax 0084	Non-Home Rule Municipal ROT 0088	Home Rule Municipal Drink ROT 0097	Home Rule Municipal Soft ROT 0138	Home Rule County ROT 0139	
<b>ASSETS</b>						
Cash equity in State Treasury	\$ 8,311	\$ 9,999	\$ 1,518	\$ 75,799	\$ 36,365	
Cash and cash equivalents	-	-	-	-	-	
Taxes receivable, net	1,934	5,520	791	43,681	17,337	
Other receivables, net	28	11	-	179	94	
Due from other Department funds	-	-	-	20,485	-	
<b>Total assets</b>	<b>\$ 10,273</b>	<b>\$ 15,530</b>	<b>\$ 2,309</b>	<b>\$ 140,144</b>	<b>\$ 53,796</b>	
<b>LIABILITIES</b>						
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ 1,549	\$ -	
Intergovernmental payables	10,273	15,530	2,309	138,595	53,796	
Other liabilities	-	-	-	-	-	
<b>Total liabilities</b>	<b>\$ 10,273</b>	<b>\$ 15,530</b>	<b>\$ 2,309</b>	<b>\$ 140,144</b>	<b>\$ 53,796</b>	

**State of Illinois**  
**Department of Revenue**  
**Combining Statement of Fiduciary Net Assets**  
**Agency Funds**

June 30, 2007 (Expressed in Thousands)

	Agency						
	Business District Retailers' Occupation Tax 0160	County Option Motor Fuel Tax 0190	County Public Safety ROT 0219	County Public Safety ROT 0229	Sports Facility Tax Trust 0337	Metropolitan Pier & Expo. Auth. Trust 0337	
<b>ASSETS</b>							
Cash equity in State Treasury	\$ 227	\$ 6,320	\$ 9,938	\$ -	\$ -	\$ 13,831	
Cash and cash equivalents	-	-	-	-	-	-	
Taxes receivable, net	121	2,977	5,201	24	24	9,895	
Other receivables, net	-	17	-	-	-	29	
Due from other Department funds	-	-	-	-	-	-	
<b>Total assets</b>	<b>\$ 348</b>	<b>\$ 9,314</b>	<b>\$ 15,139</b>	<b>\$ 24</b>	<b>\$ 24</b>	<b>\$ 23,755</b>	
<b>LIABILITIES</b>							
Accounts payable and accrued liabilities	\$ -	\$ 180	\$ -	\$ -	\$ 24	\$ -	
Intergovernmental payables	348	9,134	15,139	-	-	23,755	
Other liabilities	-	-	-	-	-	-	
<b>Total liabilities</b>	<b>\$ 348</b>	<b>\$ 9,314</b>	<b>\$ 15,139</b>	<b>\$ 24</b>	<b>\$ 24</b>	<b>\$ 23,755</b>	

**State of Illinois**  
**Department of Revenue**  
**Combining Statement of Fiduciary Net Assets**  
**Agency Funds**

June 30, 2007 (Expressed in Thousands)

	Agency			
	Illinois Tourism Tax 0452	Tax Suspense Trust 0583	Metro East Park & Recreation 0717	Municipal Telecommunications 0719
<b>ASSETS</b>				
Cash equity in State Treasury	\$ 3,038	\$ 3	\$ 716	\$ 41,903
Cash and cash equivalents	-	-	-	-
Taxes receivable, net	1,939	-	318	8,493
Other receivables, net	-	-	-	-
Due from other Department funds	-	-	-	20,807
<b>Total assets</b>	<b>\$ 4,977</b>	<b>\$ 3</b>	<b>\$ 1,034</b>	<b>\$ 71,203</b>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	-	-	-	-
Intergovernmental payables	4,977	-	1,034	71,203
Other liabilities	-	3	-	-
<b>Total liabilities</b>	<b>\$ 4,977</b>	<b>\$ 3</b>	<b>\$ 1,034</b>	<b>\$ 71,203</b>

**State of Illinois**  
**Department of Revenue**  
**Combining Statement of Fiduciary Net Assets**  
**Agency Funds**

June 30, 2007 (Expressed in Thousands)

	Agency					
	RTA Public Transportation Tax 0741	RTA Sales Tax Trust 0812	Metro East Mass Transit District Tax 0841	Tennessee Valley Authority Local Trust 0861	Municipal Automobile Renting Tax 0868	
<b>ASSETS</b>						
Cash equity in State Treasury	4	\$ 66,334	\$ 4,764	\$ -	\$ -	984
Cash and cash equivalents	-	-	-	-	-	-
Taxes receivable, net	-	32,543	1,864	-	-	551
Other receivables, net	-	180	13	-	-	3
Due from other Department funds	-	25,524	-	-	-	-
<b>Total assets</b>	<b>4</b>	<b>\$ 124,581</b>	<b>\$ 6,641</b>	<b>\$ -</b>	<b>\$ -</b>	<b>1,538</b>
<b>LIABILITIES</b>						
Accounts payable and accrued liabilities	-	-	-	-	-	-
Intergovernmental payables	4	124,581	6,641	-	-	1,538
Other liabilities	-	-	-	-	-	-
<b>Total liabilities</b>	<b>4</b>	<b>\$ 124,581</b>	<b>\$ 6,641</b>	<b>\$ -</b>	<b>\$ -</b>	<b>1,538</b>

**State of Illinois**  
**Department of Revenue**  
**Combining Statement of Fiduciary Net Assets**  
**Agency Funds**

June 30, 2007 (Expressed in Thousands)

	Agency				Total
	County Automobile Renting Tax 0869	Surety Bond 1151	Lottery Agent Security Deposit 1309		
<b>ASSETS</b>					
Cash equity in State Treasury	\$ 35	\$ -	\$ -	\$ -	\$ 280,089
Cash and cash equivalents	-	2,371	463	-	2,834
Taxes receivable, net	-	-	-	-	133,189
Other receivables, net	-	-	-	-	554
Due from other Department funds	-	-	-	-	66,816
<b>Total assets</b>	<b>\$ 35</b>	<b>\$ 2,371</b>	<b>\$ 463</b>	<b>\$ -</b>	<b>\$ 483,482</b>
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities	-	-	-	-	1,753
Intergovernmental payables	35	-	-	-	478,892
Other liabilities	-	2,371	463	-	2,837
<b>Total liabilities</b>	<b>\$ 35</b>	<b>\$ 2,371</b>	<b>\$ 463</b>	<b>\$ -</b>	<b>\$ 483,482</b>

**State of Illinois**

**Department of Revenue**

**Combining Statement of Changes in Assets and Liabilities**

**Agency Funds**

For the Year Ended June 30, 2007 (Expressed in Thousands)

	Balance at July 1, 2006, as restated	Additions	Deletions	Balance at June 30, 2007
<b>County Water Commission Tax (0084)</b>				
<b>ASSETS</b>				
Cash equity in State Treasury	\$ 12,969	\$ 32,068	\$ 36,726	\$ 8,311
Taxes receivable, net	1,742	31,693	31,501	1,934
Other receivables, net	43	552	567	28
<b>Total assets</b>	<b>\$ 14,754</b>	<b>\$ 64,313</b>	<b>\$ 68,794</b>	<b>\$ 10,273</b>
<b>LIABILITIES</b>				
Intergovernmental payables	\$ 14,754	\$ 32,245	\$ 36,726	\$ 10,273
<b>Total liabilities</b>	<b>\$ 14,754</b>	<b>\$ 32,245</b>	<b>\$ 36,726</b>	<b>\$ 10,273</b>
<b>Non-Home Rule Municipal ROT (0088)</b>				
<b>ASSETS</b>				
Cash equity in State Treasury	\$ 6,386	\$ 52,532	\$ 48,919	\$ 9,999
Taxes receivable, net	2,549	55,414	52,443	5,520
Other receivables, net	6	94	89	11
<b>Total assets</b>	<b>\$ 8,941</b>	<b>\$ 108,040</b>	<b>\$ 101,451</b>	<b>\$ 15,530</b>
<b>LIABILITIES</b>				
Intergovernmental payables	\$ 8,941	\$ 55,508	\$ 48,919	\$ 15,530
<b>Total liabilities</b>	<b>\$ 8,941</b>	<b>\$ 55,508</b>	<b>\$ 48,919</b>	<b>\$ 15,530</b>
<b>Home Rule Municipal Soft Drink ROT (0097)</b>				
<b>ASSETS</b>				
Cash equity in State Treasury	\$ 1,502	\$ 8,387	\$ 8,371	\$ 1,518
Taxes receivable, net	730	8,448	8,387	791
<b>Total assets</b>	<b>\$ 2,232</b>	<b>\$ 16,835</b>	<b>\$ 16,758</b>	<b>\$ 2,309</b>
<b>LIABILITIES</b>				
Intergovernmental payables	\$ 2,232	\$ 8,448	\$ 8,371	\$ 2,309
<b>Total liabilities</b>	<b>\$ 2,232</b>	<b>\$ 8,448</b>	<b>\$ 8,371</b>	<b>\$ 2,309</b>

**State of Illinois**  
**Department of Revenue**

**Combining Statement of Changes in Assets and Liabilities**  
**Agency Funds**

For the Year Ended June 30, 2007 (Expressed in Thousands)

	Balance at July 1, 2006, as restated	Additions	Deletions	Balance at June 30, 2007
<b>Home Rule Municipal ROT (0138)</b>				
<b>ASSETS</b>				
Cash equity in State Treasury	\$ 60,524	\$ 735,392	\$ 720,117	\$ 75,799
Taxes receivable, net	38,304	716,762	711,385	43,681
Other receivables, net	53	814	688	179
Due from other Department funds	43,804	-	23,319	20,485
<b>Total assets</b>	<b>\$ 142,685</b>	<b>\$ 1,452,968</b>	<b>\$ 1,455,509</b>	<b>\$ 140,144</b>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 1,456	\$ 518	\$ 425	\$ 1,549
Intergovernmental payables	141,229	717,058	719,692	138,595
<b>Total liabilities</b>	<b>\$ 142,685</b>	<b>\$ 717,576</b>	<b>\$ 720,117</b>	<b>\$ 140,144</b>
<b>Home Rule County ROT (0139)</b>				
<b>ASSETS</b>				
Cash equity in State Treasury	\$ 39,458	\$ 317,961	\$ 321,054	\$ 36,365
Taxes receivable, net	14,600	319,332	316,595	17,337
Other receivables, net	91	1,369	1,366	94
<b>Total assets</b>	<b>\$ 54,149</b>	<b>\$ 638,662</b>	<b>\$ 639,015</b>	<b>\$ 53,796</b>
<b>LIABILITIES</b>				
Intergovernmental payables	\$ 54,149	\$ 320,701	\$ 321,054	\$ 53,796
<b>Total liabilities</b>	<b>\$ 54,149</b>	<b>\$ 320,701</b>	<b>\$ 321,054</b>	<b>\$ 53,796</b>
<b>Business District ROT (0160)</b>				
<b>ASSETS</b>				
Cash equity in State Treasury	\$ 19	\$ 685	\$ 477	\$ 227
Taxes receivable, net	\$ 10	\$ 796	\$ 685	\$ 121
<b>Total assets</b>	<b>\$ 29</b>	<b>\$ 1,481</b>	<b>\$ 1,162</b>	<b>\$ 348</b>
<b>LIABILITIES</b>				
Intergovernmental payables	\$ 29	\$ 796	\$ 477	\$ 348
<b>Total liabilities</b>	<b>\$ 29</b>	<b>\$ 796</b>	<b>\$ 477</b>	<b>\$ 348</b>

**State of Illinois**  
**Department of Revenue**

**Combining Statement of Changes in Assets and Liabilities**  
**Agency Funds**

For the Year Ended June 30, 2007 (Expressed in Thousands)

	Balance at July 1, 2006, as restated	Additions	Deletions	Balance at June 30, 2007
<b>County Option Motor Fuel Tax (0190)</b>				
<b>ASSETS</b>				
Cash equity in State Treasury	\$ 5,940	\$ 30,636	\$ 30,256	\$ 6,320
Taxes receivable, net	2,590	30,799	30,412	2,977
Other receivables, net	17	224	224	17
<b>Total assets</b>	<b>\$ 8,547</b>	<b>\$ 61,659</b>	<b>\$ 60,892</b>	<b>\$ 9,314</b>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 166	\$ 525	\$ 511	\$ 180
Intergovernmental payables	8,381	30,498	29,745	9,134
<b>Total liabilities</b>	<b>\$ 8,547</b>	<b>\$ 31,023</b>	<b>\$ 30,256</b>	<b>\$ 9,314</b>
<b>County Public Safety ROT (0219)</b>				
<b>ASSETS</b>				
Cash equity in State Treasury	\$ 9,710	\$ 72,816	\$ 72,588	\$ 9,938
Taxes receivable, net	3,863	74,154	72,816	5,201
<b>Total assets</b>	<b>\$ 13,573</b>	<b>\$ 146,970</b>	<b>\$ 145,404</b>	<b>\$ 15,139</b>
<b>LIABILITIES</b>				
Intergovernmental payables	\$ 13,573	\$ 74,154	\$ 72,588	\$ 15,139
<b>Total liabilities</b>	<b>\$ 13,573</b>	<b>\$ 74,154</b>	<b>\$ 72,588</b>	<b>\$ 15,139</b>
<b>Sports Facility Tax Trust (0229)</b>				
<b>ASSETS</b>				
Cash equity in State Treasury	\$ -	\$ 35,353	\$ 35,353	\$ -
Taxes receivable, net	57	24	57	24
<b>Total assets</b>	<b>\$ 57</b>	<b>\$ 35,377</b>	<b>\$ 35,410</b>	<b>\$ 24</b>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 57	\$ 24	\$ 57	\$ 24
<b>Total liabilities</b>	<b>\$ 57</b>	<b>\$ 24</b>	<b>\$ 57</b>	<b>\$ 24</b>
<b>Metro Pier &amp; Exposition Authority Trust (0337)</b>				
<b>ASSETS</b>				
Cash equity in State Treasury	\$ 7,309	\$ 114,106	\$ 107,584	\$ 13,831
Taxes receivable, net	8,347	115,313	113,765	9,895
Other receivables, net	25	345	341	29
<b>Total assets</b>	<b>\$ 15,681</b>	<b>\$ 229,764</b>	<b>\$ 221,690</b>	<b>\$ 23,755</b>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 63	\$ -	\$ 63	\$ -
Intergovernmental payables	15,618	115,658	107,521	23,755
<b>Total liabilities</b>	<b>\$ 15,681</b>	<b>\$ 115,658</b>	<b>\$ 107,584</b>	<b>\$ 23,755</b>



**State of Illinois**  
**Department of Revenue**

**Combining Statement of Changes in Assets and Liabilities**  
**Agency Funds**

For the Year Ended June 30, 2007 (Expressed in Thousands)

	Balance at July 1, 2006, as restated		Additions	Deletions	Balance at June 30, 2007	
<b>Illinois Tourism Tax (0452)</b>						
<b>ASSETS</b>						
Cash equity in-State Treasury	\$	2,940	\$ 17,241	\$ 17,143	\$	3,038
Taxes receivable, net		1,615	17,565	17,241		1,939
<b>Total assets</b>	<b>\$</b>	<b>4,555</b>	<b>\$ 34,806</b>	<b>\$ 34,384</b>	<b>\$</b>	<b>4,977</b>
<b>LIABILITIES</b>						
Accounts payable and accrued liabilities	\$	31	\$ -	\$ 31	\$	-
Intergovernmental payables		4,524	17,565	17,112		4,977
<b>Total liabilities</b>	<b>\$</b>	<b>4,555</b>	<b>\$ 17,565</b>	<b>\$ 17,143</b>	<b>\$</b>	<b>4,977</b>
<b>Tax Suspense Trust (0583)</b>						
<b>ASSETS</b>						
Cash equity in State Treasury	\$	8	\$ (5)	\$ -	\$	3
<b>Total assets</b>	<b>\$</b>	<b>8</b>	<b>\$ (5)</b>	<b>\$ -</b>	<b>\$</b>	<b>3</b>
<b>LIABILITIES</b>						
Other liabilities	\$	8	\$ 3	\$ 8	\$	3
<b>Total liabilities</b>	<b>\$</b>	<b>8</b>	<b>\$ 3</b>	<b>\$ 8</b>	<b>\$</b>	<b>3</b>
<b>Metro East Park and Recreation (0717)</b>						
<b>ASSETS</b>						
Cash equity in State Treasury	\$	725	\$ 4,266	\$ 4,275	\$	716
Taxes receivable, net		215	318	215		318
<b>Total assets</b>	<b>\$</b>	<b>940</b>	<b>\$ 4,584</b>	<b>\$ 4,490</b>	<b>\$</b>	<b>1,034</b>
<b>LIABILITIES</b>						
Intergovernmental payables	\$	940	\$ 1,034	\$ 940	\$	1,034
<b>Total liabilities</b>	<b>\$</b>	<b>940</b>	<b>\$ 1,034</b>	<b>\$ 940</b>	<b>\$</b>	<b>1,034</b>
<b>Municipal Telecommunications Fund (0719)</b>						
<b>ASSETS</b>						
Cash equity in State Treasury	\$	38,428	\$ 275,771	\$ 272,296	\$	41,903
Taxes receivable, net		8,531	263,974	264,012		8,493
Due from other Department funds		32,566	-	11,759		20,807
<b>Total assets</b>	<b>\$</b>	<b>79,525</b>	<b>\$ 539,745</b>	<b>\$ 548,067</b>	<b>\$</b>	<b>71,203</b>
<b>LIABILITIES</b>						
Accounts payable and accrued liabilities	\$	11,634	\$ -	\$ 11,634	\$	-
Intergovernmental payables		67,891	263,974	260,662		71,203
<b>Total liabilities</b>	<b>\$</b>	<b>79,525</b>	<b>\$ 263,974</b>	<b>\$ 272,296</b>	<b>\$</b>	<b>71,203</b>

**State of Illinois**  
**Department of Revenue**

**Combining Statement of Changes in Assets and Liabilities**  
**Agency Funds**

For the Year Ended June 30, 2007 (Expressed in Thousands)

	Balance at July 1, 2006, as restated	Additions	Deletions	Balance at June 30, 2007
<b>RTA Public Transportation Tax (0741)</b>				
<b>ASSETS</b>				
Cash equity in State Treasury	\$ 4	\$ -	\$ -	\$ 4
<b>Total assets</b>	<b>\$ 4</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4</b>
<b>LIABILITIES</b>				
Intergovernmental payables	\$ 4	\$ -	\$ -	\$ 4
<b>Total liabilities</b>	<b>\$ 4</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4</b>
<b>RTA Sales Tax Trust (0812)</b>				
<b>ASSETS</b>				
Cash equity in State Treasury	\$ 69,911	\$ 725,690	\$ 729,267	\$ 66,334
Taxes receivable, net	27,612	601,256	596,325	32,543
Other receivables, net	154	2,495	2,469	180
Due from other Department funds	25,779	126,641	126,896	25,524
<b>Total assets</b>	<b>\$ 123,456</b>	<b>\$ 1,456,082</b>	<b>\$ 1,454,957</b>	<b>\$ 124,581</b>
<b>LIABILITIES</b>				
Intergovernmental payables	\$ 123,456	\$ 730,392	\$ 729,267	\$ 124,581
<b>Total liabilities</b>	<b>\$ 123,456</b>	<b>\$ 730,392</b>	<b>\$ 729,267</b>	<b>\$ 124,581</b>
<b>Metro East Mass Transit Dist. Tax (0841)</b>				
<b>ASSETS</b>				
Cash equity in State Treasury	\$ 4,798	\$ 28,647	\$ 28,681	\$ 4,764
Taxes receivable, net	1,229	29,096	28,461	1,864
Other receivables, net	13	186	186	13
<b>Total assets</b>	<b>\$ 6,040</b>	<b>\$ 57,929</b>	<b>\$ 57,328</b>	<b>\$ 6,641</b>
<b>LIABILITIES</b>				
Intergovernmental payables	\$ 6,040	\$ 29,282	\$ 28,681	\$ 6,641
<b>Total liabilities</b>	<b>\$ 6,040</b>	<b>\$ 29,282</b>	<b>\$ 28,681</b>	<b>\$ 6,641</b>
<b>Tennessee Valley Authority Local Trust (0861)</b>				
<b>ASSETS</b>				
Cash equity in State Treasury	\$ -	\$ 238	\$ 238	\$ -
<b>Total assets</b>	<b>\$ -</b>	<b>\$ 238</b>	<b>\$ 238</b>	<b>\$ -</b>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ -	\$ 238	\$ 238	\$ -
<b>Total liabilities</b>	<b>\$ -</b>	<b>\$ 238</b>	<b>\$ 238</b>	<b>\$ -</b>

**State of Illinois**  
**Department of Revenue**

**Combining Statement of Changes in Assets and Liabilities**  
**Agency Funds**

For the Year Ended June 30, 2007 (Expressed in Thousands)

	Balance at July 1, 2006, as restated	Additions	Deletions	Balance at June 30, 2007
<b>Municipal Automobile Renting Tax (0868)</b>				
<b>ASSETS</b>				
Cash equity in State Treasury	\$ 928	\$ 5,880	\$ 5,824	\$ 984
Taxes receivable, net	552	5,841	5,842	551
Other receivables, net	3	38	38	3
<b>Total assets</b>	<b>\$ 1,483</b>	<b>\$ 11,759</b>	<b>\$ 11,704</b>	<b>\$ 1,538</b>
<b>LIABILITIES</b>				
Intergovernmental payables	\$ 1,483	\$ 5,879	\$ 5,824	\$ 1,538
<b>Total liabilities</b>	<b>\$ 1,483</b>	<b>\$ 5,879</b>	<b>\$ 5,824</b>	<b>\$ 1,538</b>
<b>County Automobile Renting Tax (0869)</b>				
<b>ASSETS</b>				
Cash equity in State Treasury	\$ 78	\$ 4	\$ 47	\$ 35
Taxes receivable, net	-	-	-	-
<b>Total assets</b>	<b>\$ 78</b>	<b>\$ 4</b>	<b>\$ 47</b>	<b>\$ 35</b>
<b>LIABILITIES</b>				
Intergovernmental payables	\$ 78	\$ 4	\$ 47	\$ 35
<b>Total liabilities</b>	<b>\$ 78</b>	<b>\$ 4</b>	<b>\$ 47</b>	<b>\$ 35</b>
<b>Surety Bond (1151)</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,059	\$ 563	\$ 251	\$ 2,371
<b>Total assets</b>	<b>\$ 2,059</b>	<b>\$ 563</b>	<b>\$ 251</b>	<b>\$ 2,371</b>
<b>LIABILITIES</b>				
Other liabilities	\$ 2,059	\$ 563	\$ 251	\$ 2,371
<b>Total liabilities</b>	<b>\$ 2,059</b>	<b>\$ 563</b>	<b>\$ 251</b>	<b>\$ 2,371</b>
<b>Lottery Agent Security Deposit (1309)</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 435	\$ 201	\$ 173	\$ 463
<b>Total assets</b>	<b>\$ 435</b>	<b>\$ 201</b>	<b>\$ 173</b>	<b>\$ 463</b>
<b>LIABILITIES</b>				
Other liabilities	\$ 435	\$ 201	\$ 173	\$ 463
<b>Total liabilities</b>	<b>\$ 435</b>	<b>\$ 201</b>	<b>\$ 173</b>	<b>\$ 463</b>

**State of Illinois**  
**Department of Revenue**

**Combining Statement of Changes in Assets and Liabilities**  
**Agency Funds**

For the Year Ended June 30, 2007 (Expressed in Thousands)

	Balance at July 1, 2006, as restated	Additions	Deletions	Balance at June 30, 2007
<b>Total - All Agency Funds</b>				
<b>ASSETS</b>				
Cash equity in State Treasury	\$ 261,637	\$ 2,457,668	\$ 2,439,216	\$ 280,089
Cash and cash equivalents	2,494	764	424	2,834
Taxes receivable, net	112,546	2,270,785	2,250,142	133,189
Other receivables, net	405	6,117	5,968	554
Due from other Department funds	102,149	126,641	161,974	66,816
<b>Total assets</b>	<b>\$ 479,231</b>	<b>\$ 4,861,975</b>	<b>\$ 4,857,724</b>	<b>\$ 483,482</b>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 13,407	\$ 1,305	\$ 12,959	\$ 1,753
Intergovernmental payables	463,322	2,403,196	2,387,626	478,892
Other liabilities	2,502	767	432	2,837
<b>Total liabilities</b>	<b>\$ 479,231</b>	<b>\$ 2,405,268</b>	<b>\$ 2,401,017</b>	<b>\$ 483,482</b>

# McGladrey & Pullen

Certified Public Accountants

## **Independent Auditors' 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, and

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State of Illinois, Department of Revenue, as of and for the year ended June 30, 2007, which collectively comprise the State of Illinois, Department of Revenue's basic financial statements and have issued our report thereon dated May 1, 2008. 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 State of Illinois, Department of Revenue's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not for the purpose of expressing an opinion on the effectiveness of the State of Illinois, Department of Revenue's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois, Department of Revenue's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting (findings 07-1 and 07-2).

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider findings 07-1 and 07-2 to be material weaknesses.

#### 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 State of Illinois, Department of Revenue'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, State of Illinois, Department of Revenue management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*McGladrey & Pullen, LLP*

Schaumburg, Illinois  
May 1, 2008

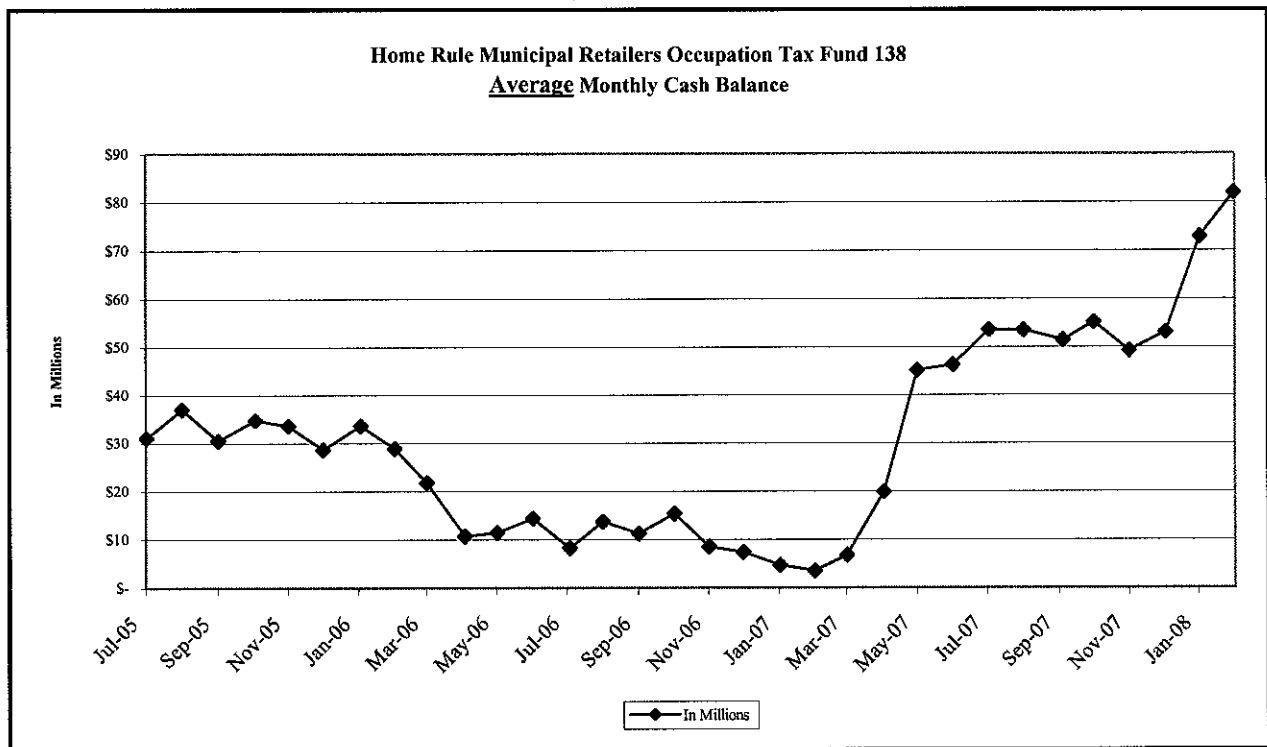
**Current Findings – Government Auditing Standards**

**Finding 07-1 Lack of Control and Monitoring Over the Tax Allocation Methodology Utilized by the Department**

The Department of Revenue (Department) receives sales tax receipts daily and deposits 98% of the receipts into a variety of funds based on a predetermined formula. The remaining 2% stays in clearing accounts as a reserve. The Department must use an allocation formula because the actual sales tax returns are not finalized until up to two months after collection of the revenues. Once the returns are finalized, the 2% reserve is deposited into the funds with deficiencies. Payments are then made to the various local governments for which the taxes were received. The process is similar for telecommunication taxes. During our testing we noted the following:

The Department did not adequately monitor and adjust the amount of sales tax allocated to the Home Rule Municipal Retailers Occupation Tax Fund (Fund 138) (HRMROT) and other corresponding funds, in a timely manner.

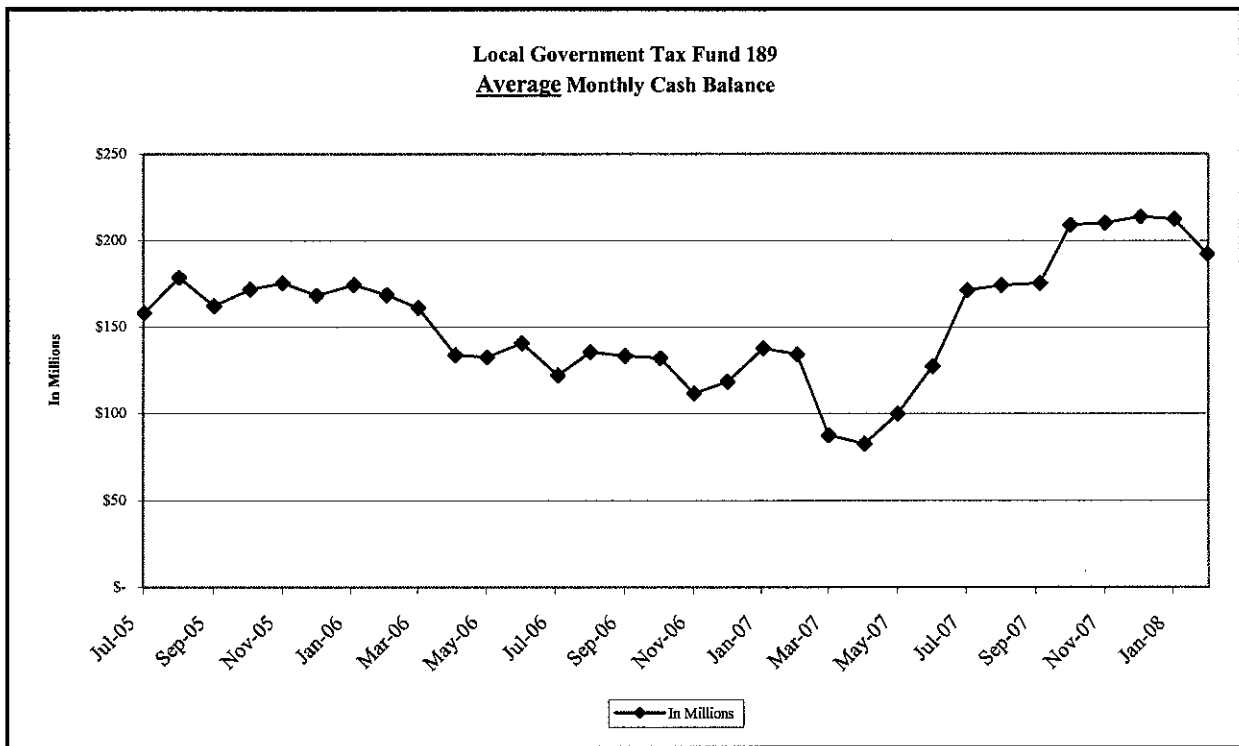
The tax allocation methodology had not been updated since 2003. Since 2003, the City of Chicago increased its sales tax by 0.25% and 89 other local governmental entities also increased their sales tax rates. The Department did not adjust the allocation formula to take into account any of these changes in sales tax rates until after the HRMROT fund had been depleted to a point to where there were insufficient funds to process payments timely (March 2007). Once the problem was identified, the Department adjusted the percentage deposited in the HRMROT fund from 4.86% to 6.1%. See Average Monthly Cash Balance chart below:



**Current Findings – Government Auditing Standards**

**Finding 07-1 Lack of Control and Monitoring Over the Tax Allocation Methodology Utilized by the Department (Continued)**

It should also be noted that other corresponding funds were also receiving too much or too little based on the error in the allocation formula. Department officials stated that they reviewed the corresponding funds and made the necessary adjustments. One specific fund that was identified by the auditors as being materially affected was the Local Government Tax Fund (Fund 189). See Average Monthly Cash Balance chart below:



- The Department did not adequately monitor and adjust the amount of telecommunications tax collected on behalf of various local governments. The Department was depositing 22% of the tax receipts into the Telecommunications Tax Fund (Fund 719), an agency fund, when they should have been depositing 29%.
- The Department was not adequately monitoring the fund balances in order to detect the errors in the tax allocation process. Reasonable monitoring should have detected the steady decline in HRMROT fund balance and the consumption of the 2% reserve prior to the fund being totally depleted in March 2007. The Department was alerted to the HRMROT fund shortage by parties external to the Department.
- The Department's process to deposit sales tax receipts into the HRMROT fund was inadequate resulting in under-allocation of the HRMROT fund. As a result of the error in the allocation methodology, the Department adjusted current and future receipts by \$55 million from other funds in order to replenish the fund and improve the cash balance deficiency caused by the incorrect allocation process.



**Current Findings – Government Auditing Standards**

**Finding 07-1 Lack of Control and Monitoring Over the Tax Allocation Methodology Utilized by the Department (Continued)**

- As a result of the HRMROT fund being under-allocated receipts, the interest income received and paid to local governments was also affected by the incorrect allocation process. Per State Comptroller records, the HRMROT fund received about \$363,000 less in investment income in FY07 compared to FY06, but Departmental records for sales taxes disbursed to the local governments increased 11% or \$70.5 million. Department officials stated they do not plan on trying to calculate the interest income effect of the allocation errors. Due to the volatility of the fund balance, the Department stated they could not determine a dollar effect the error had on the allocation of interest income to the fund and believed the amount would be immaterial to any one individual local government.
- Despite the adjustment to the allocation percentages in fiscal year 2007, the year-end liabilities reported as amounts due to other local governments for sales and related taxes (within the special revenue and agency funds), were initially understated by approximately \$65.0 million. The liabilities reported as due to other governments for telecommunications tax (agency fund) were initially understated by approximately \$20.8 million. FY2007 General Fund revenues were initially overstated by approximately \$85.8 million. Adjustments of \$76.3 million to correct the more significant differences were recorded by the Department in March 2008. The remaining differences were deemed immaterial by the Department and were not recorded.
- This issue also required financial reporting restatement of balances previously reported. As of July 1, 2006, the Department restated certain amounts. Specifically, they decreased the general fund's fund balance by \$149.7 million and decreased July 1, 2006 net assets for governmental activities by \$149.7 million. In addition, July 1, 2006 total assets and total liabilities of agency funds were increased by \$76.4 million.

Good internal controls over financial reporting would require that the tax allocation methodologies and fund balances be monitored on a continual basis in order to detect errors and irregularities. In addition, these balances must be properly determined and adjusted at year-end in order to ensure amounts are accurately reported in the Department's financial statements and the Statewide financial statements.

Department personnel stated they did not adequately monitor the fund balance in order to detect the allocation under-estimation or adjust the allocation formula. The Department further stated that the employee responsible for monitoring the allocation formula retired in October 2006.

Failure to adequately monitor and adjust tax allocation methodologies led to under-allocation of receipts and depletion of certain funds. This under-allocation also led to lower interest income being paid to HRMROT local governments. In addition, this under-allocation caused the GAAP packages and the draft financial statements which were provided to the auditors to be materially misstated. Without adequate internal controls and monitoring of the tax allocation methodology and related year-end accruals, the risk increases that errors and irregularities could occur and not be detected and result in inaccurate financial reporting. (Finding Code No. 07-1)

**Current Findings – Government Auditing Standards**

**Finding 07-1    Lack of Control and Monitoring Over the Tax Allocation Methodology Utilized by the Department (Continued)**

**RECOMMENDATION**

We recommend that the Department implement the necessary controls and procedures to adequately monitor and adjust the tax allocation formula in a timely manner. In addition, we recommend the Department implement controls to detect unusual changes in fund balances (increases and decreases) in order to evaluate the adequacy of the allocation methodology and to find errors or irregularities. Finally, we recommend that all year-end liabilities for sales and related taxes be analytically reviewed to ensure the liability reported more accurately represents payment activity.

**DEPARTMENT RESPONSE**

The Department concurs with the recommendation and has implemented procedure changes to monitor the tax formulas every six months. This will ensure fund balances are reviewed and any potential changes are implemented timely.

**Current Findings – Government Auditing Standards (Continued)**

**Finding 07-2 Inappropriate Lapse Period Expenditures**

The Department of Revenue (Department) violated provisions of the State Finance Act by prepaying future fiscal years' expenses out of appropriated funds and creating false and misleading billing invoices to support the payments.

During our testing we noted the following:

- The Department paid \$1,592,300 out of FY06 appropriations (10 separate invoices) towards the FY07 Department of Central Management Services (DCMS) Internal Service Fund billings.
- The Department paid \$2,825,621 out of FY07 appropriations (8 separate invoices) towards the FY08 DCMS Internal Service Fund billings.

Fund	FY06 prepaid for FY07	FY07 prepaid for FY08
001 - General Revenue Fund	\$407,973	\$1,574,821
012 - Motor Fuel Tax Fund	\$94,907	\$102,800
129 – State Gaming Fund	\$79,000	\$162,000
384 – Tax Compliance and Administration Fund	\$53,415	\$0
711 – State Lottery Fund	\$950,000	\$950,000
802 – Personal Property Tax Replacement Fund	\$7,005	\$36,000
TOTAL	\$1,592,300	\$2,825,621

- In FY07, the Department created or falsified six invoices with DCMS headings as supporting documentation in order to make these prepayments. Of these invoices, 1 of the 6 invoices stated it was for FY07 charges or leases when, in fact, it was to prepay FY08 costs. The remaining five invoices stated they were prepayments. All six invoice vouchers (Form C-13) submitted to the State Comptroller stated they were "FY2007 Contracted Prior to July 1."
- In FY07, the Department created two invoices on Department of Revenue letterhead, in essence charging itself, in order to prepay two invoices to DCMS. Both invoices appeared to be for FY07 charges and did not clearly state they were prepayments for FY08. Both invoice vouchers (Form C-13) submitted to the State Comptroller stated they were "FY2007 Contracted Prior to July 1."

**Current Findings – Government Auditing Standards**

**Finding 07-2 Inappropriate Lapse Period Expenditures (Continued)**

<b>"Billing Vendor" noted on IDOR created invoice</b>	<b>Amount</b>
FY08 Prepay - DCMS manual billing invoice	\$1,050,000
FY08 Prepay - DCMS manual billing invoice	\$50,000
FY08 Prepay - DCMS manual billing invoice	\$474,821
FY08 Prepay - DCMS manual billing invoice	\$102,800
FY08 Prepay - DCMS manual billing invoice	\$36,000
FY07 DCMS manual billing invoice	\$950,000
FY07 IDOR voucher	\$140,000
FY07 IDOR voucher	\$22,000

The State Finance Act (30 ILCS 105/25 (a)) states that "All appropriations shall be available for expenditure for the fiscal year or for a lesser period if the Act making that appropriation so specifies." The Illinois Administrative Code (74 Ill. Adm. Code 1000.20 (e)) states "The Department (DCMS) shall not issue advance billings for the purpose of creating undocumented credit balances which intentionally transfer a user agency's unexpended appropriation balances to the following fiscal year through the credit process..." The State Finance Act (Act)(30 ILCS 105/9.04) states the certification on behalf of the State agency on every State voucher for goods and services other than a payroll or travel voucher shall be as follows:

"I certify that the goods or services specified on this voucher were for the use of this agency and that the expenditure for such goods or services was authorized and lawfully incurred; that such goods or services meet all the required standards set forth in the purchase agreement or contract to which this voucher relates; and that the amount shown on this voucher is correct and is approved for payment. If applicable, the reporting requirements of Section 5.1 of the Governor's Office of Management and Budget Act have been met.

.....  
 (Date).....(Signature)"

For departments under the Civil Administrative Code, the foregoing certification shall be executed by the Chief Executive Officer of the department from whose appropriation the payment will be made or his designee, in addition to any other certifications or approvals which may be required by law.

The State Finance Act (Act) (30 ILCS 105/9.05) further states,

"In the event that a voucher is submitted for advance payment of goods or services, the certification prescribed by Section 9.04 shall be made. In addition, the voucher shall state on its face that the goods or services are being procured pursuant to a formal, written contract the terms of which **require advance payment**. If it is not possible to execute a written contract, the voucher shall so state. **The voucher shall also state that the contract requires the goods or services to be delivered or received prior to the expiration of the lapse period of the fiscal year to which the expenditures are charged,** provided however, that such a statement shall not be required on vouchers submitted for periodical subscriptions or organizational memberships." (Emphasis Added)

The Act (30 ILCS 105/9.06) specifically states, "To execute knowingly and intentionally a false certification under Section 9.03 or 9.04 of this Act shall result in removal from office if done by an officer or discharge if done by an employee."

**Current Findings – Government Auditing Standards**

**Finding 07-2 Inappropriate Lapse Period Expenditures (Continued)**

Good internal controls require that payments be made to vendors and other similar parties based on original approved vendor invoices. Another critical component of internal control is the control environment. The control environment sets the tone of the organization, influencing the control consciousness of the organization's personnel. It is the foundation for all other components of internal control, providing discipline and structure. Department personnel had full knowledge that false and misleading DCMS invoices were created and processed in order to accelerate the recognition of expenditures. By participating in and condoning an inappropriate practice such as this, management has undermined an effective internal control over compliance.

Department personnel stated that they identified and paid for liabilities incurred during the fiscal year before receiving a billing invoice from DCMS. In addition, the Department paid additional monies from lapsed funds to be applied as credits against future DCMS billings in the next fiscal year. The Department internally prepared and paid these invoices in absence of a formal billing invoice from DCMS. In addition, Department personnel stated at times there are delays in the DCMS billing process that adds complexity to the process of managing appropriated resources. Therefore, the Department made payments to DCMS for information technology and telecommunications to ensure that liabilities were paid in full on or ahead of schedule. The Department stated this has been a practice for several years and it had worked with DCMS to apply their unapplied credits to future DCMS billings.

Falsifying documents in order to prepay appropriated funds into the next fiscal year is in direct violation of the State Finance Act and increases the risk that external parties cannot determine if invoices are for actual charges or for prepayments. Additionally, prepayments do not allow for an accurate depiction of the Department's financial information.

Prepayments for future year's obligations, in order to use up a current year appropriation, circumvents the appropriations passed by the General Assembly and approved by the Governor. (Finding Code No. 07-2)

**RECOMMENDATION**

We recommend the Department implement strict rules and policies to forbid the manual creation of invoices for any vendor or service and comply with fiscal year limitations as set forth in the State Finance Act in making expenditures. Further, we recommend the Department examine its internal controls to determine how false vouchers were created and paid and implement changes to prevent similar activity in the future.

**Current Findings – Government Auditing Standards**

**Finding 07-2 Inappropriate Lapse Period Expenditures (Continued)**

**DEPARTMENT RESPONSE**

The Department agrees to the recommendation.

The Department did not intend any violation of the State Finance Act by making prepayments to another state agency (DCMS) that provides services to the department through revolving funds. The Department was not aware that prepayments to DCMS were prohibited by the State Finance Act. Past practice had been to make similar payments for information technology and telecommunications services to assure liabilities were paid on or ahead of schedule.

The Department interpreted a section within the State Finance Act that provides for advance payments of goods or services to permit what are characterized as prepayments.

In following its interpretation of the statute, the Department made no attempt to deceive. The Department internally prepared and paid these invoices in the absence of a formal billing from DCMS. These invoices were not intended to be misleading, rather they were instruments to detail and document our prepayments. With three exceptions, the department prominently marked these as "prepayments" on the invoices.

Prepayments were not an effort to circumvent the appropriations process. In FY 07 for its telecommunications appropriation (the year and budget line at the center of this issue), the Department lapsed 10 percent of its appropriation.

The prepayments were to a sister agency, DCMS, to whom the Department makes payments for a variety of services. The prepayments moved money from one state fund to another, and did not involve a private vendor.

The Department has communicated to staff that no payments should be processed in the future without a proper invoice.