

REPORT DIGEST

OFFICE OF THE TREASURER FISCAL OFFICER RESPONSIBILITIES

FINANCIAL AND COMPLIANCE AUDIT

For the Year Ended:
June 30, 1996

Summary of Findings:

Total this audit	1
Total last audit	0
Repeated from last audit	0

Release Date:



State of Illinois
Office of the Auditor General

WILLIAM G. HOLLAND
AUDITOR GENERAL

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SYNOPSIS

- ◆ The Treasurer's Office improperly transferred \$65,741 of protested tax funds from the Protest Fund to the General Revenue Fund before the thirty day period a taxpayer has to obtain a restraining order to prevent the money from being transferred.
- ◆ Four properties remain in the Illinois Insured Mortgage Pilot Program Trust.

{Expenditures and Activity Measures are summarized on the reverse page.}

**OFFICE OF THE TREASURER - STATE OF ILLINOIS
FISCAL OFFICER RESPONSIBILITIES
FINANCIAL AND COMPLIANCE AUDIT
FOR THE YEAR ENDED JUNE 30, 1996**

ASSETS, LIABILITIES AND ACCOUNTABILITIES	JUNE 30, 1996	JUNE 30, 1995
Assets		
Cash.....	\$ 26,509,612	\$ 6,599,466
Revenue - Producing Deposits and Investments, At Cost (which approximates market).....	5,103,127,777	4,178,080,565
Other Assets.....	299,296,898	177,486,503
Amount of Future General Revenues Obligated for Debt Service.....	<u>8,257,129,082</u>	<u>7,831,241,956</u>
TOTAL ASSETS.....	<u>\$13,686,063,369</u>	<u>\$12,193,408,490</u>
Liabilities and Accountabilities		
Liabilities for Balances on Deposit.....	\$ 5,043,577,484	\$ 4,054,807,905
General Obligation Indebtedness.....	8,622,793,804	8,124,302,780
Accountabilities.....	<u>19,692,081</u>	<u>14,297,805</u>
TOTAL LIABILITIES AND ACCOUNTABILITIES.....	<u>\$13,686,063,369</u>	<u>\$12,193,408,490</u>

FINANCIAL HIGHLIGHTS	YEAR ENDED JUNE 30, 1996	YEAR ENDED JUNE 30, 1995
Investment Income.....	\$253,127,942	\$222,519,195
Average Yield on Time Deposits.....	5.54%	5.14%
Average Yield on Short-Term Investments.....	5.34%	4.89%

STATE TREASURER	
During Audit Period:	Honorable Judy Baar Topinka
Currently:	Honorable Judy Baar Topinka

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

TRANSFER OF PROTESTED TAX FUNDS

\$65,741 of protested tax funds were transferred to the General Revenue Fund before the thirty day period a taxpayer has to prevent the money from being transferred.

During our test work of the Protest Fund, we noted one instance whereby the Treasurer's Office transferred \$65,741 of protested tax funds from the Protest Fund to the General Revenue Fund before the thirty day period a taxpayer has to obtain a restraining order to prevent the money from being transferred.

The State Officers and Employees Money Act (30 ILCS 230/2a) requires the taxpayer to notify the levying agency of the protest at the time of payment. The taxpayer has thirty days to obtain a preliminary restraining order or temporary restraining order to prevent the money from being transferred to the appropriate fund.

We recommended the Treasurer's staff review their control procedures to ensure all resolved protested tax cases are properly accounted for on a timely basis. (Finding 1, page 10)

The Treasurer stated the office accepts the recommendation. Their response also indicated the early transfer of protested taxes resulted from the use of an audit date, which was identified with the remittance documents, rather than the actual date on which the taxes were paid. The Treasurer will redouble efforts to obtain accurate and timely information from remitting agencies.

Mr. James Stapleton, Chief of Staff for the Office of the Treasurer provided the response to the finding on November 15, 1996.

**ILLINOIS INSURED MORTGAGE PILOT PROGRAM
TRUST**

Four properties remain in the Illinois Insured Mortgage Pilot Program Trust, two commercial properties and two hotels.

As of June 30, 1996 there were four properties in the Illinois Insured Mortgage Pilot Program Trust (Trust). The Trust holds the mortgage loans on the properties as underlying collateral for the State's investment in the program. Two of the properties are commercial properties, Park Plaza Shopping Center and Geneva on the Dam. The

other two properties are hotels, the Renaissance Springfield Hotel and the Holiday Inn, Collinsville Hotel.

A summary of activity for each of the four properties in the Trust is as follows:

Park Plaza Shopping Center

Park Plaza Shopping Center - Due to a failure to perform as agreed, the Trustee of the Trust declared a default on the loan on August 24, 1994. On October 28, 1994 the Trustee drew \$100,000 on a letter of credit held as collateral on this loan. On November 1, 1994 the Trustee filed a complaint for foreclosure on the property, and began collecting rent directly from tenants in December of 1994. Rents collected in fiscal year 1996 approximated \$234,000. The recorded value on the financial statements is \$1,073,000 as of June 30, 1996; the loan balance as of June 30, 1996 is \$2,683,000.

Geneva on the Dam

Geneva on the Dam - On October 28, 1994 the Trustee of the Trust signed a restructuring agreement with the borrowers on this property. Since the signing of the restructuring agreement, all monthly payments due have been received. Loan payments received during fiscal year 1996 approximate \$137,000. The recorded value on the financial statements is \$2,134,000 as of June 30, 1996; the loan balance as of June 30, 1996 is \$2,384,000.

Renaissance Springfield Hotel

Renaissance Springfield Hotel - This loan has been restructured twice, the most recent restructuring was on April 30, 1990. The current agreement calls for quarterly payments based on cash flow, applied first to any outstanding principal. Loan payments received during fiscal year 1996 approximated \$458,000. The recorded value on the financial statements is \$1,194,000 as of June 30, 1996; the loan balance as of June 30, 1996 is \$14,290,000.

Holiday Inn, Collinsville

Holiday Inn, Collinsville Hotel - This loan has been restructured twice, the most recent restructuring was on January 10, 1991. The current agreement calls for quarterly payments based on cash flow, applied first to any outstanding principal. Loan payments received during fiscal year 1996 approximated \$394,000. The recorded value on the financial statements is \$6,952,000 as of June 30, 1996; the loan balance as of June 30, 1996 is \$15,715,000.

The two hotels and Park Plaza Shopping Center are

Accrued interest receivable for nonperforming assets approximated \$12,157,000 at June 30, 1996.

Affiliates of the owners of the Renaissance Springfield Hotel and Holiday Inn, Collinsville Hotel filed a lawsuit against the Trustee and the Treasurer.

considered nonperforming assets. Accrued interest receivable at June 30, 1996 for the nonperforming assets approximated \$12,157,000. Interest on nonperforming assets is recognized when collected, and therefore has not been recorded on the financial statements.

During 1995 the Treasurer authorized the Trustee, Pullman Bank and Trust Company, to sell the hotel mortgage notes for an amount that was greater than the most recent independent valuation available at the time, but less than the remaining loan balance. 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 Renaissance Springfield Hotel and Holiday Inn, Collinsville Hotel filed a lawsuit against the Trustee and the Treasurer seeking specific performance of the buy-sell agreement on the terms agreed to. This lawsuit is still pending. The ultimate outcome of this proceeding is not presently determinable. (pages 29-34)

SUBSEQUENT EVENT

The State of Illinois issued \$185,000,000 General Obligation Bonds, Series of September 1996 subsequent to June 30, 1996. (page 41)

AUDITORS' OPINION

Our auditors state the June 30, 1996 financial statements present fairly, in all material respects, the assets, liabilities and accountabilities and the statement of investment income of the Office of the Treasurer.

WILLIAM G. HOLLAND, Auditor General

WGH:RPU:pp

SPECIAL ASSISTANT AUDITORS

Geo. S. Olive & Co. LLC were our Special Assistant Auditors for this audit.

