State of Illinois
Office of the Treasurer

FISCAL OFFICER RESPONSIBILITIES

FINANCIAL AUDIT

For the years ended June 30, 2007 and 2006

AND COMPLIANCE EXAMINATION

For the year ended June 30, 2007

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

State of Illinois
Office of the Treasurer

FISCAL OFFICER RESPONSIBILITIES
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

CONTENTS

State of Illinois
Office of the Treasurer

FISCAL OFFICER RESPONSIBILITIES
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

TREASURER'S OFFICE OFFICIALS

Treasurer (Current)	Honorable Alexi Giannoulias
Treasurer (01/09/1995 to 01/08/2007)	Honorable Judy Baar Topinka
Chief of Staff	Ms. Robin Kelly
Deputy Treasurer	Mr. Raja Krishnamoorthi
Deputy Treasurer	Mr. Edward Buckles
Chief Legal Counsel	Mr. Paul Miller
Manager of Banking	Ms. Rhonda Poeschel
Manager of Accounting	Ms. Sandy Hardesty
Inspector General	Mr. David Wells
Chief Internal Auditor	Ms. Barbara Ringler

The Office of the Treasurer maintains five office locations:

- Executive Office
  State Capitol
  219 State House
  Springfield, Illinois 62706

- Operational divisions
  Jefferson Terrace
  300 West Jefferson Street
  Springfield, Illinois 62702

- Unclaimed Property and other divisions
  Myers Building
  1 W. Old State Capitol Plaza
  Springfield, Illinois 62701

- Chicago Office and Personnel/Legal/Programmatic
  James R. Thompson Center
  100 West Randolph Street
  Suite 15-600
  Chicago, Illinois 60601

- Programmatic
  Mt. Vernon Office
  200 Potomac Boulevard
  Mt. Vernon, Illinois 62864

OFFICE OF THE ILLINOIS STATE TREASURER

ALEXI GIANNOULIAS

MANAGEMENT ASSERTION LETTER

February 20, 2008

Crowe Chizek and Company LLC
Certified Public Accountants
3201 West White Oaks Drive, Suite 202
Springfield, Illinois 62704

Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the State of Illinois, Office of the Treasurer (Treasurer) Fiscal Officer Responsibilities. We are responsible for and we have established and maintained an effective system of internal controls over compliance requirements. We have performed an evaluation of the Treasurer's compliance with the following assertions during the one-year period ended June 30, 2007. Based on this evaluation, we assert that during the year ended June 30, 2007, the Treasurer has materially complied with the assertions below.

A. The Treasurer has obligated, expended, received and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.

B. The Treasurer has obligated, expended, received and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.

C. The Treasurer has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

D. State revenues and receipts collected by the Treasurer are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.

E. Money or negotiable securities or similar assets handled by the Treasurer on behalf of the State or held in trust by the Treasurer have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

Yours very truly,

State of Illinois, Office of the Treasurer

State Capitol
Room 219
Springfield, IL 62706
Phone: (217) 782-2211
Fax: (217) 785-2777

James R. Thompson Center
100 W. Randolph Street
Suite 15-600
Chicago, IL 60601
Phone: (312) 814-1700
Fax: (312) 814-5930

Jefferson Terrace
300 West Jefferson Street
Springfield, IL 62702
Phone: (217) 782-6540
Fax: (217) 524-3822

Myers Building
One West Old State Capitol Plaza
Suite 400
Springfield, IL 62701
Phone: (217) 785-6998
Fax: (217) 557-9365

Municipal Building West
200 Potomac Boulevard
Mt. Vernon, IL 62864
Phone: (618) 244.8369
Fax: (618) 244.8370

MANAGEMENT ASSERTION LETTER - CONTINUED

Honorable Alexi Giannoulias
State Treasurer

Edward W. Buckles
Chief Fiscal Officer

Paul Miller
Chief Legal Counsel

FISCAL OFFICER RESPONSIBILITIES

COMPLIANCE REPORT

SUMMARY

The compliance testing performed during this examination was conducted in accordance with *Government Auditing Standards* and in accordance with the Illinois State Auditing Act.

ACCOUNTANTS' REPORTS

The Independent Accountants' Report on State Compliance and on Internal Control Over Compliance does not contain scope limitations, disclaimers, or other significant non-standard language.

SUMMARY OF FINDINGS

Number of	This Report	Prior Report
Findings	1	0
Repeated findings	0	0
Prior recommendations implemented or not repeated	0	0

Details of findings are presented in a separately tabbed report section.

SCHEDULE OF FINDINGS

Item No.	Page	Description
FINDINGS (*GOVERNMENT AUDITING STANDARDS*)		
07-1	10	Inadequate Controls over the Financial Statement Process

EXIT CONFERENCE

The finding and recommendation appearing in this report was discussed with Treasurer personnel at an exit conference on December 20, 2007. Attending from the Office of the Treasurer were Ms. Robin Kelly (Chief of Staff), Mr. Edward Buckles (Deputy Treasurer), Ms. Barb Ringler (Chief Internal Auditor), and Ms. Andrea Schad (Executive Accountant). Attending from the Office of the Auditor General was Ms. Jane Clark (Audit Manager). Attending from Crowe Chizek and Company LLC – Special Assistant Auditors were Ms. Chris Mower (Manager) and Ms. Lisa Stinson (Audit Supervisor). The response to the recommendation was provided by Andrea Schad in a letter dated December 28, 2007.

Crowe

Crowe Chizek and Company LLC
Member Horwath International

Independent Accountants' Report on State Compliance and on Internal Control Over Compliance

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

As Special Assistant Auditors for the Auditor General, we have examined the State of Illinois, Office of the Treasurer, Fiscal Officer Responsibilities' (the Treasurer) compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the year ended June 30, 2007. The management of the Treasurer is responsible for compliance with these requirements. Our responsibility is to express an opinion on the Treasurer's compliance based on our examination.

A. The Treasurer has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.

B. The Treasurer has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions, or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.

C. The Treasurer has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

D. The State revenues and receipts collected by the Treasurer are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.

E. Money or negotiable securities or similar assets handled by the Treasurer on behalf of the State or held in trust by the Treasurer have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the Audit Guide as adopted by the Auditor General pursuant to the Act; and, accordingly, included examining, on a test basis, evidence about the Treasurer's compliance with those requirements listed in the first paragraph of this report and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Treasurer's compliance with specified requirements.

In our opinion, the Treasurer complied, in all material respects, with the requirements listed in the first paragraph of this report during the year ended June 30, 2007. There were no immaterial findings relating to instances of noncompliance that have been excluded from this report.

Internal Control

The management of the Treasurer is responsible for establishing and maintaining effective internal control over compliance with the requirements listed in the first paragraph of this report. In planning and performing our examination, we considered the Treasurer's internal control over compliance with the requirements listed in the first paragraph of this report in order to determine our examination procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide, issued by the Illinois Office of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of the Treasurer's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Treasurer's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with the requirements listed in the first paragraph of this report on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to comply with the requirements listed in the first paragraph of this report such that there is more than a remote likelihood that noncompliance with a requirement that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a requirement listed in the first paragraph of this report will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance with the requirements listed in the first paragraph of this report was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

There were no immaterial findings relating to internal control deficiencies that have been excluded from this report.

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

Crowe Chizek and Company LLC

Crowe Chizek and Company LLC

Springfield, Illinois
February 20, 2008

Crowe

Crowe Chizek and Company LLC
Member Horwath International

Report on Internal Control over Financial Reporting and
on Compliance and Other Matters Based on
an Audit of Financial Statements Performed
in Accordance with *Government Auditing* Standards

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the financial statements as listed in the table of contents of the State of Illinois, Office of the Treasurer, Fiscal Officer Responsibilities (the Treasurer) as of and for the year ended June 30, 2007, and have issued our report thereon dated February 20, 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 Treasurer's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Treasurer's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Treasurer's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in 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 (07-1).

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 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 item 07-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Treasurer'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 Treasurer's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Treasurer's response and, accordingly, we express no opinion on it.

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

Crowe Chizek and Company LLC

Crowe Chizek and Company LLC

Springfield, Illinois
February 20, 2008

CURRENT FINDINGS AND RECOMMENDATIONS

FINDING 07-1 (Inadequate Controls over the Financial Statement Process)

The Office of the Treasurer (Office) did not maintain adequate controls during the preparation of the Fiscal Officer Responsibilities financial statements and notes to the financial statements.

During our testing of the financial statements and notes to the financial statements for Fiscal Officer Responsibilities, we noted:

- A reclassification entry for investments into cash equivalents, short-term and long-term was not properly recorded as $13,934,230 of Federal Home Loan Bank investments was recorded as short-term, but should have been recorded as long term and $98,659,611 of commercial paper investments was recorded as cash-equivalents, but should have been recorded as short-term.
- The deposit schedule for fiscal year 2007 in Note D did not cross-foot as the totals were not updated from fiscal year 2006.
- Interest rate risk information in Note D regarding the percentage of investments allocated based on maturity was not updated to agree to the investment policy.
- Credit risk information in Note D regarding commercial paper credit ratings was not updated to agree to the investment policy.
- The Trustee for the Illinois Insured Mortgage Pilot Program did not change the interest calculation to reflect the new statutory interest in the amounts reported to the Office following foreclosure proceedings on the Collinsville hotel and the Office failed to note the discrepancy in the amounts reported, resulting in an understatement of $1,371,238 disclosed in Note E.
- The financial statements and footnotes were not reviewed.

Governmental Accounting Standards Board (GASB) Statement No. 40 sets the standards for classifying deposits and investments. In addition, strong management controls require procedures to include proper checks and balances and adequate supervision of all fiscal related activities to ensure proper financial reporting.

Office Management attributed the above items to clerical errors and employee turnover.

Failure to maintain adequate controls over the financial reporting process could lead to a material misstatement of the financial statements. (Finding Code No. 07-1)

RECOMMENDATION:

We recommend the Office establish and maintain effective controls over the financial reporting process to ensure the accurate submission of financial data, including a timely and adequate review of the financial statements and notes to the financial statements.

CURRENT FINDINGS AND RECOMMENDATIONS

FINDING 07-1 (Inadequate Controls over the Financial Statement Process - Continued)

TREASURER'S RESPONSE:

The Treasurer partially agrees with the finding and recommendation.

The Treasurer has established effective controls over the financial reporting process which include the timely review of the financial statements and notes to the financial statements. Additionally, the clerical errors did not lead to a material misstatement of the financial statements. The immaterial error in reclassification of investments was only 1.26% of total cash equivalents, deposits, and investments. The Treasurer also considers the errors noted in Note D and Note E of no consequence since they do not affect the assets or liabilities reported on the financial statements, and the Treasurer's investment policy is published with the financial statements.

However, the Treasurer needs to work on maintaining controls effectively even during a period of turnover which may cause the lack of an Accounting Manager to perform reviews.

Therefore, the Treasurer accepts the recommendation to maintain effective controls over the financial reporting process to ensure the accurate submission of financial data, including timely and adequate review of the financial statements and notes to the financial statements.

FINANCIAL STATEMENT REPORT

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FISCAL OFFICER RESPONSIBILITIES

FINANCIAL STATEMENT REPORT

SUMMARY

The audits of the accompanying statements of assets, liabilities and accountabilities of the State of Illinois, Office of the Treasurer, Fiscal Officer Responsibilities (Treasurer) as of June 30, 2007 and 2006 and the statements of investment income for the years then ended were performed by Crowe Chizek and Company LLC.

Based on their audits, the auditors expressed an unqualified opinion on the Treasurer's financial statements. The financial statements of the Treasurer's Fiscal Officer Responsibilities have been prepared on a basis of accounting other than accounting principles generally accepted in the United States of America.

AUDITORS' REPORTS

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Crowe Chizek and Company LLC
Member Horwath International

Independent Auditors' Report

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the State of Illinois, Office of the Treasurer, Fiscal Officer Responsibilities (the Treasurer) as of and for the years ended June 30, 2007 and 2006, as listed in the Table of Contents. These financial statements are the responsibility of the management of the Treasurer. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits provide a reasonable basis for our opinion.

As discussed in Note B, the financial statements of the Treasurer have been prepared on a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The financial statements referred to above have been prepared on the basis of the State of Illinois Fiscal Regulations and the reporting requirements of the Auditor General of the State of Illinois. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Treasurer as of June 30, 2007 and 2006.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and accountabilities of the State of Illinois, Office of the Treasurer, Fiscal Officer Responsibilities, as of June 30, 2007 and 2006, and the results of its investment activity for the years then ended in conformity with the basis of presentation described in the Summary of Significant Accounting Policies-Basis of Presentation footnote.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 20, 2008 on our consideration of the Treasurer's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 audits.

Our audits were conducted for the purpose of forming an opinion on the financial statements of the Fiscal Officer Responsibilities of the State of Illinois, Office of the Treasurer. The schedules of assets, liabilities and accountabilities, the assets detail, the liabilities and accountabilities detail, the investment income, the administrative responsibilities detail for the protest trust fund, inheritance and estate taxes, and the tobacco settlement recovery fund, the key performance measures, and the investment policy listed in the Table of Contents on pages 42 to 71 are presented for purposes of additional analysis and are not a required part of the financial statements. The schedules of assets, liabilities and accountabilities, the assets detail, the liabilities and accountabilities detail, the investment income, the administrative responsibilities detail for the protest trust fund, inheritance and estate taxes, and the tobacco settlement recovery fund have been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole. The key performance measures and the investment policy have not been subjected to the auditing procedures applied in the audits of the financial statements, and accordingly, we express no opinion on them.

Crowe Chizek and Company LLC

Crowe Chizek and Company LLC

Springfield, Illinois
February 20, 2008

FINANCIAL STATEMENTS
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State of Illinois
Office of the Treasurer
FISCAL OFFICER RESPONSIBILITIES
STATEMENTS OF ASSETS, LIABILITIES AND ACCOUNTABILITIES
June 30

ASSETS AND OTHER DEBITS	2007	2006
CASH AND CASH EQUIVALENTS		
Demand deposits	$ 4,693,611	$ 2,166,993
Clearing account deposits and deposits in transit	60,109,245	45,079,593
Total cash	64,802,856	47,246,586
Time deposits	16,000,000	17,575,000
Repurchase Agreements	1,874,466,520	2,477,741,198
Commercial Paper	2,643,098,917	2,788,237,000
The Illinois Funds	1,325,575,061	1,352,596,206
Money Market Mutual Funds	317,470,488	324,402,375
Mortgage Reserve Fund	5,692	4,547
Federal National Mortgage Association	-	7,772,061
Total cash and cash equivalents	6,241,419,534	7,015,574,973
DEPOSITS AND INVESTMENTS, AT MARKET		
Short-term investments		
Time deposits	1,328,307,633	1,289,415,051
Commercial Paper	98,659,611	-
Federal Farm Credit Bank Bond	305,961,000	254,212,000
Federal Home Loan Mortgage Corporation	24,948,045	19,773,590
Federal National Mortgage Association	29,907,015	29,606,120
Federal Home Loan Bank	158,828,809	52,175,599
Foreign Investments	10,000,000	9,878,000
Long-term investments		
Time deposits	72,105,047	61,344,655
Federal Home Loan Mortgage Corporation	223,438,726	47,024,980
Federal National Mortgage Association	207,575,332	105,414,361
Federal Home Loan Bank	306,122,202	95,797,960
State of Illinois Secondary Pool Investment Program	843,313	1,791,843
Illinois Technology Development	6,243,647	2,962,005
Foreign Investments	19,714,000	10,000,000
Total deposits and investments	2,792,654,380	1,979,396,164
OTHER ASSETS		
Warrants cashed, but not canceled	8,075	199,892,691
Receivables from universities, agencies and retirement systems for monies advanced and securities purchased	355,790	482,710
Receivable from City of Edwardsville	306,130	315,469
Investment income earned, but not received	27,416,349	27,800,137
Illinois Insured Mortgage Pilot Program Trust	6,438,919	7,438,544
Total other assets	34,525,263	235,929,551
OTHER DEBITS		
Amount of future general revenue obligated for debt service	35,137,781,595	36,446,104,511
Total assets and other debits	$ 44,206,380,772	$ 45,677,005,199

The accompanying notes are an integral part of these statements.

State of Illinois
Office of the Treasurer
FISCAL OFFICER RESPONSIBILITIES
STATEMENTS OF ASSETS, LIABILITIES AND ACCOUNTABILITIES - CONTINUED
June 30

LIABILITIES AND ACCOUNTABILITIES	2007	2006
LIABILITIES FOR BALANCES ON DEPOSIT		
Comptroller		
Protested taxes	$ 323,240,952	$ 273,348,327
Available for appropriation or expenditure	6,645,842,875	6,873,641,552
Agencies' deposits outside the State Treasury	675,952,523	658,243,657
Comptroller's warrants outstanding	774,765,160	785,600,188
Total liabilities for balances on deposit	8,419,801,510	8,590,833,724
GENERAL OBLIGATION INDEBTEDNESS		
Principal and interest due within one year	1,732,573,133	1,675,827,820
Thereafter	34,030,052,430	35,383,443,645
Total general obligation indebtedness	35,762,625,563	37,059,271,465
ACCOUNTABILITIES		
Receivable from City of Edwardsville	306,130	315,469
Investment income earned, but not received (net of cumulative market adjustments)	23,639,919	26,578,036
Federal Reserve Bank settlement account reserve	1,958	1,958
Mortgage Reserve Fund	5,692	4,547
Total accountabilities	23,953,699	26,900,010
Total liabilities and accountabilities	$ 44,206,380,772	$ 45,677,005,199

The accompanying notes are an integral part of these statements.

State of Illinois
Office of the Treasurer
FISCAL OFFICER RESPONSIBILITIES
STATEMENTS OF INVESTMENT INCOME
For the Years Ended June 30

	2007	2006
Investment income earned	$ 425,873,913	$ 302,176,708

The accompanying notes are an integral part of these statements.

NOTE A - AUTHORIZING LEGISLATION

The State of Illinois, Office of the Treasurer, is authorized by the State Treasurer Act (15 ILCS 505/et seq.). The State Treasurer shall receive the revenue and all other public monies of the State, and all monies authorized by law to be paid to him and safely keep the same.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity: The State of Illinois, Office of the Treasurer is not a legally separate entity. It is an office of the primary government, which is the State of Illinois (the State) and is considered part of the State financial reporting entity. As such, it is included in the State of Illinois reporting entity. The Treasurer is custodian of the State's cash and investments comprised of the balances in the separate funds, which are considered to be either in the State Treasury or outside the State Treasury. Accounting control for funds outside the State Treasury is the responsibility of other State agencies. Further, the Treasurer is not responsible for determining that all cash received by State agencies is deposited in the State Treasury.

Basis of Presentation: The accompanying statements of assets, liabilities and accountabilities and of investment income have been prepared on the basis of State of Illinois fiscal regulations and the reporting requirements of the Auditor General. These statements do not present the financial position of the Treasurer and results of investment activity in accordance with accounting principles generally accepted in the United States of America because, with three exceptions, the statements only present those assets and activities for which the Treasurer is held accountable by statute in his fiscal officer responsibilities. The exceptions are the securities, funds and other assets of The Illinois Funds and College Savings Program and amounts receivable from inheritance tax assessments. The financial statements of The Illinois Funds and College Savings Program are audited annually and reported upon separately. See Administrative Responsibilities in the Supplementary Information section for inheritance and estate taxes.

State Treasury Funds: The accounting for the State Treasury Fund group, with the exception of general obligation indebtedness and the related amount of future general revenue obligated for debt service, is presented on a basis whereby: (a) assets in the State Treasury and the related liability to the Comptroller for available balances on deposit are recognized at the time the Comptroller "orders" cash into the State Treasury; (b) the liability to the Comptroller is reduced as warrants are presented to the Treasurer for countersignature; and (c) the cash in the State Treasury is reduced as warrants are paid by the Treasurer.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Funds Outside the State Treasury: Funds outside the State Treasury consist of State assets held by the Treasurer, primarily deposits in clearing accounts, demand deposits and temporary investments, which are not under the accounting control of the Comptroller. Such funds and the related liabilities or accountabilities to the depositing State agencies are recognized when the funds are deposited in clearing accounts or certain demand deposit accounts with the Treasurer. This liability or accountability is transferred to funds available for appropriation or expenditure when the Comptroller orders the funds into the State Treasury.

General Obligation Indebtedness: The liability for general obligation indebtedness is the aggregate amount of all future principal and interest payments necessary to retire such outstanding debt. The amount to be derived from future revenue for debt service is the difference between the currently outstanding certificates and bonded indebtedness and available balances in the bond redemption and interest fund. The expenditures from the proceeds of the certificates and bond issues are accounted for by other State agencies. This balance represents a liability that is not in compliance with accounting principles generally accepted in the United States of America. It represents the future revenue that will be needed to provide for future debt service.

Investment Income: Investment income is recorded by the Treasurer using the accrual basis of accounting whereby income is recognized and an accountability established as income is earned. Investment income is adjusted for the change in fair value before the income is allocated to the funds. Funds participating in the investment pool are allocated income monthly based on their proportionate share of the pooled investment base. As authorized by statute, segregated funds are individually invested and specifically credited with the income earned on those investments.

Cash and Cash Equivalents: Cash and cash equivalents include deposits and short-term, highly liquid investments readily convertible to cash, with a maturity of 90 days or less at the time of purchase.

Use of Estimates: In preparing financial statements, management is required to make estimates and assumptions that affect the reported amount of assets and liabilities during the reporting period. Actual results could differ from those estimates.

NOTE C - COMPENSATING BANKS FOR SERVICES

The principal method of payment for receipt and disbursement processing services provided by banks is by warrant from the Treasurer's Bank Services Trust Fund appropriation.

NOTE D - DEPOSITS AND INVESTMENTS

Overview: The Treasurer's investment activities are governed by the Treasurer's published investment policy that was developed in accordance with the State statute. Investments are recorded at fair market value. Short-term investments have a maturity date of less than one year. Unrealized gains and losses are accounted for in the investment in which the change in fair value occurred. In addition, the Treasurer's Office has adopted its own investment practices that supplement the statutory requirements.

Interest Rate Risk: Interest rate risk is the risk that changes in the interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Treasurer's investment policy limits the investment portfolio to maturities not to exceed five years with the majority required to be in authorized investments with less than one-year maturity. No more than 10% of the investment portfolio shall be allocated to investments with a 2 to 4 year maturity band. No more than 5% of the investment portfolio shall be allocated to investments with a 4 to 5 year maturity band. The portfolio shall not deviate from these guidelines unless specifically authorized by the Treasurer in writing. The Treasurer's Office uses the segmented time distribution method to identify and manage interest rate risk.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Cash received by the Treasurer is initially deposited in clearing accounts maintained in banks located in Illinois that are insured by the Federal Deposit Insurance Corporation (FDIC). Cash and cash equivalents include deposits and short-term, highly liquid investments readily convertible to cash, with a maturity of 90 days or less at the time of purchase. Surplus funds, as determined by the Treasurer, may be invested in time deposits, certificates of deposit and other interest-bearing accounts in FDIC-insured banks and savings and loan associations located in the State, credit unions whose principal office is located in Illinois, short-term obligations of corporations whose obligations (i.e. commercial paper) are rated by two or more standard rating services at a level that is at least has high as the following: A-1 by Standard & Poor's, P-1 by Moody's, F-1 by Fitch, D-1 by Duff & Phelps Credit Rating Company, A1 by IBCA, and TBW-1 by Thompson Bank Watch, repurchase agreements or other investments approved by State law. As of June 30, 2007, the Treasurer's investments in commercial paper were rated P-1 by Moody's Investor's Service and A-1+ by Standard and Poor's Ratings, except for those issued by Bear Stearns, which were rated A-1 by Standard and Poor's Ratings. The Treasurer's short-term investments in all U.S. Agency obligations, including collateral for repurchase agreements, are rated P-1 by Moody's Investors Service or F1+ by Fitch Ratings. The Treasurer's long-term investments in all U.S. Agency obligations are rated Aaa by Moody's Investors Service or AAA by Fitch Ratings. The Treasurer's short-term investment in foreign debt securities is rated A-1 by Standard & Poor's. The Treasurer's long-term investments in foreign debt securities have multiple rates. Of the $ 19,714,000 invested,

NOTE D - DEPOSITS AND INVESTMENTS (Continued)

$ 10,000,000 is rated A2 by Moody's Investors Service and A+ by Standard & Poor's Ratings and $ 9,714,000 is rated Aaa by Moody's Investors Service and AAA by Standard & Poor's Ratings. The Treasurer's investments in The Illinois Funds is rated AAAm by Standard & Poor's. The Treasurer's investments in money market mutual funds are rated Aaa by Moody's Investors Service and AAAm by Standard & Poor's, except for those issued by American Freedom Funds and Allegiant Funds, which were not rated by Moody's Investors Service or Fitch Ratings, and the fund issued by SEI Investments, which was not rated by Standard & Poor's or Fitch Ratings.

The amount of the deposit not covered by Federal deposit insurance for all time deposits is required to be collateralized. Securities pledged as collateral to secure these deposits are required to have a market value at an established percentage of the deposit based on the type of security pledged. Securities that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts, which require a market value of at least 105% of the deposit. If the obligation of the United States and its agencies is a mortgage backed security, the securities pledged as collateral are required to have a market value of at least 110% of the deposit. Other securities that may be pledged as collateral to secure time deposits are MBIA Certificates (issued by the Municipal Bond Investors Assurance Corporation), Letters of Credit (issued by Federal Home Loan Bank (FHLB)), and Share Certificates (issued by credit unions), which require a market value of at least 102% of the deposit.

Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit was made. Written custodial agreements are required that provide, among other things, that the collateral securities are held separate from the assets of the custodial bank. Prior to placing the deposit and at least monthly thereafter, the Treasurer determines that the collateral has a market value adequate to secure the deposit.

The Treasurer has established accounts with The Illinois Funds for investment of State funds. The Illinois Funds participation provides comparable yields, a source of liquidity and requires less administrative intervention than other short-term investments. The management, custodianship and operation of The Illinois Funds are under the supervision of the State of Illinois, Office of the Treasurer.

The Treasurer purchased investments in fourteen mutual funds. These mutual funds provide a comparable yield to other investments, particularly during times of falling interest rates and are a source of liquidity when cash is needed. Investments to the mutual funds can be made daily and interest income is received monthly.

NOTE D - DEPOSITS AND INVESTMENTS (Continued)

Repurchase agreements are purchased from various financial institutions and rated brokerage firms located in the State. Securities pledged as collateral to secure these agreements are required to have a market value of at least 102% of the agreement. The agreements require both parties to maintain an acceptable margin on underlying securities to ensure the agreements are adequately collateralized. The Treasurer accepts only obligations of the United States government or its sponsored agencies as collateral for repurchase agreements.

All securities pledged to secure repurchase agreements are required to be delivered to a bank other than the institution from whom the investment was acquired. A written custodial agreement with the banks that hold the Treasurer's repurchase agreement collateral requires, among other things, that the collateral securities be held separately from the assets of the bank.

Commercial paper is purchased from various brokerage firms located in the State and is held in safekeeping by a bank for the Treasurer. A written custodial agreement requires, among other things, that the safekeeping bank hold the commercial paper separately from the assets of the bank.

Federal Farm Credit Banks Consolidated Systemwide Bonds are purchased from AgriBank, St. Paul, Minnesota. These bonds are held in book entry form in the Treasurer's account at the Federal Reserve Bank of Chicago. Bond proceeds are loaned to Illinois farmers through participating Production Credit Associations. Timely payments of interest and ultimate repayment of principal are 100% guaranteed by the AgriBank, a U.S. Government corporation.

The Treasurer's investment in the State of Illinois Secondary Pool Investment Program was deposited in a trust to purchase a security interest in a pool of Small Business Administration (SBA), Federal Home Loan Mortgage Corporation Adjustable Rate Mortgage (FHLMC ARM), and Federal National Mortgage Association Adjustable Rate Mortgage (FNMA ARM) loans. The securities have a floating rate indexed to the prime rate as quoted in *The Wall Street Journal* and are adjusted quarterly. The pool is guaranteed by the U.S. Government and/or the respective agency. The Trustee for the program is JP Morgan. The primary pool assembler is Meridian Capital Markets, Inc. Dana Investment Advisors, Inc. works with Meridian to assemble the SBA pools and to establish a fair market price. The pool's investment advisor is Mesirow Advanced Strategies, Inc.

The Treasurer has purchased investments in U.S. Treasury Agencies. These Treasury purchases permit greater portfolio diversification, provide comparable yields to other investment options, and provide liquidity due to the active secondary market.

NOTE D - DEPOSITS AND INVESTMENTS (Continued)

Deposits: The carrying amount of all the Treasurer's demand and time deposits at June 30, 2007, was $ 64,802,856 and $ 1,416,412,680, respectively. The carrying amount of all the Treasurer's demand and time deposits at June 30, 2006, was $ 47,246,586 and $ 1,368,334,706, respectively. The bank balance of all the Treasurer's demand and time deposits at June 30, 2007, was $ 66,506,151 and $ 1,416,412,680, respectively. The bank balance of all the Treasurer's demand and time deposits at June 30, 2006, was $ 46,717,548 and $ 1,368,334,706, respectively. The classification of the bank balances, as defined by Governmental Accounting Standards Board Statement 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements* (GASB 3) as amended by Governmental Accounting Standards Board Statement 40, *Deposit and Investment Risk Disclosures* (GASB 40) is as follows:

2007	Demand Deposits	Time Deposits	Total Deposits
Amount insured by the FDIC	$ 793,791	$ 24,721,265	$ 25,515,056
Amount collateralized with securities held by the Treasurer's agent in the Treasurer's name	27,225,963	1,391,691,415	1,418,917,378
Uncollateralized*	38,486,397	-	38,486,397
	$ 66,506,151	$ 1,416,412,680	$ 1,482,918,831

2006	Demand Deposits	Time Deposits	Total Deposits
Amount insured by the FDIC	$ 738,400	$ 28,250,830	$ 28,989,230
Amount collateralized with securities held by the Treasurer's agent in the Treasurer's name	13,060,613	1,340,083,876	1,353,144,489
Uncollateralized*	32,918,535	-	32,918,535
	$ 46,717,548	$ 1,368,334,706	$ 1,415,052,254

* The uncollateralized amounts represent float balances which are unavailable funds, subject to the clearing process. These amounts are not required to be collateralized.

Investments: The Treasurer's net increase/(decrease) in the fair value of investments during 2007 and 2006 was ($ 763,767) and ($ 1,511,635), respectively. This amount takes into account all changes in fair value (including purchases and maturities) that occurred during the year.

NOTE D - DEPOSITS AND INVESTMENTS (Continued)

At June 30, 2007 and 2006 in accordance with Governmental Accounting Standards Board Statement 40, *Deposit and Investment Risk Disclosures* (GASB 40), there is no custodial credit risk assumed by the Treasurer because the Treasurer's investments are represented by specific identifiable investment securities which are insured or registered, or are securities held by the Treasurer or his agent in the Treasurer's name. Excluding Time Deposits, the Treasurer had the following investments, stated at market value except for Federal Farm Credit Bank Bond, and maturities as of June 30. (Amounts are in thousands.)

2007

	Cash Equivalents	Less than 1 year	1-5 years	6-10 years	More than 10 years	Total
Commercial Paper	$ 2,643,099	$ 98,660	$ -	$ -	$ -	$ 2,741,759
Repurchase Agreements	1,874,466	-	-	-	-	1,874,466
Federal Farm Credit Bank Bond*	-	305,961	-	-	-	305,961
Federal Home Loan Bank	-	158,829	306,122	-	-	464,951
Federal Home Loan Mortgage Corporation	-	24,948	223,439	-	-	248,387
Federal National Mortgage Association	-	29,907	207,575	-	-	237,482
State of Illinois Secondary Pool Investment Program	-	-	-	-	843	843
Foreign Investments**	-	10,000	19,714	-	-	29,714
Subtotal	$ 4,517,565	$ 628,305	$ 756,850	$ -	$ 843	5,903,563
Illinois Technology Development						6,244
The Illinois Funds						1,325,575
Money Market Mutual Fund						317,470
Mortgage Reserve Fund						6
Total Investments, excluding Time Deposits						$ 7,552,858

NOTE D - DEPOSITS AND INVESTMENTS (Continued)

2006

	Cash Equivalents	Less than 1 year	1-5 years	6-10 years	More than 10 years	Total
Commercial Paper	$ 2,788,237	$ -	$ -	$ -	$ -	$ 2,788,237
Repurchase Agreements	2,477,741	-	-	-	-	2,477,741
Federal Farm Credit Bank Bond*	-	254,212	-	-	-	254,212
Federal Home Loan Bank	-	52,176	95,798	-	-	147,974
Federal Home Loan Mortgage Corporation	-	19,774	47,025	-	-	66,799
Federal National Mortgage Association	7,772	29,606	105,414	-	-	142,792
State of Illinois Secondary Pool Investment Program	-	-	-	723	1,069	1,792
Foreign Investments**	-	9,878	10,000	-	-	19,878
Subtotal	$ 5,273,750	$ 365,646	$ 258,237	$ 723	$ 1,069	5,899,425
Illinois Technology Development						2,962
The Illinois Funds						1,352,596
Money Market Mutual Fund						324,402
Mortgage Reserve Fund						5
Total Investments, excluding Time Deposits						$ 7,579,390

*These securities are not actively traded on the open market. Furthermore, it is management's intention to hold these investments until maturity. Since these investments are not traded on the open market, establishing a market value as of June 30, at an amount other than the par value is not possible.

**Denominated in US dollars.

The master repurchase agreements utilized by the Treasurer require the broker or financial institution to maintain the market value of collateral securities at 102% of the agreement. The carrying amount, including accrued interest, was approximately $ 1,874,466,520 and $ 2,477,741,198, and the market value of the collateral securities to be resold based on commitments under the repurchase agreements was approximately $ 1,939,159,744 and $ 2,530,201,650, as of June 30, 2007 and 2006, respectively.

NOTE D - DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the Treasurer's investment in a single issuer. The following investments exceeded 5 percent of the total investments at June 30, 2007 and 2006. (Amounts are in thousands.)

	2007		2006	
	Carrying Value	% of Total Investments	Carrying Value	% of Total Investments
Repurchase agreements:				
Bank of America	$ -	-	$ 529,010	6.98
Greenwich Capital	400,000	5.30	700,000	9.24
Northern Trust	851,897	11.28	748,731	9.88
UBS Finance	622,570	8.24	-	-
Commercial paper:				
Bear Stearns	$ 799,525	10.59	$ 547,024	7.22
Deutsche Bank	-	-	448,693	5.92
HSBC Securities	697,808	9.24	747,413	9.86
SSB/Citigroup Global	696,741	9.22	-	-

NOTE E - ILLINOIS INSURED MORTGAGE PILOT PROGRAM TRUST

The Illinois Insured Mortgage Pilot Program Trust (the Trust) was created in October 1982 in order to stimulate construction activity in the State. The State purchased $ 120,000,000 of investment certificates for which the underlying collateral was a pool of mortgage loans issued by American National Bank and Trust Company of Chicago ("Trustee") for the purpose of providing financing to approved construction projects. The principal terms of the loans required "interest only" payments for seven years following the completion of construction with full payment of the outstanding principal balance at the end of the seventh year.

Prior to July 1, 1990, $ 69,790,000 of loans had been repaid prior to maturity. The remaining balance of $ 50,210,000 was loaned under seven mortgage agreements. Three mortgage agreements, originally totaling $ 40,650,000 were secured by hotel properties. The other four mortgage agreements, originally totaling $ 9,560,000 were secured by commercial properties.

In July 1991, Bank One, Springfield replaced American National Bank and Trust Company as trustee of the Program. On February 24, 1995, Heritage/Pullman Bank & Trust Company replaced Bank One, Springfield as trustee of the program. In 2001, Cosmopolitan Bank & Trust Company bought out Pullman Bank & Trust Company thus becoming trustee of the program.

NOTE E - ILLINOIS INSURED MORTGAGE PILOT PROGRAM TRUST (Continued)

Park National Bank became the trustee of the program in January 2006 as a result of the merger of Cosmopolitan Bank & Trust Company and four other Illinois banks.

Hotel Properties: The two hotel loans, totaling $ 28,900,000, owned by the Trust, were restructured during fiscal year 1988. The restructured agreements were signed in December 1987, and January 1988. The restructured agreements extended the maturity from November 1990 for the Holiday Inn, Collinsville hotel and from December 1991 for the President Abraham Lincoln Hotel and Conference Center (President Lincoln), formerly the Renaissance, Springfield hotel to January 12, 1995, for both hotels. Monthly interest payments were required and all principal was due upon maturity. The average interest rates were reduced from 12 1/4% to 8% per annum retroactive to January 12, 1987. Annual interest rates were to increase from 2% to 14% during the 8-year period. Under the terms of the agreements, $ 4,339,000 of past-due interest was capitalized. It was the Treasurer's position that collection of the capitalized interest was uncertain and thus, was not added to the recorded value. Additionally, portions of the loan balances, including the capitalized interest, were guaranteed by a surety bond and letters of credit.

The President Lincoln, Springfield hotel, with an original loan balance of $ 15,500,000 entered into a second restructuring agreement on April 30, 1990, retroactive to January 1, 1990. The agreement requires quarterly payments based on cash flow, as defined therein, applied first to any outstanding principal. Interest is charged at 6% per annum on the outstanding principal; however, this interest is deferred until the principal has been satisfied and no interest is charged on deferred interest. The maturity date was extended to January 1, 2010; however, if the sum of unpaid principal and interest deferrals exceeds $ 18,000,000 at any time after January 1, 1999, the loan becomes immediately due by default. As of June 30, 2007 and 2006, the unpaid principal and interest totaled approximately $ 29,126,696 and $ 28,294,519, respectively.

Under the original restructured agreement effective January 12, 1987, the surety bond primarily covered 15% of the loan and accrued interest up to a maximum of $ 2,245,000. The amended surety bond under the current restructured agreement requires the borrower, at the borrower's expense, to maintain and keep in force during the term of the loan, a surety bond guaranteeing to the lender, in the amounts set forth in Schedule 1 of the Second Mortgage Loan Restructuring Closing Book, all or a portion of the Principal Amount. The lender has 45 days upon default to notify the surety that there is a default and potential claim against the surety bond. Once the lender has obtained merchantable title, it can proceed with a claim against the surety bond. The surety can choose one of three options to determine the amount of its payment to the lender. It may pay: 1) the lesser of the percentage amount of the loss or the Maximum Amount for a claim made (as defined in Endorsement 2, Addendum A of the Agreement), or 2) the entire amount of the loss if the principal sum is in default and if the lender provides the surety with a merchantable title, or 3) the amount of the interest in default and assume the principal's

NOTE E - ILLINOIS INSURED MORTGAGE PILOT PROGRAM TRUST (Continued)

obligation to pay future interest due and the principal sum provided the lender provides the surety with merchantable title. The estimated present value of the surety bond as of June 30, 2007 and 2006 is $ 6,247,000 and $ 5,784,000, respectively.

The Holiday Inn, Collinsville hotel, with an original loan balance of $ 13,400,000 signed a second restructuring agreement on January 10, 1991, retroactive to January 1, 1991. The terms of this agreement are similar to those discussed in the preceding paragraph, and results in required payments based on a calculation of defined cash flow, which are applied first to outstanding principal. Accrued and unpaid interest of approximately $ 428,000 was capitalized upon the second restructuring, but was not added to the Treasurer's recorded value. Interest is charged at 6% per annum on the outstanding principal; however, this interest is deferred until the principal has been satisfied and no interest is charged on deferred interest. The maturity date was extended to January 1, 2010; however, if at any time after January 1, 1999, the sum of unpaid principal and interest deferrals exceeds $ 17,700,000, the loan becomes immediately due by default. The unpaid principal and interest totaled approximately $ 31,526,275 and $ 29,897,521 at June 30, 2007 and 2006, respectively. As additional security for the loan, the borrower, at the borrower's expense, must obtain and deliver to the Trustee, no later than the closing date, and must maintain and keep in force during the term of the loan one or more unconditional, irrevocable, letters of credit in a total amount not less than 15% of the principal amount, issued by institutions which have a net worth of no less then ten million dollars. Furthermore, as described in the agreement regarding additional collateral, the borrower must, in cases when the additional collateral is set to expire within 60 days, deliver to the lender substitute collateral no later than 30 days prior to the date of such scheduled expiration. In the event that the substitute collateral is not received within the specified time, the lender can declare an event of default and immediately draw upon the additional security. The letters of credit expire on either December 15 or December 31 of each year. Provided that the borrower is not in default under the restructured loan documents, the amount of additional collateral can be adjusted to an amount equal to the lesser of: 1) the percentage of the loss or 2) the Maximum Amount, both of which are defined in Schedule 1 of the Second Agreement to Restructure the Loan. At a default date, the borrower has the option of providing additional collateral equal to either the Maximum Amount of $ 3,060,000 or 64% of the loss. The value of the additional collateral equals $ 1,637,375 and $ 2,637,000 as of June 30, 2007 and 2006, respectively. Pursuant to the restructuring agreement, the Collinsville Mortgage is also secured by a personal guarantee in the maximum amount of $ 1,500,000. However, personal financial statements from the guarantors are not readily available, and thus the estimated value of the guarantee is unknown.

NOTE E - ILLINOIS INSURED MORTGAGE PILOT PROGRAM TRUST (Continued)

The hotel loans are considered to be nonperforming assets and, as such, interest is recorded only if received. If the interest receivable were recorded, the accrued interest balances for the hotels at June 30, 2007 and 2006, would be as follows:

	(In thousands)		
	Springfield	Collinsville	Total
Accrued interest receivable - June 30, 2007	$ 15,257	$ 2,782	$ 18,039
Accrued interest receivable - June 30, 2006	$ 14,425	$ 154	$ 14,579

During 1995, the Treasurer authorized the Trustee, Pullman Bank and Trust Company, to sell the mortgage notes for $ 10 million, an amount that was greater than the most recent independent valuation available at the time. The Illinois Attorney General opined that his consent to the proposed sale was required and he refused to give it. As a consequence, the Treasurer did not proceed with the transaction.

Affiliates of the owners of the Springfield President Lincoln Hotel and the Collinsville Holiday Inn (plaintiffs) filed a lawsuit December 29, 1995, against the Trustee and the Treasurer seeking specific performance of the buy-sell agreement on which the terms agreed.

On March 13, 2000, the Circuit Court in Madison County entered a judgment order requiring the Trustee and Treasurer to sell the mortgage loans on the hotel properties to the plaintiffs. The court found that the plaintiffs were ready, willing and able to perform the buy-sell agreements at the time originally set for closing in 1995. The Trustee and the Treasurer have appealed the order. Appellate briefings were completed in February 2001 and oral arguments were heard later that year. The Illinois Appellate Court, Fifth District, affirmed the Circuit Court's decision in all material respects. An appeal of that ruling was petitioned by the Trustee to the Illinois Supreme Court and granted on October 7, 2003. As of June 3, 2005, the Illinois Supreme Court reversed the Appellate Court's decision on the basis of sovereign immunity. The plaintiffs have requested that the Illinois Supreme Court reconsider its decision. If the Illinois Supreme Court declines to do so, the case will be remanded to the Madison County Circuit Court and the stays will be vacated.

The Trustee of the Illinois Insured Mortgage Pilot Program at the direction of the Illinois State Treasurer filed two lawsuits on October 31, 1997, one against the Collinsville Hotel Venture and the other against the President Lincoln Hotel Venture, for breaching their cash flow notes by improperly deducting capital expenditures from cash flow in violation of their respective loan agreements. The loan agreements provide that capital expenditures may be deducted from cash

NOTE E - ILLINOIS INSURED MORTGAGE PILOT PROGRAM TRUST (Continued)

flow only to the extent that payments pre-approved by the Trustee are made by the Ventures into a capital reserve account. The Trustee claims that these violations of the loan agreements, and the failure of the Ventures to pay upon demand money they improperly deducted from cash flow, constitute a default of the notes making them immediately due and payable.

The two lawsuits were filed in Cook County. The borrowers both asked the Court to stay the lawsuits while the Madison County action was pending, and their motions were granted.

After the final judgment was entered in the Madison County case, the Judge in Cook County who was presiding over the Collinsville case lifted his stay. Plaintiffs in the Madison County case then asked the Court to hold the Trustee and its counsel in contempt for pursuing the Cook County case. Eventually, the Trustee petitioned the Illinois Supreme Court for a supervisory order to allow it to proceed prosecuting the Cook County case without being held in contempt by the Madison County Court. The Supreme Court issued such a supervisory order in the fall of 2001, and the Cook County case is now proceeding. However, the Cook County case against the Springfield Hotel remains stayed.

As a result of discovery in the Collinsville case, the Trustee has determined that there have been additional events of default, and as a result it has now filed an amended complaint. In 2006, the Circuit Court of Cook County entered judgment in favor of the trustee and against the borrowers declaring that the loan was in default and authorizing the trustee to pursue collection proceedings against the personal guarantee. The borrowers petitioned the Court to reconsider its order. The petition was rejected by the Court and collection proceedings have been commenced against the guarantors. Citations to discover assets of the guarantors have been served. One guarantor's lawyer has filed an appearance and a motion to quash certain citations. The other guarantor's lawyer sent a copy of an un-filed appearance and has produced some documents in response to the citations. During discovery, it was determined one of the guarantors has an interest in rental property (collecting $4,000 to $9,000 each month) which will be turned over to the trust. Citations to discover assets continue to be pursued.

In 1997, the trustee endeavored to draw on the letters of credit then in its possession. That attempt was enjoined by orders entered in the lawsuit filed in 1995 seeking to compel the trustee to sell the borrower's loan documents. As of April 24, 2006, such orders ceased to bind the trustee. In July of 2006, the trustee again presented drafts on all letters of credit and collected $439,625 from The Bank of Edwardsville, $300,000 from U.S. Bank National Association, and $260,000 from Bank of America. The payments were recorded as a reduction of principal. Regions Bank is refusing to pay the letters of credit it holds, which total $1,637,375. A suit against Regions Bank has been filed. Regions Bank appeared and filed an answer,

NOTE E - ILLINOIS INSURED MORTGAGE PILOT PROGRAM TRUST (Continued)

affirmative defenses, and a third-party complaint. As of the June 30, 2007, the Trust's attorneys are assembling the documents that will need to be presented in the suits discovery.

On January 2, 2007, the Trustee filed foreclosure complaints against both the Collinsville Hotel Venture and the President Lincoln Hotel Venture.

The Collinsville hotel foreclosure complaint was filed in the Madison County Circuit Court following (a) the entry of a judgment order in June 2006 by a Cook County circuit judge declaring the Hotel to be in default of its loan, and also entering a judgment in the amount of $1.5 million against two individuals who partially guaranteed the loan; and (b) the entry of an order in the same court denying the Hotel's motion to reconsider the ruling. The foreclosure complaint also requested the court appoint a receiver to operate the Hotel during foreclosure proceedings, and on January 12, 2007, an order appointing a receiver was entered. The receiver assumed management of the property that day. Accrued and unpaid interest of approximately $14,315,000 was capitalized upon judgment order, but was not added to the Treasurer's recorded value. Interest is charged at 9% per annum on the outstanding principal.

Pursuant to the Judgment of Foreclosure and Sale, which was entered on May 17, 2007, the Madison County Court conducted a foreclosure sale on October 18, 2007. At that sale, the Hotel and all associated property were sold to the Trust, as high bidder on the property, for $25,375,654. The sale price was paid in full through the Trust's credit of the sale price against the unpaid principal and interest secured by the mortgage on the property. At the time of the sale, the remaining debt on the property amounted to $6,893,991. Judgment interest continues to accrue on the debt. On November 1, 2007, the court issued a judicial deed, and the Trust therefore took title to the property.

The Trustee is, concurrently, pursuing collection proceedings with respect to the judgment it obtained against the guarantors, and it has filed a lawsuit in the United States District Court for the Northern District of Illinois against Regions Bank to seek payment on four letters of credit, totaling $1.65 million, that were additional collateral for the loan.

The President Lincoln hotel foreclosure complaint was filed in the Sangamon County Circuit Court following a ruling in December 2006 by a Cook County circuit judge declaring the Hotel to be in default of its loan. The complaint also requested the court appoint a receiver to operate the Hotel during foreclosure proceedings. On March 1, 2007, a court-appointed receiver formally took over operations of the President Lincoln Hotel. On January 18, 2008, the Circuit Court of Sangamon County entered a Judgment of Foreclosure and Sale against all defendants. Although a favorable outcome is expected, the Illinois Office of the Treasurer does not believe the effect on financial position resulting from these proceedings can be determined at this time.

NOTE E - ILLINOIS INSURED MORTGAGE PILOT PROGRAM TRUST (Continued)

The following is a summary of the balances related to the restructured loans:

	(In thousands)		
	President Lincoln Springfield	Holiday Inn Collinsville	Total
Recorded Value			
Original loan balances	$ 15,500	$ 13,400	$ 28,900
Less provision to record write-down (permanent impairment) of outstanding loan balance recorded as of June 30, 1991	(4,086)	(564)	(4,650)
Less payments received-year ended June 30, 1992	(320)	(95)	(415)
Less provision to record write-down (permanent impairment) of outstanding loan balance recorded as of June 30, 1992	-	(2,000)	(2,000)
Less payments received-year ended June 30, 1993	(256)	(161)	(417)
Less provision to record write-down (permanent impairment) of outstanding loan balance recorded as of June 30, 1993	(3,638)	(3,580)	(7,218)
Less payments received-year ended June 30, 1994	(290)	(378)	(668)
Less provision to record write-down (permanent impairment) of outstanding loan balance recorded as of June 30, 1994	(3,435)	(2,312)	(5,747)
Adjustment for correction of an error	(1,305)	3,868	2,563
Less payments received-year ended June 30, 1995	(518)	(832)	(1,350)
June 30, 1995 – recorded value	1,652#	7,346##	8,998
Less payments received – year ended June 30, 1996	(458)	(394)	(852)
Less payments received – year ended June 30, 1997	(185)	(180)	(365)
Less payments received – year ended June 30, 1998	(93)	-	(93)
Less payments received – year ended June 30, 1999	-	(107)	(107)
Less payments received – year ended June 30, 2000	-	-	-
Less payments received – year ended June 30, 2001	-	-	-
Less payments received – year ended June 30, 2002	(56)	-	(56)
Less payments received – year ended June 30, 2003	(86)	-	(86)
Less payments received – year ended June 30, 2004	-	-	-
Less payments received – year ended June 30, 2005	-	-	-
Less payments received – year ended June 30, 2006	-	-	-
Less payments received – year ended June 30, 2007	-	(1,000)	(1,000)
June 30, 2007, - recorded value	$ 774	$ 5,665	$ 6,439

NOTE E - ILLINOIS INSURED MORTGAGE PILOT PROGRAM TRUST (Continued)

	(In thousands)		
	President Lincoln Springfield	Holiday Inn Collinsville	Total
Loan Balance			
Original loan balances	$ 15,500	$ 13,400	$ 28,900
Interest capitalized upon first restructuring	592	3,747	4,339
Interest capitalized upon second restructuring	40	428	468
Payments received-years ended June 30, 1992, 1993, 1994, 1995, 1996, 1997,1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006 and 2007	(2,262)	(3,146)	(5,408)
Interest capitalized upon judgment order	-	14,315	14,315
June 30, 2007 - loan balance	$ 13,870	$ 28,744	$ 42,614

Notes:
[#] The valuation of the mortgage position at June 30, 1995, was estimated at $ 1,670,000.
[##] The valuation of the mortgage position at June 30, 1995, was estimated at $ 8,850,000.

NOTE F - DEFEASED DEBT

During fiscal year 2007 and 2006, the State of Illinois issued General Obligation Refunding Bonds for the purpose of defeasing certain outstanding bonds that carried a higher rate of interest. The defeasance was accomplished by depositing the proceeds from the Refunding Bonds with an escrow trustee for the purchase of U.S. government obligations. The cash from the maturity of the U.S. government obligations and interest thereon will be used to pay all the principal and interest of the defeased bonds as they become due as well as all administrative expenses of the trustee. For financial reporting purposes, the obligations under the defeased bonds have been fully liquidated by the escrow deposit of the funds from the Refunding bonds, resulting in a net reduction of General Obligation Indebtedness of $ 24,735,916 and $ 25,091,793 during fiscal years 2007 and 2006, respectively, as follows:

	Balances at June 30, 2007		
	Principal	Interest	Total
Balance of defeased bonds issues	$ 335,055,000	$ 136,190,999	$ 471,245,999
General Obligation Refunding Bonds	329,000,000	117,510,083	446,510,083
Net decrease	$ 6,055,000	$ 18,680,916	$ 24,735,916

NOTE F - DEFEASED DEBT (Continued)

	Balances at June 30, 2006		
	Principal	Interest	Total
Balance of defeased bonds issues	$ 276,135,000	$ 127,043,084	$ 403,178,084
General Obligation Refunding Bonds	274,950,000	103,136,291	378,086,291
Net decrease	$ 1,185,000	$ 23,906,793	$ 25,091,793

The advance refunding resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of $ 16,867,883 and $ 18,638,158 during fiscal years 2007 and 2006, respectively.

In prior years, the State of Illinois defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the State of Illinois' financial statements. At June 30, 2007 and 2006, $ 1,032,475,000 and $ 980,955,000, respectively, of bonds outstanding were considered defeased.

NOTE G - SECURITIES UNDER CUSTODIAL RESPONSIBILITY OF THE TREASURER

At June 30, 2007 and 2006, the Treasurer was responsible for $ 13,271,481 and $ 13,852,275, respectively, of securities held in safekeeping for various State departments, agencies and institutions. Therefore, these are not reflected in the statement of assets, liabilities and accountabilities.

NOTE H - GENERAL OBLIGATION INDEBTEDNESS

A summary of the changes from June 30, 2006 to June 30, 2007, in General Obligation Bonded Indebtedness by issue type follows:

	Antipollution Interest Rates varying from 8.00% to 11.00% Series Q through W, due serially to 2010	Multi-Purpose Interest Rates varying from 2.93% to 7.90%, Series 1988 through 2007, due serially to 2034	Pension Funding Interest Rates varying from 2.50% to 5.10% Series 2003, due serially to 2033
Balance at June 30, 2006			
Principal	$ 12,680,000	$ 8,191,268,349	$ 10,000,000,000
Interest	1,681,450	5,639,697,335	10,460,275,000
Total	14,361,450	13,830,965,684	20,460,275,000
Redemptions charge to Appropriations			
Principal	4,960,000	425,954,577	-
Interest	937,750	496,813,249	496,200,000
Total	5,897,750	922,767,826	496,200,000
Certificates/Bonds issued			
Principal	-	258,000,000	-
Interest	-	145,917,833	-
Total	-	403,917,833	-
Refunding			
Principal	-	272,637,928	-
Interest	-	130,117,124	-
Total	-	402,755,052	-
Balance at June 30, 2007			
Principal	7,720,000	7,750,675,844	10,000,000,000
Interest	743,700	5,158,684,795	9,964,075,000
Total	$ 8,463,700	$ 12,909,360,639	$ 19,964,075,000

NOTE H - GENERAL OBLIGATION INDEBTEDNESS (Continued)

	General Obligation Refunding Series 1992 through 2007 Interest Rates varying from 4.00% to 6.15% due serially to 2022	Total Bonded Indebtedness	General Obligation Certificates	Total General Obligation Indebtedness
Balance at June 30, 2006				
Principal	$ 2,047,418,572	$ 20,251,366,921	$ -	$ 20,251,366,921
Interest	706,250,759	16,807,904,544	-	16,807,904,544
Total	2,753,669,331	37,059,271,465	-	37,059,271,465
Redemptions charge to Appropriations				
Principal	146,678,057	577,592,634	900,000,000	1,477,592,634
Interest	104,284,186	1,098,235,185	12,750,000	1,110,985,185
Total	250,962,243	1,675,827,819	912,750,000	2,588,577,819
Certificates/Bonds issued				
Principal	329,000,000	587,000,000	900,000,000	1,487,000,000
Interest	117,510,083	263,427,916	12,750,000	276,177,916
Total	446,510,083	850,427,916	912,750,000	1,763,177,916
Refunding				
Principal	62,417,072	335,055,000	-	335,055,000
Interest	6,073,875	136,190,999	-	136,190,999
Total	68,490,947	471,245,999	-	471,245,999
Balance at June 30, 2007				
Principal	2,167,323,443	19,925,719,287	-	19,925,719,287
Interest	713,402,781	15,836,906,276	-	15,836,906,276
Total	$ 2,880,726,224	$ 35,762,625,563	$ -	$ 35,762,625,563

NOTE H - GENERAL OBLIGATION INDEBTEDNESS (Continued)

A summary of the changes from June 30, 2005 to June 30, 2006, in General Obligation Bonded Indebtedness by issue type follows:

	Antipollution Interest Rates varying from 8.00% to 11.00% Series O through W, due serially to 2010	Multi-Purpose Interest Rates varying from 2.50% to 7.90%, Series 1988 through 2006, due serially to 2034	Pension Funding Interest Rates varying from 2.50% to 5.10% Series 2003, due serially to 2033
Balance at June 30, 2005			
Principal	$ 18,840,000	$ 7,958,745,153	$ 10,000,000,000
Interest	3,129,800	5,658,657,750	10,956,475,000
Total	21,969,800	13,617,402,903	20,956,475,000
Redemptions charge to Appropriations			
Principal	6,160,000	432,376,804	-
Interest	1,448,350	482,092,797	496,200,000
Total	7,608,350	914,469,601	496,200,000
Certificates/Bonds issued			
Principal	-	925,000,000	-
Interest	-	589,195,694	-
Total	-	1,514,195,694	-
Refunding			
Principal	-	260,100,000	-
Interest	-	126,063,312	-
Total	-	386,163,312	-
Balance at June 30, 2006			
Principal	12,680,000	8,191,268,349	10,000,000,000
Interest	1,681,450	5,639,697,335	10,460,275,000
Total	$ 14,361,450	$ 13,830,965,684	$ 20,460,275,000

NOTE H - GENERAL OBLIGATION INDEBTEDNESS (Continued)

	General Obligation Refunding Series 1992 through 2006 Interest Rates varying from 2.50% to 6.15% due serially to 2022	Total Bonded Indebtedness	General Obligation Certificates	Total General Obligation Indebtedness
Balance at June 30, 2005				
Principal	$ 1,915,416,655	$ 19,893,001,808	$ -	$ 19,893,001,808
Interest	708,371,084	17,326,633,634	-	17,326,633,634
Total	2,623,787,739	37,219,635,442	-	37,219,635,442
Redemptions charge to Appropriations				
Principal	126,913,083	565,449,887	1,000,000,000	1,565,449,887
Interest	104,276,844	1,084,017,991	20,106,250	1,104,124,241
Total	231,189,927	1,649,467,878	1,020,106,250	2,669,574,128
Certificates/Bonds issued				
Principal	274,950,000	1,199,950,000	1,000,000,000	2,199,950,000
Interest	103,136,291	692,331,985	20,106,250	712,438,235
Total	378,086,291	1,892,281,985	1,020,106,250	2,912,388,235
Refunding				
Principal	16,035,000	276,135,000	-	276,135,000
Interest	979,772	127,043,084	-	127,043,084
Total	17,014,772	403,178,084	-	403,178,084
Balance at June 30, 2006				
Principal	2,047,418,572	20,251,366,921	-	20,251,366,921
Interest	706,250,759	16,807,904,544	-	16,807,904,544
Total	$ 2,753,669,331	$ 37,059,271,465	$ -	$ 37,059,271,465

NOTE H - GENERAL OBLIGATION INDEBTEDNESS (Continued)

Interest on zero coupon bonds is reflected in the above schedules as interest to agree to the charge to appropriations. Interest on such bonds is reflected as principal in the debt service requirement schedule below.

Future general obligation debt service requirements at June 30, 2007, are as follows:

Year ending June 30	Principal	Interest	Total
2008	$ 776,145,000	$ 956,428,133	$ 1,732,573,133
2009	755,095,000	939,701,879	1,694,796,879
2010	739,985,000	914,295,752	1,654,280,752
2011	728,795,000	886,748,980	1,615,543,980
2012	711,440,000	861,337,911	1,572,777,911
2013 – 2017	3,372,280,000	3,874,285,643	7,246,565,643
2018 – 2022	3,341,069,945	3,102,085,597	6,443,155,542
2023 – 2027	4,104,900,113	2,215,017,359	6,319,917,472
2028 – 2032	5,100,784,991	1,094,979,142	6,195,764,133
2033 – 2034	1,223,419,951	63,830,167	1,287,250,118
Total	$ 20,853,915,000	$ 14,908,710,563	$ 35,762,625,563

The principal amounts reflected above include accretion to date on zero-coupon bonds.

NOTE I - ARBITRAGE REBATE LIABILITY

Section 148(f) of the Internal Revenue Code of 1986 (the "Code") generally provides that an issuer of tax-exempt bonds must pay to the United States (i) the excess of (a) the amount earned on all nonpurpose investments made with gross proceeds of an issue (as defined in the Code and the applicable regulations promulgated or proposed thereunder) of tax-exempt bonds over (b) the amount which would have been earned if such nonpurpose investments had been invested at a rate equal to the yield on the issue (the "Excess"), plus (ii) any income attributable to the Excess. The Excess that arises from earnings on nonpurpose investments held in certain funds and accounts is the arbitrage rebate liability (the "Liability"). There is no liability for future years.

NOTE J - COMMITMENTS AND CONTINGENCIES

There have been several cases filed that challenge the constitutionality of legislation allowing the broader use of fee proceeds that are deposited into special funds the use of which is, by law, otherwise limited to specified purposes. The Treasurer has been named as a nominal defendant in these cases. The lead case is *Illinois State Chamber of Commerce v. Filan*. This case arose out of the following set of facts. In the fiscal year 2004 Budget Implementation Act, the legislature authorized the Director of the Governor's Office of Management and Budget to transfer funds from specialized or dedicated funds to the General Revenue Fund. Some of the dedicated funds are funded by fees. The Chamber of Commerce, as an employer, pays a surcharge (fee) to the Division of Insurance of the Department of Financial and Professional Regulation. The fee is then used by the Workers' Compensation Commission (Commission) for the Commission's operations. The stated purpose of the fee is to reduce the amount of the Commission's operating expenses being paid from general tax revenues. However, the surcharge and fee generated more than twice the sum needed for the Commission's operating budget, and the excess money was transferred to the General Revenue Fund.

The Chamber of Commerce alleged that this practice violates the tax uniformity clause of the Illinois Constitution, the due process clause of the Illinois Constitution and the United States Constitution, and the due takings clause, claiming the fee is, in effect, a disproportional and unfair tax. On November 29, 2004, the Cook County Circuit Court ruled that the fee violated the Uniformity Clause and the Due Process Clause of the Illinois Constitution and ordered all monies currently held or to be collected to be placed in an escrow fund. This decision was appealed to the Illinois Supreme Court.

While the Supreme Court appeal was pending, several groups of insurance companies sought leave to intervene in the case. These insurance companies alleged they had paid the surcharge under protest, and they sought a declaration of their rights under the Protest Monies Act. The insurance companies sought and received a preliminary injunction from the Circuit Court.

The Supreme Court subsequently reversed the circuit court's finding that the surcharge was unconstitutional, and remanded the matter back to the Circuit Court for further proceedings based on the Chamber of Commerce's complaint. The state defendants consequently moved to vacate the escrow fund. The Circuit Court allowed the Commission to petition the Court for leave to withdraw operating funds from the escrow fund as necessary to continue operating while the surcharge's constitutionality continues to be litigated, but denied the state defendants' motion to dissolve the 2004 escrow account. On November 3, 2005, the trial court also denied the defendants' motion to dissolve a preliminary injunction, and continued to enjoin the Treasurer from transferring the surcharge payments. An appeal of these two Circuit Court decision was taken to the First District Appellate Court.

NOTE J - COMMITMENTS AND CONTINGENCIES (Continued)

On July 26, 2007, the Appellate Court issued an unpublished order that reversed the Cook County Circuit Court's decisions and remanded the matters back to the Circuit Court with instructions. The insurance companies-intervenors then moved the Appellate Court to reconsider its decision. The Appellate Court denied the motion to reconsider, and the insurance companies-intervenors then filed a petition for leave to appeal to the Supreme Court of Illinois. That petition was recently denied.

The other fee transfer cases remain on hold until the Circuit Court renders a final decision. In the aggregate, these cases involve an amount in excess of $10 million, and may amount to as much as $48 million.

NOTE K – SUBSEQUENT EVENT

On September 25, 2007, the State of Illinois issued $1,200,000,000 of General Obligation Certificates pursuant to the provisions of Article IX, Section 9(c) of the Illinois Constitution and the provisions of the Short Term Borrowing Act. The purpose of the borrowing is to provide mid-fiscal year liquidity to the Hospital Provider Fund to make supplemental inpatient and outpatient payments to certain public and non-public hospitals within the State of Illinois and other medical claims. The certificates mature November 9, 2007.

OTHER SUPPLEMENTARY INFORMATION

A tab page will replace this page

The following summary compares the assets, liabilities and accountabilities of the Treasurer's Fiscal Officer accounts:

	June 30	
	2007	2006
Assets and other debits		
Cash and cash equivalents	$ 6,241,419,534	$ 7,015,574,973
Deposits and investments, at market	2,792,654,380	1,979,396,164
Other assets	34,525,263	235,929,551
Amount of future general revenue obligated for debt service	35,137,781,595	36,446,104,511
Total assets and other debits	$ 44,206,380,772	$ 45,677,005,199
Liabilities for balances on deposit		
Comptroller		
Protested taxes	$ 323,240,952	$ 273,348,327
Available for appropriation or expenditure	6,645,842,875	6,873,641,552
Agencies' deposits outside the State Treasury	675,952,523	658,243,657
Comptroller's warrants outstanding	774,765,160	785,600,188
Total liabilities for balances on deposit	8,419,801,510	8,590,833,724
General obligation indebtedness	35,762,625,563	37,059,271,465
Total liabilities	44,182,427,073	45,650,105,189
Accountabilities		
Receivable from City of Edwardsville	306,130	315,469
Investment income earned, but not received	23,639,919	26,578,036
Federal Reserve Bank settlement account reserve	1,958	1,958
Mortgage Reserve Fund	5,692	4,547
Total accountabilities	23,953,699	26,900,010
Total liabilities and accountabilities	$ 44,206,380,772	$ 45,677,005,199

Cash on hand, deposits, and cash equivalents are summarized below:

	June 30	
	2007	2006
Cash and cash equivalents		
Demand deposits	$ 4,693,611	$ 2,166,993
Clearing account deposits and deposits in transit	60,109,245	45,079,593
Time deposits	16,000,000	17,575,000
Repurchase agreements	1,874,466,520	2,477,741,198
Commercial paper	2,643,098,917	2,788,237,000
The Illinois Funds	1,325,575,061	1,352,596,206
Money Market Mutual Fund	317,470,488	324,402,375
Mortgage Reserve Fund	5,692	4,547
Federal National Mortgage Association	-	7,772,061
Total cash and cash equivalents	$ 6,241,419,534	$ 7,015,574,973

Demand deposit accounts are the principal accounts used to process cash and investment transactions within the State Treasury. The clearing accounts are used to process collected receipts and to identify nonsufficient fund checks. Cash and cash equivalents include deposits and short-term, highly liquid investments readily convertible to cash, with a maturity of 90 days or less at the time of purchase.

State of Illinois
Office of the Treasurer
FISCAL OFFICER RESPONSIBILITIES
ASSETS - DETAIL - CONTINUED
June 30, 2007 and 2006

	June 30, 2007 Bank Balances			June 30, 2006 Bank Balances		
	Collected	Float	Total	Collected	Float	Total
Demand deposits						
Bank of America	$ 441,849	$ -	$ 441,849	$ 531,966	$ -	$ 531,966
Fifth Third Bank of Aurora	-	-	-	2,641	-	2,641
JP Morgan	68,719	-	68,719	55,743	-	55,743
Cole Taylor Bank of Chicago	-	-	-	-	-	-
Illinois National Bank	2,761	-	2,761	4,125	-	4,125
National City	102,133	2,064,318	2,166,451	112,772	392,028	504,800
Northern Trust Company, Chicago	504,312	-	504,312	532,083	-	532,083
Wells Fargo Bank	10,302	-	10,302	5,369	-	5,369
	$ 1,130,076	$ 2,064,318	3,194,394	$ 1,244,699	$ 392,028	1,636,727
Net reconciling items (e.g., deposits-in-transit and outstanding drafts)			1,499,217			530,266
Total demand deposits			$ 4,693,611			$ 2,166,993

Note - The total bank balances represent all funds recorded by the financial institution. This balance includes the float and collected amounts. The float balance represents funds credited to the ledger balance which were unavailable, subject to the clearing process. The collected balance represents available funds which have completed the clearing process.

State of Illinois
Office of the Treasurer
FISCAL OFFICER RESPONSIBILITIES
ASSETS - DETAIL - CONTINUED
June 30, 2007 and 2006

	June 30, 2007 Bank Balances			June 30, 2006 Bank Balances		
	Collected	Float	Total	Collected	Float	Total
Clearing account deposits and deposits in transit						
Bank of America	$ 914,242	$ 584,944	$ 1,499,186	$ 1,732,166	$ 367,468	$ 2,099,634
National City	522	-	522	293	-	293
DuQuoin State Bank	19,381	7,895	27,276	24,883	-	24,883
JP Morgan	65,283	54,053,259	54,118,542	64,384	39,408,273	39,472,657
Illinois National Bank	1	6,142,272	6,142,273	(24,590)	1,577,795	1,553,205
US Bank-Springfield	110,832	-	110,832	53,219	-	53,219
Northern Trust Company, Chicago	141,770	50,835	192,605	110,852	128,743	239,595
International Bank of Chicago	52,115	-	52,115	47,091	-	47,091
MB Financial	71,904	1,092,404	1,164,308	-	-	-
Oakbrook Bank	-	-	-	34,076	1,550,970	1,585,046
Wells Fargo Bank	4,099	-	4,099	5,197	-	5,197
	$ 1,380,149	$ 61,931,609	63,311,758	$ 2,047,571	$ 43,033,249	45,080,820
Net reconciling items (e.g., deposits-in-transit and outstanding drafts)			(3,202,513)			(1,227)
Total clearing account deposits			$ 60,109,245			$ 45,079,593

Note - The total bank balances represent all funds recorded by the financial institution. This balance includes the float and collected amounts. The float balance represents funds credited to the ledger balance which were unavailable, subject to the clearing process. The collected balance represents available funds which have completed the clearing process.

Deposits and Investments

Most of the Treasurer's investments at June 30, 2007 and 2006 are short-term due to the responsibility to keep funds "liquid" to reimburse banks for warrants paid.

Investments in the Treasurer's pooled accounts are authorized by statute. Certain investments are held in segregated accounts and are purchased at the request of the agency administering the segregated trust fund.

	June 30	
	2007	2006
Short-term investments		
Time Deposits	$ 1,328,307,633	$ 1,289,415,051
Commercial Paper	98,659,611	-
Federal Farm Credit Bank Bond	305,961,000	254,212,000
Federal Home Loan Mortgage Corporation	24,948,045	19,773,590
Federal Home Loan Bank	158,828,809	52,175,599
Federal National Mortgage Association	29,907,015	29,606,120
Foreign Investments	10,000,000	9,878,000
Total short-term investments	1,956,612,113	1,655,060,360
Long-term investments		
Time Deposits	72,105,047	61,344,655
Federal Home Loan Mortgage Corporation	223,438,726	47,024,980
Federal Home Loan Bank	306,122,202	95,797,960
Federal National Mortgage Association	207,575,332	105,414,361
State of Illinois Secondary Pool Investment Program	843,313	1,791,843
Illinois Technology Development	6,243,647	2,962,005
Foreign Investments	19,714,000	10,000,000
Total long-term investments	836,042,267	324,335,804
Total deposits and investments	$ 2,792,654,380	$ 1,979,396,164

Deposits and Investments (Continued)

In allocating funds for short-term investment, the portions allocated to time deposits, certificates of deposit, commercial paper, mutual funds, and bank notes are based on forecasts of anticipated receipts and disbursements to determine funds not needed for at least 30 days from date of investment. Substantially all remaining available funds are invested in repurchase agreements with banks and brokerage firms.

The average yield for investments including amounts listed as cash equivalents on the 2007 and 2006 financial statements was 5.12% and 4.00%, respectively.

Other Assets

This classification includes other assets not available for investment and transactions in process. Details at June 30 follow:

	2007	2006
Warrants cashed, but not canceled	$ 8,075	$ 199,892,691
Receivables from universities, agencies and retirement systems for monies advanced and securities purchased	355,790	482,710
Receivable from City of Edwardsville	306,130	315,469
Investment income earned, but not received	27,416,349	27,800,137
Illinois Insured Mortgage Pilot Program Trust	6,438,919	7,438,544
Total other assets	$ 34,525,263	$ 235,929,551

The account balances of warrants cashed but not canceled and the receivable from universities, agencies and retirement systems represent cash expenditures from the State Treasury which were in the process of being recorded by the Comptroller at June 30, 2007 and 2006. The balances in these accounts will vary significantly from day to day, depending on the availability of investable funds and the timing of warrant presentation for payment.

The noninterest-bearing amount receivable from the City of Edwardsville (City) is stated as the unpaid balance of funds advanced to the City in 1967 for the planning and construction of a water main. The repayment terms require the City to pay into the State Treasury ten cents per one thousand gallons of water sold by the City to users receiving water from this main.

Repayments received for the years ended June 30, 2007 and 2006, were $ 9,339 and $ 9,311, respectively.

Other Assets (Continued)

Investment income earned but not received represents accrued income on investments not yet matured or collected. The balance fluctuates based on total investments and investment maturity dates.

As discussed in the notes to the financial statements, two hotel investments are presented as other assets because they are considered to be nonperforming assets.

Amount of Future General Revenue Obligated for Debt Service

The following summary reflects the general revenue obligated for debt service during fiscal 2007 and thereafter:

		General Obligation Bonds
Certificates, bond and coupons maturing in fiscal year 2008	$	1,732,573,133
Less - balance on deposit in State Treasury at June 30, 2007, for certificate and bond redemption and interest		(624,843,968)
Amount obligated from future general revenue		
Fiscal year 2008 general revenue		1,107,729,165
After June 30, 2008		34,030,052,430
Amount of future general revenue obligated for debt service at June 30, 2007	$	35,137,781,595

A summary of the changes during the period July 1, 2006 through June 30, 2007, in the amount of future general revenue obligated for debt service is as follows:

		General Obligation Bonds
Balance at June 30, 2006	$	36,446,104,511
Issuance of certificates and bonds		1,763,177,917
Bonds and coupons redeemed and bonds refunded		(2,588,577,820)
Bonds and coupons refunded		(471,245,999)
Net increases in balances on deposits in State Treasury		(11,677,014)
Balance at June 30, 2007	$	35,137,781,595

Amount of Future General Revenue Obligated for Debt Service (Continued)

The amount of future general revenue obligated for debt service reconciled with total indebtedness at June 30 is as follows:

General Obligation Bonds	2007	2006
Amount of future general revenue obligated for debt service	$ 35,137,781,595	$ 36,446,104,511
Balance in deposit in the State Treasury at June 30 for bond redemption and interest	624,843,968	613,166,954
Total indebtedness at June 30	$ 35,762,625,563	$ 37,059,271,465

The liability for general obligation indebtedness is the aggregate amount of all future principal and interest payments necessary to retire such outstanding debt. The balancing amount included in assets in the statement of assets, liabilities and accountabilities of the Treasurer is equivalent to the amount to be derived from future general revenue for debt service. The proceeds of these certificate and bond issues are accounted for by other State agencies.

Under the Short Term Borrowing Act whenever casual deficits or failures in revenue of the State occur, monies borrowed are applied to the purpose for which they were obtained, or to pay the debts thus created, and to no other purpose. The interest and principal are paid by the Treasurer out of the General Obligation Bond Retirement and Interest Fund. All monies borrowed shall be borrowed for no longer than one year.

General Obligation Certificates issued under the Short Term Borrowing Act during fiscal year 2007 included one issue. The issue of General Obligation Certificates occurred on February 7, 2007, for principal of $ 900,000,000 and premium of $ 1,602,000. Of this amount, $ 900,000,000 was deposited into the General Revenue Fund, and $ 1,602,000 was deposited into the General Obligation Bond Retirement and Interest Fund. The final payment was made on June 5, 2007.

General Obligation Certificates issued under the Short Term Borrowing Act during fiscal year 2006 included one issue. The issue of General Obligation Certificates occurred on November 22, 2005, for principal of $ 1,000,000,000 and premium of $ 5,680,750. Of this amount, $ 1,000,000,000 was deposited into the General Revenue Fund, and $ 5,680,750 was deposited into the General Obligation Bond Retirement and Interest Fund. The final payment was made on June 23, 2006.

Amount of Future General Revenue Obligated for Debt Service (Continued)

The General Obligation Bond Act ("Act") was passed by the General Assembly in December 1984. Under this Act, effective December 1, 1984, the balance of, and monies directed to be included in the Capital Development Bond Retirement and Interest Fund, Anti-Pollution Bond Retirement and Interest Fund, Transportation Bond Series A Retirement and Interest Fund, Transportation Bond Series B Retirement and Interest Fund, Coal and Energy Development Bond Retirement and Interest Fund, and School Construction Bond Retirement and Interest Fund were transferred to and deposited in the General Obligation Bond Retirement and Interest Fund. This fund is used to make debt service payments on the State's general obligation bonds, which are payable from the funds listed above, as well as the bonds issued under the Act.

Liabilities for Balances on Deposit

Protested Taxes: Substantially all of the $ 323,240,952 and $ 273,348,327 at June 30, 2007 and 2006, respectively, in the Protest Trust Fund has been enjoined by the courts pending the outcome of cases in process. By statute, a taxpayer making a tax payment "under protest" has 30 days to initiate a court suit and obtain an injunction. If not enjoined, the tax payments are transferred to the fund in the State Treasury that would have received the original deposit.

Available for appropriation or expenditure: This amount is the State of Illinois' balance at June 30 available to be appropriated by the general assembly or expended by State agencies.

Agencies' Deposits Outside the State Treasury: The liability for agencies' deposits not under the statutory recordkeeping control of the Comptroller consists of:

	2007	2006
Treasurer's clearing account balances	$ 120,468,726	$ 198,586,702
Treasurer's clearing account drafts in process of being ordered into the State Treasury	181,061,903	178,963,788
Deposits in process of being ordered into the Treasurer's clearing accounts	283,705,514	223,350,323
Deposits in demand accounts in process of being ordered into the State Treasury	90,716,380	57,342,844
Total agency deposits outside the State Treasury	$ 675,952,523	$ 658,243,657

The Treasurer's liability for agencies' deposits outside the State Treasury is composed principally of deposits of county and municipal retailers' occupation taxes and State income taxes awaiting designation of account distribution before being deposited in the State Treasury. Agencies' deposits outside the State Treasury consist principally of cash and short-term investments.

Comptroller's Warrants Outstanding: Warrants prepared by the Comptroller are recorded as outstanding upon countersignature by the Treasurer. Warrants outstanding are reduced when paid warrants are returned to the Comptroller.

General Obligation Indebtedness

Reference is made to the Amount of Future General Revenue Obligated for Debt Service footnote for information relating to outstanding general obligation indebtedness.

Accountabilities

These captions present the balance of certain funds outside the State Treasury. Reference is made to the Supplementary Information - Other Assets for information relating to these accountabilities.

State of Illinois
Office of the Treasurer
FISCAL OFFICER RESPONSIBILITIES
INVESTMENT INCOME
For the years ended June 30, 2007 and 2006

Investment income earned by the Treasurer is summarized by fund as follows:

	2007	2006
General revenue fund	$ 216,885,715	$ 154,108,476
Other State funds	167,185,166	121,069,923
Segregated State trust funds	41,803,032	26,998,309
	$ 425,873,913	$ 302,176,708

An analysis of investment income earned, classified by fund, is shown below:

	2007	2006
Fund participating in pooled investments		
General Revenue Fund	$ 216,885,715	$ 154,108,476
Aggregated Operations Regulatory Fund	9,588	7,199
Airport Land Loan Revolving Fund	3,646	25,697
Alternative Compliance Market Account Fund	16,851	4,247
AML Reclamation Set Aside Fund	497,925	340,366
Assisted Living and Shared Housing Regulatory Fund	5,943	4,328
Auction Recovery Fund	16,063	11,343
Auction Reg. Administration Fund	29,078	22,536
Autism Research Checkoff Fund	2,807	7
Bank & Trust Company Fund	1,234,876	655,900
Brownfields Redevelopment Fund	235,038	256,381
Build Illinois Bond Retirement and Interest Fund	198,990	141,060
Build Illinois Capital Revolving Loan Fund	453,640	396,162
Build Illinois Fund	995,870	751,185
Capital Litigation Fund	258,678	228,636
Care Provide Per W Dev. Dis.	164,109	267,188
Cemetery Consumer Protection Fund	42,410	29,204
Child Abuse Prevention Fund	40,062	22,072
Clean Air Act (CAA) Permit Fund	686,482	499,824
Coal Mining Regulatory Fund	4,281	11,375
Common School Fund	1,263,009	1,024,318
Community College Health Insurance Security Fund	507,865	450,793
Community DD Services Medicaid Trust Fund	176,290	86,240
Community Mental Health Medical Trust Fund	681,466	667,948
Community Water Supply Laboratory Fund	61,808	70,944
County Automobile Renting Tax Fund	2,861	3,585
County Hospital Services Fund	571,087	457,203

State of Illinois
Office of the Treasurer
FISCAL OFFICER RESPONSIBILITIES
INVESTMENT INCOME - CONTINUED
For the years ended June 30, 2007 and 2006

	2007	2006
Fund participating in pooled investments		
County Option Motor Fuel Tax Fund	$ 224,837	$ 218,966
County Water Commission Tax Fund	551,960	404,601
Credit Union Fund	307,368	198,960
Design Professionals Administration and Investigation Fund	29,394	31,802
Diabetes Research Checkoff Fund	4,642	12
Drug Rebate Fund	1,848,543	2,058,117
Drycleaner Environmental Response Trust Fund	204,125	180,157
DuQuoin State Fair Harness Racing Trust Fund	297	266
Early Intervention Services Fund	420,565	374,888
Environmental Laboratory Certification Fund	5,110	9,875
EPA Court Ordered Trust Fund	397	27,178
Explosive Regulatory Fund	2,987	1,575
Facilities Management Fund	472,777	471,182
Fair Share Trust	9,946	7,590
Family Care Fund	52,799	76,268
Federal Asset Forfeiture Fund	39,894	6,650
Federal Home Investment Trust Fund	52,835	42,981
Federal Student Loan Fund	1,895,721	1,684,503
Federal Workforce Training Fund	8,774	9,896
Fire Truck Revolving Loan Fund	86,245	75,355
Fish and Wildlife Endowment Fund	72,398	49,599
Food and Drug Safety Fund	26,807	40,730
Gaining Early Awareness Fund	109,715	-
General Assembly Retirement Excess Benefits Fund	388	498
General Assembly Retirement Fund	142,396	128,551
General Obligation Bond Retirement and Interest Fund	27,695,048	23,263,412
General Professions Dedicated Fund	550,057	533,403
Group Insurance Premium	543,942	341,669
Group Workers Compensation Pool	49,401	19,563
Hansen-Therkelsen Memorial Deaf Student College Fund	43,827	32,409
Health and Human Services Medcaid Trust Fund	1,679,614	-
Health Insurance Reserve Fund	3,056,885	2,891,611
Hearing Instrument Dispenser Examining and Disciplinary Fund	9,400	8,950
Help Illinois Vote Fund	2,556,948	3,627,797
Home Inspector Administration Fund	83,180	51,729
Home Rule City Retailers' Occupation Tax Fund	1,369,744	879,633
Home Rule Municipal Retailers' Occupation Tax Fund	813,607	1,029,538

State of Illinois
Office of the Treasurer
FISCAL OFFICER RESPONSIBILITIES
INVESTMENT INCOME - CONTINUED
For the years ended June 30, 2007 and 2006

	2007	2006
Fund participating in pooled investments		
Hospital Provider Fund	$ 12,070,586	$ 88,458
Illinois Affordable Housing Trust Fund	1,308,206	1,723,342
Illinois Beach Marina Fund	31,536	24,323
Illinois Clean Water Act	882,135	990,481
Illinois Equity Fund	102,448	119,120
Illinois Farmer and Agri-Business Loan Guarantee Fund	414,080	301,167
Illinois Habitat Fund	113,466	72,344
Illinois State Dental Disciplinary Fund	181,572	52,030
Illinois State Medical Disciplinary Fund	518,358	526,044
Illinois State Pharmacy Disciplinary Fund	234,400	238,988
Illinois State Podiatric Disciplinary Fund	25,938	25,227
Illinois Veteran's Assistance Fund	226,589	12,024
Industrial Commission Surcharge Escrow Fund	1,116,405	791,910
Innovations in Long-Term Care Quality Demonstration Grants	138,962	77,589
Intercity Passenger Rail Fund	25,709	-
Judges Retirement Excess Benefits Fund	4,184	4,562
Judges Retirement Fund	564,163	570,792
Juvenile Accountability Incentive Block Grant Fund	258,811	461,075
Kaskaskia Commons Permanent School Fund	11,774	7,104
Large Business Attraction Fund	76,547	152,442
Law Enforcement Camera Grant Fund	14,715	-
Local Government Health Insurance Reserve Fund	388,263	326,708
Long-Term Care Provider Fund	1,291,755	661,623
Medicaid Buy-In Program Revolving Fund	59,299	40,699
Metro East Mass Transit District Tax Fund	185,648	139,606
Metropolitan Pier and Exposition Authority Trust Fund	344,661	228,197
Motor Vehicle Theft Prevention Fund	139,686	139,173
Municipal Automobile Renting Tax Fund	38,441	26,672
Municipal Economic Development Fund	1,959	1,970
Non-Home Rule Municipal Retailer's Occupation Tax Fund	93,896	65,612
Nuclear Safety Emergency Preparedness Fund	476,161	368,503
Nursing Dedicated and Professional Fund	433,934	242,415
Off-highway Vehicle Trails Fund	109,442	81,571
Optometric Licensing and Disciplinary Committee Fund	21,770	9,770
Personal Property Tax Replacement Fund	3,950,645	3,264,475
Petroleum Resources Revolving Fund	15,277	18,355
Petroleum Violation Fund	194,436	204,646

State of Illinois
Office of the Treasurer
FISCAL OFFICER RESPONSIBILITIES
INVESTMENT INCOME - CONTINUED
For the years ended June 30, 2007 and 2006

	2007	2006
Fund participating in pooled investments		
Plugging and Restoration Fund	$ 24,520	$ 19,622
Post Trans Main and Retention	5,466	6,849
Professional Services Fund	485,598	342,189
Professions Indirect Cost Fund	213,893	106,309
Public Agriculture Loan Guarantee	550,087	406,144
Public Health Services Revolving Fund	77,823	23,080
Public Infrastructure Construction Loan Revolving Fund	118,806	64,747
Public Pension Regulation Fund	28,896	60,830
Radiation Protection Fund	72,488	14,868
Radioactive Waste Facility Development and Operation Fund	24,980	12,487
Rail Freight Loan Repayment Fund	190,388	166,189
Rate Adjustment Fund	202,816	23,316
Real Estate Audit Fund	8,786	6,507
Real Estate License Administration Fund	704,727	402,351
Real Estate Recovery Fund	48,446	41,337
Real Estate Research and Education Fund	37,862	25,082
Regional Transit Authority Public Transportation Tax Fund	235	106
Regional Transit Authority Sales Tax Trust Fund	2,494,818	1,464,453
Registered CPA Administration and Disciplinary Fund	86,067	7,877
Replacement Vehicle Tax-Municipal Trust Fund	24	20
Response Contractor's Indemnification Fund	12	12
Road Fund	25,745,955	21,848,764
Road Transportation A Fund	2,127,148	523,906
Salmon Fund	10,366	5,723
Savings and Residential Finance Regulatory Fund	1,236,753	732,077
School Technology Revolving Loan Fund	92,529	96,309
Second Injury Fund	25,959	22,485
Securities Audit and Enforcement Fund	509,946	424,813
Self-Insurers Administration Fund	24,065	17,887
Self-Insurers Security Fund	1,473,164	1,200,299
Self-Sufficiency Trust Fund	12	12
Sheffield February 1982 Agreed Order Fund	201,270	154,987
Special Tax Inc.	136,729	107,882
State Assets Forfeiture Fund	114,243	68,360
State Construction Account Fund	4,282,288	3,217,767
State Employees Retirement Excess Benefits Fund	1,204	661
State Employees Retirement System Fund	12,632,201	8,724,123

State of Illinois
Office of the Treasurer
FISCAL OFFICER RESPONSIBILITIES
INVESTMENT INCOME - CONTINUED
For the years ended June 30, 2007 and 2006

	2007	2006
Fund participating in pooled investments		
State Employees' Deferred Compensation Plan Fund	$ 218,273	$ 155,213
State Furbearer Fund	7,132	7,607
State Migratory Waterfowl Stamp Fund	135,700	102,121
State Pheasant Fund	34,623	41,105
State Rail Freight Loan Repayment Fund	428,568	324,035
State Treasurer Court - Ordered Escrow (Harland vs. Sweet) Fund	30,161	28,074
Student Loan Operating Fund	1,055,846	1,005,652
Teachers' Health Insurance Security Fund	3,092,568	2,197,041
Teachers' Retirement Excess Benefits Fund	183,427	200,916
Teachers' Retirement System Fund	3,571,059	2,534,182
Ticket for the Cure Fund	167,099	26,066
Toxic Pollution Prevention Fund	3,012	4,204
Underground Resource Conservation Enforcement Trust Fund	36,614	34,916
Vince Demuzio Memorial Colon Cancer Fund	2,537	6
Violent Crime Victims Assistance Fund	125,861	120,618
Water Pollution Control Revolving Fund	21,597,464	15,031,090
Wildlife and Fish Fund	1,887,927	1,258,827
Wildlife and Prairie Park Fund	4,705	3,217
Worker's Compensation Revolving Fund	90	378,045
Worker's Compensation Benefit Trust Fund	1,362,777	1,886
Total pooled investment income	384,070,881	275,178,399

State of Illinois
Office of the Treasurer
FISCAL OFFICER RESPONSIBILITIES
INVESTMENT INCOME - CONTINUED
For the years ended June 30, 2007 and 2006

	2007	2006
Segregated Investments		
Agrichemical Incident Response Trust Fund	$ 33,129	$ 37,643
College Savings Pool Administration Fund	61,087	19,019
Deferred Lottery Prize Winners Trust Fund	380,550	303,361
Illinois Habitat Endowment Trust Fund	581,480	436,181
Illinois Municipal Retirement Fund	1,180,964	703,560
Illinois Prepaid Tuition Trust Fund	361,969	293,328
Illinois Rural Rehabilitation Fund	3,178	3,006
Illinois State Toll Highway Revenue Fund	34,247,830	20,545,834
National Heritage Endowment Trust Fund	55,167	52,172
Radioactive Waste Facility Closure and Compensation Fund	5,336	4,005
State Employees Unemployment Benefit Fund	-	59
Title III Social Security and Employment Service	956,010	904,909
Tobacco IPTIP	3,107,264	3,249,979
Unemployment Compensation Special Administration Fund	829,068	445,253
Total segregated investment income	41,803,032	26,998,309
Total investment income	$ 425,873,913	$ 302,176,708

State of Illinois
Office of the Treasurer
FISCAL OFFICER RESPONSIBILITIES
INVESTMENT INCOME - CONTINUED
For the years ended June 30, 2007 and 2006

An analysis of investment income earned by funds participating in pooled investments is shown below by type of investment:

	2007	2006
The Illinois Funds	$ 44,024,490	$ 29,967,336
Time Deposits	64,488,031	44,170,798
Money Market Mutual Fund	15,441,127	12,511,507
Repurchase Agreements	108,147,711	80,485,653
Commercial Paper	116,746,039	90,207,521
Federal Farm Credit Bank Bond Private Placement	12,315,842	7,913,763
State of Illinois Secondary Pool Investment Program	61,609	92,991
Federal National Mortgage Association	7,083,489	2,270,056
Foreign Investments	1,773,164	720,000
Federal Home Loan Mortgage Corporation	4,462,190	2,226,302
Federal Home Loan Bank Notes	9,765,608	4,087,699
Illinois Technology Development	(387,459)	(46,621)
Clearing account	149,040	571,394
Total pooled investment income	$ 384,070,881	$ 275,178,399

PROTEST TRUST FUND

	2007	2006
Liability at beginning of year	$ 273,348,327	$ 258,632,411
Add		
Trust receipts collected by other State agencies	124,528,330	54,808,872
	397,876,657	313,441,283
Deduct		
Trust disbursements for refunds of successfully protested tax payments	24,739,761	6,572,078
Transfers to other funds	49,895,944	33,520,878
	74,635,705	40,092,956
Liability at end of year	$ 323,240,952	$ 273,348,327

INHERITANCE AND ESTATE TAXES

The Treasurer's Fiscal Officer Responsibilities include joint responsibility with the Attorney General of the State of Illinois (Attorney General) for the collection of inheritance and estate taxes assessed by the circuit courts and the Attorney General, respectively, and collected by the 102 county treasurers.

Gross inheritance and estate tax receipts for the fiscal years ended June 30, 2007 and 2006, were $ 264,395,589 and $ 272,482,044, respectively. These amounts do not reflect refunds and fees distributed to county treasurers.

TOBACCO SETTLEMENT RECOVERY FUND

Pursuant to Public Act 91-0646, the State Treasurer shall make deposits into the Tobacco Settlement Recovery Fund that shall contain deposits of all monies paid to the State for settlement and investment income. The following is a detail of the deposits into Fund Number 733:

	2007	2006
Tobacco Settlement proceeds	$ 285,018,005	$ 272,602,000
Interest and other investment income	3,175,440	3,250,000
Total receipts and deposits	$ 288,193,445	$ 275,852,000

- Increased average Illinois Funds asset base to $ 7,074,200,404.
- Earned interest income of $ 319.4 million during FY07 for The Illinois Funds.

- Funded 21 Citizen Soldiers deposits totaling of $ 190,076.
- Funded 468 Cultivate IL Annual AG deposits totaling $ 478,484,096.
- Funded 3 Cultivate IL Annual Alternative AG deposits totaling $ 290,000.
- Funded 157 Cultivate IL Long Term AG deposits totaling $ 10,131,152.
- Funded 7 Employ IL Business Loans – Child Care Providers totaling $ 3,538,136.
- Funded 13 Employ IL Business Loans totaling $ 6,849,000. These 13 loans created 307 jobs and retained 287 jobs.
- Funded 7 Opportunity IL Community Development Loans totaling $ 27,300,000.
- Funded 7 Local Government Short Term Program deposits totaling $ 11,977,600.

- Total number of warrants successfully issued, countersigned and recorded: 8,316,448
- Total number of warrants successfully canceled, paid and recorded: 8,144,057
- Total amount of warrants successfully issued, countersigned and recorded: $ 61,998,894,011

- Total amount of estate tax collections: $ 264,395,589
- Total amount of estate tax distributions: $ 16,014,888
- Total amount of estate tax refunds: $ 8,999,997

- The Bank at School Program increased by approximately 53,000 students to a total of approximately 658,074 students Statewide.

- The investment portfolio earned approximately $ 425,874,000 during fiscal year 2007.
- Investments yielded approximately 5.12% throughout the current year.
- The average investment base increased approximately $ 762,000,000 from the prior year.

Following is the current State of Illinois, Office of the Treasurer, investment policy:

1.0 POLICY:

Under this instrument, the Illinois State Treasurer's Investment Policy ("Policy"), it is the policy of the Treasurer of the State of Illinois ("Treasurer") to invest all funds under his control in a manner that provides the highest investment return using authorized instruments while meeting the State's daily cash flow demands in conformance with all state statutes governing the investment of public funds.

This Policy applies to all investments entered into on or after the adoption of this instrument. Until the expiration of investments made prior to the adoption of this Policy, such investments will continue to be governed by the policies in effect at the time such investments were made.

2.0 OBJECTIVE:

The primary objective in the investment of state funds is to ensure the safety of principal, while managing liquidity to pay the financial obligations of the State, and providing the highest investment return using authorized instruments.

2.1 Safety:

The safety of principal is the foremost objective of the investment program. State investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the portfolio. To attain this objective, diversification, as defined in Section 8.0 of this Policy, is required to ensure that the Treasurer prudently manages market, interest rate and credit risk.

2.2 Liquidity:

The investment portfolio shall remain sufficiently liquid to enable the State to meet all operating requirements that might be reasonably projected.

2.3 Return On Investment:

The investment portfolio shall be designed to obtain the highest available return, taking into account the Treasurer's investment risk constraints and cash flow needs. The Portfolio Manager shall seek to obtain the highest available return using authorized investments during budgetary and economic cycles as mandated in Section 1.0 of this Policy. When the Treasurer deposits funds in support of community development efforts, the rate of return shall include benefits other than direct investment income as authorized by Section 7 of the Deposit of State Moneys Act (15 ILCS 520/7).

The rate of return achieved on the Treasurer's portfolio is measured at regular intervals against relevant industry benchmarks established by the Portfolio Manager, with the advice and consent of the Investment Policy Committee(1), to determine the effectiveness of investment decisions in meeting investment goals.

1. The Investment Policy Committee is chaired by the Treasurer and includes the following members of the Treasurer's office staff: Chief of Staff, Deputy Chief of Staff/Chief Fiscal Officer, Deputy Chief of Staff for Law & Policy, , Inspector General, Chief Internal Auditor, Manager of Banking, Portfolio Manager, Manager of Accounting, Director of Illinois Funds, Deputy Director-Division of Economic Opportunity, Director of Legislative Affairs, Director of Economic Development, Program Director for Agriculture and Experience Illinois, Manager of Bright Start, Director of Unclaimed Property, and the Press Secretary.

3.0 ETHICS AND CONFLICTS OF INTEREST:

Authorized investment officers and employees in policy-making positions shall refrain from personal business activity that could conflict, or give the appearance of a conflict with proper execution of the investment program, or that could impair their ability to make impartial investment decisions. Such individuals shall disclose to the Treasurer any material financial interests in financial institutions that conduct business within the State, and they shall further disclose any personal financial investment positions that could be related to the performance of the investment portfolio. In addition, such individuals shall subordinate their personal investment transactions to those of the investment portfolio, particularly with regard to the time of purchases and sales.

4.0 AUTHORIZED BROKER/DEALERS AND FINANCIAL INSTITUTIONS:

A list shall be maintained of approved financial institutions, which shall be utilized by authorized investment officers selecting institutions to provide investment services. No state funds may be deposited in any financial institution until investment officers have conducted a safety and soundness review of the financial institution by consulting IDC, Sheshunoff, and/or Veribanc bank rating services, unless the financial institution has not yet been rated by the bank rating services, in which case the institution may be eligible for a deposit that at maturity will not exceed $100,000. The amount and duration of deposits shall be based on the safety and soundness review in accordance with guidelines established by the Investment Policy Committee and the diversification limits set forth in Section 8.0. No public deposit may be made except in a qualified public depository as defined by the Deposit of State Moneys Act (15 ILCS 520).

In addition, a list shall be maintained of approved security broker/dealers selected according to their creditworthiness, and their financial significance in the state, which shall be measured in terms of the location of the broker/dealer's corporate office, the number of full-time employees, the size of its payroll, or the extent that the broker/dealer has an economic presence in the state. The list may include "primary" dealers or regional dealers who qualify under Securities and Exchange Commission Rule 240.15c3-1 (Net Capital Requirements for Brokers or Dealers).

All financial institutions and broker/dealers who want to qualify to bid for investment transactions shall initially, and on a periodic basis upon request, provide to the Treasurer's authorized investment officers the following, where applicable:

- Audited financial statements or a published Statement of Condition;
- Proof of minority/female/disabled broker status;
- A trading resolution;
- Proof of State of Illinois registration;
- Proof of registration with the Securities and Exchange Commission;
- Completed Broker/Dealer Questionnaire;
- Certification of notice and knowledge of this Policy;
- Published reports for brokers from rating agencies with investment grade ratings;
- Proof of emerging broker status; and

- Balance sheets from Consolidated Reports of Condition and Income (or the entire report when requested), Statements of Financial Condition, or Office of Thrift Supervision Financial Reports.

An annual review of the financial condition and registration of qualified bidders will be conducted by the Treasurer's authorized investment officers. More frequent reviews may be conducted if warranted.

To the extent that the Investment Policy Committee deems it advisable to hire external investment advisors, it may do so in accordance with the procurement rules at 44 Ill. Adm. Code 1400.

5.0 AUTHORIZED AND SUITABLE INVESTMENTS:

The Treasurer has authorized the following types of investments subject to the provisions of the Deposit of State Moneys Act (15 ILCS 520) and the Public Funds Investment Act (30 ILCS 235):

a) Securities that are guaranteed by the full faith and credit of the United States as to principal and interest;

b) Obligations of agencies and instrumentalities of the United States as originally issued by the agencies and instrumentalities;

c) Interest-bearing savings accounts, interest-bearing certificates of deposit, or interest-bearing time deposits of a bank as defined by Section 2 of the Illinois Banking Act (205 ILCS 5/2);

d) Interest-bearing accounts or certificates of deposit of any savings and loan association incorporated under the laws of the State of Illinois, any other state, or the United States;

e) Dividend-bearing share accounts, share certificate accounts, or class of share accounts of a credit union chartered under the laws of the State of Illinois or the United States, which maintains its principal office in the State of Illinois;

f) Commercial paper of a corporation that is organized in the United States with assets exceeding $500,000,000 and is rated by two or more standard rating services at a level that is at least as high as the following: A-1 by Standard & Poor's, P-1 by Moody's, F-1 by Fitch, D-1 by Duff & Phelps Credit Rating Company, A1 by IBCA, and TBW-1 by Thompson Bank Watch; and the corporation is not a forbidden entity, as defined in Section 22.6 of the Deposit of State Monies Act(effective Jan. 27, 2006);

g) Money market mutual funds registered under the Investment Company Act of 1940 (15 U.S.C.A. § 80a-1 et seq.) and rated at the highest classification of at least one standard rating service;

h) The Illinois Funds created under Section 17 of the State Treasurer Act (15 ILCS 505/17);

i) Repurchase agreements of government securities having the meaning set out in the Government Securities Act of 1986 (1 U.S.C.A. § 78o-5); and

j) Obligations of National Mortgage Associations established by or under the National Housing Act (1201 U.S.C. 1701 et seq.).

k) Securities of a foreign government, other than the Republic of Sudan (effective Jan. 27, 2006), that are guaranteed by the full faith and credit of that government as to principal and interest and rated A or higher by at least two of the standard rating services, but only if the foreign government has not defaulted and has met its payment obligations in a timely manner on all similar obligations for at least 25 years prior to the time of acquiring those obligations.

l) Investments made in accordance with the Technology Development Act (30 ILCS 265/1 et seq.).

Suitable securities in the Treasurer's portfolio may be lent in accordance with Federal Financial Institution Examination Council guidelines.

6.0 INVESTMENTS RESTRICTIONS:

a) The following investments are prohibited:

i. Investments in derivative products;

ii. Leveraging of assets through reverse repurchase agreements;

iii. Direct investments in tri-party repurchase agreements.

b) Repurchase agreements may only be executed with approved financial institutions or broker/dealers meeting the Treasurer's standards, which include mutual execution of a Master Repurchase Agreement adopted by the Treasurer.

c) Investments may not be made in any savings and loan association unless a commitment by the savings and loan association, executed by the president or chief executive officer of that association, is submitted in the form required by Section 22.5 of the Deposit of State Moneys Act (15 ILCS 520/22.5).

d) Any investments prohibited by Section 22.6 of the Deposit of State Monies Act (effective Jan. 27, 2006).

7.0 COLLATERALIZATION:

All State deposits, repurchase agreements and securities lending shall be secured as required by the Treasurer (2) and provided for by the Deposit of State Moneys Act (15 ILCS 520) and the Treasurer's Acceptable Collateral Listing, which may change from time to time.

The Treasurer may take possession and title to any securities held as collateral and hold such securities until it is prudent to dispose of them.

2. The Treasurer maintains a list of acceptable collateral.

8.0 DIVERSIFICATION:

The investment portfolio shall be diversified to eliminate the risk of loss resulting from concentration of assets in a specific maturity, a specific issuer or a specific class of securities. In order to properly manage any risk attendant to the investment of state assets, the portfolio shall not deviate from the following diversification guidelines unless specifically authorized by the Treasurer in writing:

a)The Treasurer shall seek to achieve diversification in the portfolio by distributing investments among authorized investment categories among financial institutions, issuers and broker/dealers;

b)The investment portfolio shall not hold time deposits and/or term repurchase agreements that constitute more than 15% of any single financial institution's total deposits. Any deposits and/or repurchase agreements that constitute more than 10% of an institution's total deposits must qualify as community development deposits described in Section 7 of the Deposit of State Moneys Act (15 ILCS 520/7).

c) No financial institution shall at any time hold more than $100,000,000 of time deposits and/or term repurchase agreements other than community development deposits described in Section 7 of the Deposit of State Moneys Act (15 ILCS 520/7). Provided, however, that:

i. Financial institutions holding deposits that exceed $100,000,000.00 on the date that this Policy is adopted, shall continue to be eligible to hold deposits that do not exceed the amount of deposits held on that date.

ii. Financial institutions that, as a result of a merger or acquisition, hold deposits that exceed $100,000,000.00 may continue to be eligible to hold deposits that do not exceed the amount of deposits held on the date of the merger or acquisition.

d) The investment portfolio shall not contain investments that exceed the following diversification limits that apply to the total assets in the portfolio at the time of the origination or purchase, as monitored on a daily basis and as maturity of instruments occur, and as adjusted as appropriate:

i. With the exception of cash equivalents, treasury securities and time deposits, as defined in Section 5.0 of this Policy, no more than 35% of the portfolio shall be invested in other investment categories,

ii. No more than one-third of the investment portfolio shall be invested in commercial paper,

iii. As much as 40% of the portfolio may be invested in time deposits when required by the cash flow of the State,

iv. No more than ½ of 1% of the investment portfolio shall be invested in Foreign Government Securities, not to exceed a five year maturity, as defined in Section 5.0(k) of this Policy,

v. No more than 10% of the investment portfolio shall be allocated to investments with a 2-4 year maturity band,

vi. No more than 5% of the investment portfolio shall be allocated to investments with a 4-5 year maturity band (not including Foreign Government Securities).

e) The Treasurer shall invest the majority of state funds in authorized investments of less than one-year maturity. There shall be no limit to the amount of investment portfolio allocated to investments with a 0-2 year maturity band.

9.0 CUSTODY AND SAFEKEEPING:

The custody and safekeeping of collateral will be handled by Illinois financial institutions selected pursuant to a competitive selection process in compliance with the Treasurer's office procurement rules at 44 Ill. Adm. Code 1400. Financial institutions selected by the Treasurer's office to perform custody and safekeeping services will be required to enter into a contractual agreement approved by the Chief Legal Counsel.

All security transactions entered into by the Treasurer shall be conducted on a delivery-versus-payment (DVP) or receipt-versus-payment (RVP) basis. Securities shall be held by a safekeeping agent designated by the Treasurer, and evidenced by safekeeping receipts.

10.0 INTERNAL CONTROLS:

The Treasurer, as the Chief Investment Officer and with the assistance of the Investment Policy Committee, shall establish a system of internal controls and written operational procedures that shall be documented and filed with Treasurer's Inspector General for review. The controls shall be designed to prevent the loss of public funds arising from fraud, employee error, and misrepresentation by third parties, unanticipated changes in financial markets or imprudent actions by authorized investment officers.

a) Asset Allocation: The allocation of assets within investment categories authorized under Section 5.0 of this Policy shall be approved by the Treasurer in writing.

b) Competitive Bidding: Authorized investment officers shall obtain competitive bids from at least three (3) broker/dealers prior to executing the purchase or sale of any authorized investments.

Certificates of deposit shall be purchased by authorized investment officers on the basis of a qualified financial institution's ability to pay a required rate of interest to the Treasurer, which is established on a daily basis. Such rate is generally determined on the basis of treasury or other appropriate market rates for a comparable term.

11.0 LIMITATION OF LIABILITY:

The standard of prudence to be used by authorized investment officers shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Authorized investment officers acting in accordance with written procedures and this Policy and exercising due diligence will be relieved of personal liability for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely manner and necessary action is taken to control adverse developments.

12.0 REPORTING:

Quarterly reports are presented by the Chief Financial Officer to the Investment Policy Committee, chaired by the Treasurer, for its review. The quarterly report shall contain sufficient information to enable the Investment Policy Committee to review the investment portfolio, its effectiveness in meeting the needs of the Treasurer's office for safety, liquidity, rate of return, and diversification, and the general performance of the portfolio. The following information shall be included in the quarterly reports:

a)Performance as compared to established benchmarks;

b)Asset allocation;

c) Any circumstances resulting in a deviation from the standards established in Section 9.0 of this Policy;

d) Impact of any material change in investment policy adopted during the quarter;

e) The average days to maturity;

f) A listing of all investments in the portfolio by class or type marked to market value; and

g) The income earned from the investments as of the report date.

The Treasurer shall develop performance reports in compliance with established industry reporting standards within six (6) months following the adoption of this Investment Policy. Such reporting standards shall be in accordance with Generally Accepted Accounting Principles ("GAAP").

The Treasurer reserves the right to amend this Policy at any time upon the advice and consent of the Investment Policy Committee.