

**State of Illinois
Department of Revenue**

Financial Audit
For the Year Ended June 30, 2019

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



**State of Illinois
Department of Revenue**

Financial Audit

For the Year Ended June 30, 2019

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**State of Illinois
Department of Revenue**

Financial Audit

For the Year Ended June 30, 2019

Agency Officials

Director	David Harris, Acting (1/22/19 – present) Edward Buckles, Acting (1/1/19 – 1/21/19) Constance Beard (through 12/31/18)
Assistant Director	Vacant (1/1/19 – present) Edward Buckles (through 12/31/18)
Associate Director	Vacant (10/11/18 – present) Chimaobi Enyia (through 10/10/18)
Chief of Staff	Jim Nichelson (3/8/19 – present) Vacant (1/1/19 – 3/7/19) Kevin Conner (through 12/31/18)
Policy Advisor	Vacant (6/1/19 – present) Hans Zigmund (3/16/19 – 5/31/19) Vacant (8/1/18 – 3/15/19) Vince Cacioppo (through 7/31/18)
Enforcement Policy Advisor	Vince Cacioppo (1/28/19 – present) Vince Cacioppo, Provisional (8/1/18 – 1/27/19) Vacant (through 7/31/18)
Chief Financial Officer	Cory Staley
Chief Internal Auditor	Nikki Lanier
Liquor Control Commission	Chimaobi Enyia, Acting <i>Effective 7/1/19 the Liquor Control Commission became a separate Agency.</i>
Program Administrators:	
Administrative Services	Joe Romang
Account Processing	Kevin Richards
Administrative Hearings	Terry Charlton
Audit	Roger Koss (12/26/19 – present) Vacant (11/18/19 – 12/25/19) Daniel Hall (through 11/17/19)
Board of Appeals	Brian Wolfberg

**State of Illinois
Department of Revenue**

Financial Audit

For the Year Ended June 30, 2019

Agency Officials (Continued)

Program Administrators (Continued):

Collections	Steven Hayes (4/16/19 – present) Steven Hayes, Acting (through 4/15/19)
Communications Officer	Terrence Horstman (5/1/18 – present) Darlene Logdson (through 4/30/18)
Criminal Investigations	Kasey Cook (8/16/19 – present) Vacant (through 8/15/19)
Equal Employment Opportunity	Yumnah Tayyab (12/16/19 – present) Jennifer Kiefer, Acting (8/12/19 – 12/15/19) Vacant (8/1/19 – 8/11/19) John Nelson (through 7/31/19)
General Counsel	Brian Fliflet, Acting (3/13/19 – present) Vacant (3/8/19 – 3/12/19) Jim Nichelson, Acting (1/7/19 – 3/7/19) Vacant (1/1/19 – 1/6/19) Mark Dyckman (through 12/31/18)
Informal Conference Board	Dan Hall (11/18/19 – present) Vacant (through 11/17/19)
Information Technology	Debbie Price <i>Effective 10/1/17, this position was transferred to the Department of the Innovation and Technology</i>
Internal Affairs	Patrick Ross (2/1/19 – present) Kasey Cook, Acting (8/6/18 – 1/31/19) Vacant (8/4/18 – 8/5/18) Stephen Peters (through 8/3/18)
Labor Relations	Dave Mack (8/26/19 – present) Dave Mack, Acting (10/23/18 – 8/25/19) Vacant (7/16/18 – 10/22/18) Kari Rothermich (through 7/15/18)

**State of Illinois
Department of Revenue**

Financial Audit

For the Year Ended June 30, 2019

Agency Officials (Continued)

Human Resources	Julie Moscardelli
Legislative Office	Richard Sgro
Media Administrator	Sam Salustro (4/10/19 – present) Vacant (through 4/9/19)
Policy and Communications Office	Terrence Horstman
Research Office	Marty Johnson (8/23/19 – present) Marty Johnson, Acting (3/5/19 – 8/22/19) Vacant (3/1/19 – 3/4/19) Marty Johnson, Acting (through 2/28/19)
Taxpayer Services	Max Letterly (8/16/19 – present) Brenda Towers, 75-day temp (7/8/19 – 8/16/19) Vacant (7/1/19 – 7/17/19) Brenda Towers (through 6/30/19)
Liquor Control Board Members (as of June 30, 2019)	Cynthia Berg, Chairman Thomas Gibbons, Commissioner Patricia Pulido Sanchez, Commissioner Melody Spann Cooper, Commissioner Julieta LaMalfa, Commissioner Donald G. O’Connell, Commissioner

Department Offices are located at:

Springfield, Illinois

Willard Ice Building
101 West Jefferson Street
Springfield, Illinois 62702

Des Plaines, Illinois

Maine North Regional Building
9511 Harrison Avenue
Des Plaines, Illinois 60016

Marion, Illinois

2309 West Main Street, Suite 114
Marion, Illinois 62959

Chicago, Illinois

James R. Thompson Center
100 West Randolph Street
Chicago, Illinois 60601

Fairview Heights, Illinois

15 Executive Drive, Suite 2
Fairview Heights, Illinois 62208

Rockford, Illinois

200 South Wyman Street
Rockford, Illinois 61101

**State of Illinois
Department of Revenue**

Financial Audit

For the Year Ended June 30, 2019

FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying financial statements of the State of Illinois, Department of Revenue (Department) was performed by RSM US LLP.

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

SUMMARY OF FINDINGS

The auditors identified a matter involving the Department's internal control over financial reporting that they considered to be a material weakness. The material weakness is described in the accompanying Schedule of Findings on pages 70-71 of this report as item 2019-001 (Inadequate Internal Controls over Access to GenTax).

EXIT CONFERENCE

Department officials waived an exit conference in correspondence from Nikki Lanier, Chief Internal Auditor, dated January 14, 2020. The responses to the recommendations were provided by Nikki Lanier, Chief Internal Auditor, in correspondence dated January 15, 2020.

Independent Auditor's Report

RSM US LLP

Honorable Frank J. Mautino
Auditor General
State of Illinois

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the State of Illinois, Department of Revenue (Department), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Department, as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2, the financial statements of the Department are intended to present the financial position and the changes in financial position of only that portion of the governmental activities, each major fund, and the aggregate remaining fund information of the State that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the State of Illinois as of June 30, 2019, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 12, the Department has the following fund deficits as of June 30, 2019: The General Fund \$1.02 billion, the Road Fund \$31.4 million, and the following non-major governmental funds had fund deficits at June 30, 2019, as noted: Illinois Gaming Law Enforcement \$333 thousand, Local Government Distributive \$14.2 million, School Infrastructure \$515 thousand, and Personal Property Tax Replacement \$81.4 million. The Department's plan to eliminate these deficits is dependent on the collection and allocation of future State revenues to the Department. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis and budgetary comparison information for the general and major special revenue funds and pension and other post-employment benefit (OPEB) related information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements. The accompanying supplementary information which consists of combining statements and schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining statements and schedules are the responsibility of management and are derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2020 on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Department's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

Restricted Use of this Auditor's Report

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

SIGNED ORIGINAL ON FILE

Schaumburg, Illinois
January 27, 2020

State of Illinois
Department of Revenue

Statement of Net Position

June 30, 2019 (Expressed in Thousands)

	Governmental Activities
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Unexpended appropriations	\$ 19,970
Cash equity in State Treasury	2,115,718
Cash and cash equivalents	5
Securities lending collateral equity with State Treasurer	50,931
Taxes receivable, net	1,858,248
Intergovernmental receivables	491
Other receivables, net of allowance of \$1,987	24,431
Due from State funds	14,733
Loans and notes receivable, long-term	37,569
Due from State of Illinois component units	357,690
Inventories	204
Prepaid expenses	1,152
Capital assets being depreciated/amortized, net	26,821
Total assets	4,507,963
Deferred outflow of resources - pension	457,836
Deferred outflow of resources - OPEB	215,583
Total assets and deferred outflows of resources	5,181,382
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	
Accounts payable and accrued liabilities	364,571
Income tax refunds payable	1,549,943
Intergovernmental payables	1,017,166
Obligations under securities lending of State Treasurer	50,931
Due to Department fiduciary funds	38,123
Due to other State fiduciary funds	2,585
Due to other State funds	475,344
Due to State of Illinois component units	21,016
Unearned revenue	1,172,411
Long-term obligations:	
Portion due or payable within one year	924
Portion due or payable after one year	2,022,295
Total liabilities	6,715,309
Deferred inflow of resources - pension	250,578
Deferred inflow of resources - OPEB	206,927
Total liabilities and deferred inflows of resources	7,172,814
NET POSITION (DEFICIT)	
Invested in capital assets	26,821
Restricted - other	5
Unrestricted	(2,018,258)
Total net position (deficit)	\$ (1,991,432)

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

State of Illinois
Department of Revenue

Statement of Activities

For the Year Ended June 30, 2019 (Expressed in Thousands)

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenues and Changes in Net Position
				Governmental Activities
Governmental activities				
General government	\$ 674,203	\$ 113,227	\$ 28	\$ (560,948)
Health and social services	14,604	-	-	(14,604)
Education	1,683	-	-	(1,683)
Employment and economic development	5,000	-	-	(5,000)
Environmental and business regulation	5,522	-	-	(5,522)
Public protection and justice	788	-	-	(788)
Intergovernmental-revenue sharing	5,697,022	-	-	(5,697,022)
Total governmental activities	<u>\$ 6,398,822</u>	<u>\$ 113,227</u>	<u>\$ 28</u>	<u>\$ (6,285,567)</u>
General revenues				
Income taxes				24,919,521
Sales taxes				11,755,154
Motor fuel taxes				1,318,143
Public utility taxes				1,263,372
Other taxes				1,075,918
Interest and investment income				12,130
Other revenues (expenses)				40,482
Appropriations from State resources				206,987
Lapsed appropriations				(14,334)
Receipts collected and transmitted to State Treasury				(31,784,041)
Amount of SAMS transfers-in				(2,568,108)
Amount of SAMS transfers-out				287,415
Transfers-in				654
Transfers-out				<u>(112,352)</u>
Total general revenues and transfers				<u>6,400,941</u>
Change in net position				115,374
Net position, July 1, 2018				<u>(2,106,806)</u>
Net position June 30, 2019				<u>\$ (1,991,432)</u>

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

State of Illinois
Department of Revenue

Balance Sheet -
Governmental Funds

June 30, 2019 (Expressed in Thousands)

	General Fund	Road Fund	Nonmajor funds	Eliminations	Total Governmental Funds
ASSETS					
Unexpended appropriations	\$ 15,900	\$ -	\$ 4,070	\$ -	\$ 19,970
Cash equity in State Treasury	1,015,562	-	1,100,156	-	2,115,718
Cash and cash equivalents	-	-	5	-	5
Securities lending collateral equity with State Treasurer	-	-	50,931	-	50,931
Taxes receivables, net	1,433,523	-	424,725	-	1,858,248
Intergovernmental receivables	-	-	491	-	491
Other receivables, net of allowance of \$1,987	166	-	24,265	-	24,431
Due from other Department funds	111	-	92,421	(92,532)	-
Due from other State funds	1,672	-	13,061	-	14,733
Loans and notes receivable, long-term	-	-	37,569	-	37,569
Due from State of Illinois component units	-	-	357,690	-	357,690
Inventories	-	-	204	-	204
Total assets	\$ 2,466,934	\$ -	\$ 2,105,588	\$ (92,532)	\$ 4,479,990
LIABILITIES					
Accounts payable and accrued liabilities	\$ 312,859	\$ -	\$ 51,712	\$ -	\$ 364,571
Income tax refunds payable	1,549,943	-	-	-	1,549,943
Intergovernmental payables	9,086	-	1,008,080	-	1,017,166
Obligations under securities lending of State Treasurer	-	-	50,931	-	50,931
Due to other Department fiduciary funds	-	-	38,123	-	38,123
Due to other State fiduciary funds	-	-	2,585	-	2,585
Due to other Department funds	92,421	-	111	(92,532)	-
Due to other State funds	435,456	31,393	8,495	-	475,344
Due to State of Illinois component units	-	-	21,016	-	21,016
Unearned revenue	883,730	-	288,681	-	1,172,411
Total liabilities	3,283,495	31,393	1,469,734	(92,532)	4,692,090
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	204,036	-	26,367	-	230,403
Total deferred inflows of resources	204,036	-	26,367	-	230,403
Total liabilities and deferred inflows of resources	3,487,531	31,393	1,496,101	(92,532)	4,922,493
FUND BALANCES (DEFICITS)					
Nonspendable (Inventories)	-	-	204	-	204
Restricted	-	-	5	-	5
Committed	178,114	-	705,752	-	883,866
Unassigned	(1,198,711)	(31,393)	(96,474)	-	(1,326,578)
Total fund balances (deficits)	(1,020,597)	(31,393)	609,487	-	(442,503)
Total liabilities, deferred inflows of resources and fund balances (deficits)	\$ 2,466,934	\$ -	\$ 2,105,588	\$ (92,532)	\$ 4,479,990

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

State of Illinois
Department of Revenue
Reconciliation of Governmental Funds Balance Sheet
to Statement of Net Position
June 30, 2019
(Expressed in Thousands)

Total fund balances-governmental funds \$ (442,503)

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

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds. 26,821

Prepaid expenses for governmental activities are current uses
of financial resources for funds. 1,152

Revenues in the Statement of Activities that do not provide
current financial resources are deferred in the funds. 230,403

Deferred outflows (inflows) of resources related to pensions and OPEB are not
reported in the governmental funds because they do not provide or require the
use of current financial resources. These activities consist of:

Deferred outflows of resources related to pensions	457,836
Deferred outflows of resources related to OPEB	215,583
Deferred inflows of resources related to pensions	(250,578)
Deferred inflows of resources related to OPEB	(206,927)

Some liabilities reported in the Statement of Net Position do not
require the use of current financial resources and therefore are
not reported as liabilities in governmental funds. These
activities consist of:

Compensated absences	(8,530)
Net pension liability	(1,219,160)
Net OPEB liability	(795,529)

Net position of governmental activities \$ (1,991,432)

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

State of Illinois
Department of Revenue

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

For the Year Ended June 30, 2019 (Expressed in Thousands)

	General Fund	Road Fund	Nonmajor funds	Eliminations	Total Governmental Funds
REVENUES					
Federal operating grants	\$ -	\$ -	\$ 28	\$ -	\$ 28
Income taxes	22,204,318	-	2,797,641	-	25,001,959
Sales taxes	8,427,677	-	3,329,425	-	11,757,102
Motor fuel taxes	-	-	1,318,993	-	1,318,993
Public utility taxes	862,457	-	400,875	-	1,263,332
Other taxes	724,110	-	353,285	-	1,077,395
Licenses and fees	8,733	-	99,974	-	108,707
Other charges for services	2,435	-	2,756	-	5,191
Interest and other investment income	3,590	-	8,168	-	11,758
Other	4,313	-	35,976	-	40,289
Total revenues	<u>32,237,633</u>	<u>-</u>	<u>8,347,121</u>	<u>-</u>	<u>40,584,754</u>
EXPENDITURES					
General government	84,301	-	323,124	-	407,425
Health and social services	-	-	14,604	-	14,604
Education	-	-	1,683	-	1,683
Employment and economic development	5,000	-	-	-	5,000
Environmental and business regulation	-	-	5,538	-	5,538
Public protection and justice	-	-	788	-	788
Intergovernmental	-	-	5,697,022	-	5,697,022
Capital outlay	6	-	10,580	-	10,586
Total expenditures	<u>89,307</u>	<u>-</u>	<u>6,053,339</u>	<u>-</u>	<u>6,142,646</u>
Excess of revenue over expenditures	<u>32,148,326</u>	<u>-</u>	<u>2,293,782</u>	<u>-</u>	<u>34,442,108</u>
OTHER SOURCES (USES) OF FINANCIAL RESOURCES					
Appropriations from State resources	104,811	-	102,176	-	206,987
Lapsed appropriations	(3,397)	-	(10,937)	-	(14,334)
Receipts collected and transmitted to State Treasury	(29,498,662)	-	(2,285,379)	-	(31,784,041)
Amount of SAMS transfers-in	(2,530,303)	-	(37,805)	-	(2,568,108)
Amount of SAMS transfers-out	179,927	100,000	7,488	-	287,415
Transfers-in	41,635	-	92,526	(133,507)	654
Transfers-out	(103,445)	(101,328)	(41,086)	133,507	(112,352)
Net other sources (uses) of financial resources	<u>(31,809,434)</u>	<u>(1,328)</u>	<u>(2,173,017)</u>	<u>-</u>	<u>(33,983,779)</u>
Net change in fund balances	<u>338,892</u>	<u>(1,328)</u>	<u>120,765</u>	<u>-</u>	<u>458,329</u>
Fund balances (deficits), July 1, 2018	<u>(1,359,489)</u>	<u>(30,065)</u>	<u>488,722</u>	<u>-</u>	<u>(900,832)</u>
FUND BALANCES (DEFICITS), JUNE 30, 2019	<u>\$ (1,020,597)</u>	<u>\$ (31,393)</u>	<u>\$ 609,487</u>	<u>\$ -</u>	<u>\$ (442,503)</u>

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

State of Illinois
Department of Revenue
Reconciliation of Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to Statement of Activities
For the Year Ended June 30, 2019
(Expressed in Thousands)

Net change in fund balances	\$	458,329
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation/amortization expense to allocate those expenditures over the life of the assets. This is the amount by which capital outlays in the current period exceeded depreciation.		4,819
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This amount represents the decrease in unavailable revenue over the prior year.		(86,779)
Prepaid expenses in the Statement of Activities are reported as expenditures in governmental funds. Prepaid expenses decreased by this amount during the year.		(25)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Decrease in compensated absences obligation		1,443
Increase in net pension liability		(182,977)
Increase in OPEB liability		(228,326)
Change in deferred outflows of resources related to pensions		206,931
Change in deferred outflows of resources related to OPEB		178,822
Change in deferred inflows of resources related to pensions		(125,807)
Change in deferred inflows of resources related to OPEB		(111,056)
		(111,056)
Change in net position of governmental activities	\$	115,374

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

State of Illinois
Department of Revenue

Statement of Fiduciary Net Position

June 30, 2019 (Expressed in Thousands)

	<u>Agency Funds</u>
ASSETS	
Cash equity in State Treasury	\$ 639,746
Cash and cash equivalents	233
Securities lending collateral equity with State Treasurer	110,309
Taxes receivable, net	164,075
Other receivables, net	781
Due from other Department funds	38,123
Total assets	<u><u>\$ 953,267</u></u>
LIABILITIES	
Intergovernmental payables	\$ 842,720
Obligations under securities lending of State Treasurer	110,309
Other liabilities	238
Total liabilities	<u><u>\$ 953,267</u></u>

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

**STATE OF ILLINOIS
DEPARTMENT OF REVENUE**

Notes to Financial Statements

June 30, 2019

(1) Organization

The Department of Revenue (Department) is a part of the executive branch of government of the State of Illinois (State) and operates under the authority of and review by the Illinois General Assembly. The Department operates under a budget approved by the General Assembly in which resources primarily from the General Revenue Fund are appropriated for the use of the Department. Activities of the Department are subject to the authority of the Office of the Governor, the State's chief executive officer, and other departments of the executive and legislative branches of government (such as the Department of Central Management Services, the Governor's Office of Management and Budget, the State Treasurer's Office, and the State Comptroller's Office) as defined by the Illinois General Assembly. All funds appropriated to the Department and all other cash received are under the custody and control of the State Treasurer, with the exception of the Surety Bond Fund and the Evidence Fund.

The Department is organized to provide for administering, collecting, enforcing and determining distribution of the taxes imposed by the State's major tax acts. The Department also administered and oversaw the operations of the Liquor Control Commission through June 30, 2019. The Liquor Control Commission separated from the Department on July 1, 2019, pursuant to Public Act 100-1050. Personnel, records, and other resources were transferred in the separation.

(2) Summary of Significant Accounting Policies

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

(a) Financial Reporting Entity

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

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

Based upon the required criteria, the Department has no component units and is not a component unit of any other entity. However, because the Department is not legally separate from the State of Illinois, the financial statements of the Department are incorporated into the financial statements of the State of Illinois. The State of Illinois' Comprehensive Annual Financial Report may be obtained directly at the Illinois Office of the Comptroller's website (illinoiscomptroller.gov).

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(b) Basis of Presentation

The financial statements of the State of Illinois, Department of Revenue, are intended to present the financial position and changes in financial position of only that portion of the governmental activities, each major governmental fund of the State of Illinois, and the aggregate remaining fund information of the State of Illinois that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the State of Illinois as of June 30, 2019 and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Government-wide Statements. The government-wide statement of net position and statement of activities report the overall financial activity of the Department, excluding fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities of the Department. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

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

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

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

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

General – This is the State's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund. The Department's portion of the General Fund is composed of a primary sub-account (General Revenue) and eight secondary sub-accounts (Common School Special, Education Assistance, Illinois Sports Facility, Income Tax Refund, Common School, Advancement of Education, Commitment to Human Services, and Capital Projects). The services which are administered by the Department and accounted for in the General Fund include, among others, general government services.

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

In addition to the General Fund, the Department administers the following fund types:

Governmental Fund Types:

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

Fiduciary Fund Types:

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

(c) Measurement Focus and Basis of Accounting

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State considers revenues to be available if they are collected within 60 days of the end of the current fiscal year.

In accordance with GASB Codification N50: *Nonexchange Transactions*, recognition of nonexchange transactions in the financial statements is required unless the transactions are not measurable (reasonably estimable) or are not probable of collection. In this regard, the Department annually has an inventory of returns (primarily income tax and sales tax), that are in various stages of processing, dispute or review at year-end and through the date of issuing the financial statements (“unperfected returns”). Receivables and/or refunds that may result upon perfecting these returns have been estimated and recorded in the financial statements. Upon perfecting the returns, cash allocations to other governmental and fiduciary funds will be required and may be material.

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Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, principal and interest on formal debt issues, claims and judgments, pension and OPEB benefits, and compensated absences are recorded only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Significant revenue sources which are susceptible to accrual include income and replacement taxes, sales taxes, public utility taxes, motor fuel taxes, other taxes, tax penalties, and interest. The tax revenues are recorded by the State as taxpayers earn income (personal income tax, corporate income tax, and other taxes), as sales are made (sales taxes, public utility taxes, motor fuel taxes, and other taxes), or as the taxable event occurs (other taxes) net of estimated overpayments and amounts not expected to be collected. Amounts not expected to be collected are based on an analysis of the historical collection experience for accounts receivable (or additional information relating to the allowance percentage calculations).

Taxpayers can elect to receive a refund of tax overpayments (refunds payable), or carry-forward those overpayments to be applied to tax liabilities of the next year (unearned revenue). All liabilities pertaining to tax overpayments (refunds payable and unearned revenue) are estimated based on a combination of actual data and historical trends.

All other revenue sources including fines, licenses, and other miscellaneous revenues are considered to be measurable and available only when cash is received. Estimates are used to assign estimated tax payments received or refunds applied to future tax periods for individual and corporate income taxes to the proper fiscal year.

(d) Shared Fund Presentation

The financial statement presentation for the General Revenue Fund, Education Assistance Fund, Road Fund, Motor Fuel Tax Fund, Public Utility Fund, Underground Storage Tank Fund, Compassionate Use of Medical Cannabis Fund, Illinois Gaming Law Enforcement Fund, Emergency Public Health Fund, Used Tire Management Fund, Natural Areas Acquisition Fund, Open Space Lands Acquisition and Development Fund, Common School Fund, Drycleaner Environmental Response Trust Fund, Supplemental Low Income Energy Assistance Fund, Renewable Energy Resources Trust Fund, School Infrastructure Fund, International Tourism Fund, Fund for the Advancement of Education, Commitment to Human Services Fund, Capital Projects Fund, Build Illinois Fund and Local Tourism Fund represent only the portion of the shared fund that can be directly attributed to the operations of the Department. Financial statements for total fund operations of the shared State funds are presented in the State of Illinois' Comprehensive Annual Financial Report. In presenting these financial statements, certain unique accounts are used for the presentation of shared funds. The following accounts are used in these financial statements to present the Department's portion of shared funds:

Unexpended Appropriations

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

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Appropriations from State Resources

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

Lapsed Appropriations

Lapsed appropriations are the legally adopted appropriations less net warrants issued for the 14- month period from July to August of the following year and re-appropriations to subsequent years according to SAMS records. For fiscal year 2019, the lapse period was extended through October.

Receipts Collected and Transmitted to State Treasury

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

Amount of SAMS Transfers-In

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

Amount of SAMS Transfers-Out

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

(e) Eliminations

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

(f) Cash and Cash Equivalents

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

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(g) Inventories

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

(h) Prepaid Items

Payments made to vendors for services that will benefit periods beyond the date of this report are recorded as expenditures in the governmental funds and as prepaid expenses in the government-wide statement of net position.

(i) Interfund Transactions

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

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

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

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

(j) Capital and Intangible Assets

Capital assets, which consist of equipment, automobiles and internally developed computer software, are reported at cost. Contributed assets are reported at acquisition value at the time received. Capital assets are depreciated/amortized using the straight-line method. The capitalization threshold for internally generated intangible assets is \$1 million, and the threshold for all other intangible assets is \$25,000 and the estimated useful life is 3-25 years. The capitalization threshold for capital assets is \$5,000 and the estimated useful life is 3-15 years.

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(k) *Compensated Absences*

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

Legislation that became effective January 1, 1998 capped the paid sick leave for all State Employees' Retirement System members at December 31, 1997. Employees continue to accrue twelve sick days per year but will not receive monetary compensation for any additional time earned after December 31, 1997.

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

(l) *Fund Balances*

It is the Department's policy to consider restricted resources to have been spent first when an expenditure is incurred for which both restricted and unrestricted (i.e. committed, assigned or unassigned) fund balances are available, followed by committed and then assigned fund balances. Unassigned amounts are used only after the other resources have been used.

Within the governmental fund types, the Department's fund balances are reported in one of the following classifications:

Nonspendable – includes amounts that cannot be spent because they are either: a) not in spendable form; or b) legally or contractually required to be maintained intact.

Restricted – includes amounts that are restricted to specific purposes, that is, when constraints placed on the use of resources are either: a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

Committed – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Department's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Department removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. The uses of these funds are established by bills passed by the legislature and approved by the Governor of the State of Illinois.

Unassigned – includes the residual fund balance that has not been restricted, committed, or assigned within the general fund and deficit fund balances of other governmental funds.

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(m) Net Position

In the government-wide statement of net position, equity is displayed in three components as follows:

Invested in Capital Assets – This consists of capital assets, net of accumulated depreciation and amortization.

Restricted – This consists of amounts that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the State’s policy to use restricted resources first, then unrestricted resources when they are needed. Restricted net position and restricted fund balance resulting from enabling legislation consists of \$5 to be used for general government at June 30, 2019.

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

(n) Use of Estimates

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

(o) Pensions and Other Postemployment Benefits

In accordance with the Department’s adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension Plans*, the net pension liability, the other postemployment benefit (OPEB) liability, deferred outflows of resources, deferred inflows of resources, appropriations from State resources, pension and OPEB expenses have been recognized in the government-wide financial statements.

The total pension liability and total OPEB liability are the actuarially calculated value of the projected benefit payments attributed to past periods of service as of the measurement date. The total pension and total OPEB expenses are comprised of the service cost or actuarial present value of projected benefit payments attributed to the valuation year, interest on the total pension and OPEB liabilities, plan administrative expenses, and current year benefit changes. Additionally, the total pension and OPEB expenses include the annual recognition of outflows and inflows of resources due to pension and OPEB assets and liabilities.

The net pension liability is the difference between the total pension liability and the plan’s fiduciary net position as of the measurement date. For purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources, pension expense and expenditures associated with the Department’s contribution requirements, information about the fiduciary net position of the plan and additions to/deductions from the plan’s fiduciary net position have been determined on the same basis as they are reported within the separately

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issued plan financial statements. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with terms of the plan. Investments are reported at fair value.

(p) New Accounting Pronouncements

Effective for the year ending June 30, 2019, the Department adopted GASB Statement No. 83, *Certain Asset Retirement Obligations*, which establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (AROs). This Statement enhances comparability of financial statements among governments by establishing uniform criteria for governments to recognize and measure certain AROs, including obligations that may not have been previously reported. This Statement also enhances the decision-usefulness of the information provided to financial statement users by requiring disclosures related to those AROs. The implementation of this Statement had no impact on the Department's financial statements.

Effective for the year ending June 30, 2019, the Department adopted GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. It defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. It also requires that additional essential information related to debt be disclosed in notes to financial statements. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The implementation of this Statement had no impact on the Department's financial statements.

(q) Future Adoption of GASB Statements

Effective for the year ending June 30, 2020, the Department will adopt GASB Statement No. 84, *Fiduciary Activities*, which improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement will enhance consistency and comparability by establishing specific criteria for identifying activities that should be reported as fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities. Management has not yet determined the impact this pronouncement will have on the Department's financial statements; however, it is expected to be material.

Effective for the year ending June 30, 2021, the Department will adopt GASB Statement No. 87, *Leases*, which establishes standards to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease

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receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Management has not yet determined the impact this pronouncement will have on the Department's financial statements; however, it may be material.

Effective for the year ending June 30, 2021, the Department will adopt GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. Management has not yet determined the impact this pronouncement will have on the Department's financial statements; however, it is not expected to be material.

Effective for the year ending June 30, 2020, the Department will adopt GASB Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*, which improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. Management has not yet determined the impact this pronouncement will have on the Department's financial statements; however, it is not expected to be material.

Effective for the period ending June 30, 2022, the Department will adopt GASB Statement No. 91, *Conduit Debt Obligations*, which is intended to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. Management has not yet determined the impact this pronouncement will have on the Department's financial statements; however, it is not expected to be material.

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(3) Deposits and Investments

The State Treasurer is the custodian of the Department's deposits and investments for funds maintained in the State Treasury. These amounts are classified as "Cash equity in State Treasury" and "Securities lending collateral equity with State Treasurer" on the Statement of Net Position and Balance Sheets. The Department independently manages deposits and investments maintained outside the State Treasury.

(a) Deposits

Deposits in the custody of the State Treasurer are pooled and invested with other State funds in accordance with the Deposit of State Moneys Act of the Illinois Compiled Statutes (15 ILCS 520/11). Funds held by the State Treasurer have not been categorized as to credit risk because the Department does not own individual securities. Detail on the nature of these deposits and investments is available within the State of Illinois' Comprehensive Annual Financial Report.

(b) Securities Lending Transactions

Under the authority of the Treasurer's published investment policy that was developed in accordance with the State statute, the State Treasurer lends securities to broker-dealers and other entities for collateral that will be returned for the same securities in the future. The State Treasurer has, through a Securities Lending Agreement, authorized Deutsche Bank AG to lend the State Treasurer's securities to broker-dealers and banks pursuant to a form of loan agreement.

During fiscal year 2019, Deutsche Bank AG lent U.S. Agency securities and U.S. Treasury securities and received as collateral U.S. dollar denominated cash. Borrowers were required to deliver collateral for each loan equal to at least 100% of the aggregate fair value of the loaned securities. Loans are marked to market daily. If the fair value of collateral falls below 100%, the borrower must provide additional collateral to raise the fair value to 100%.

The State Treasurer did not impose any restrictions during fiscal year 2019 on the amount of loans of available, eligible securities. In the event of borrower default, Deutsche Bank AG provides the State Treasurer with counterparty default indemnification. In addition, Deutsche Bank AG is obligated to indemnify the State Treasurer if Deutsche Bank AG loses any securities, collateral or investments of the State Treasurer in Deutsche Bank AG's custody. There were no losses during fiscal years 2019 and 2018 resulting from a default of the borrowers or Deutsche Bank AG.

During fiscal year 2019, the State Treasurer and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested in repurchase agreements with approved counterparties collateralized with securities approved by Deutsche Bank AG and marked to market daily at no less than 102%. Because the loans are terminable at will, their duration did not generally match the duration of the investments made with cash collateral. The State Treasurer had no credit risk as a result of its securities lending program as the collateral held exceeded the fair value of the securities lent.

In accordance with GASB Codification I60: *Investments – Security Lending*, the Office of the State Treasurer has allocated the assets and obligations at June 30, 2019, arising from securities lending agreements to the various funds of the State. The total allocated to the Department was

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\$161.240 million at June 30, 2019, including \$110.309 million allocated to agency funds administered by the Department.

(4) Taxes Receivable

As discussed in Note 1, The Department follows a revenue recognition policy to record taxes receivable on assessments issued for unpaid and underpaid tax debts. Some of these assessments will be resolved by taxpayers filing corrected returns. The Department recognizes an estimate for these assessments reducing reported taxes receivable. The Department reviews this estimate annually based upon the latest available information.

During fiscal year 2019 the Department obtained additional historical data, previously unavailable, which has enabled the Department to refine its estimate. This new data indicates additional assessments greater than those previously estimated are expected to be resolved by taxpayers filing corrected returns. As a result, the Department has changed its estimate on a prospective basis.

These changes resulted in the de-recognition of \$541.579 million of taxes receivable with a corresponding reduction of \$412.123 million in the allowance for uncollectible taxes receivable in as of the beginning of fiscal year 2019.

Taxes receivable (amounts expressed in thousands) at June 30, 2019, are as follows:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds	Fiduciary Funds
Taxes receivable:				
Income	\$ 1,186,402	\$ 137,263	\$ 1,323,665	\$ -
Sales	588,323	187,572	775,895	131,003
Motor Fuel Tax	-	130,788	130,788	3,630
Public Utility	11,407	11,120	22,527	3,637
Other	50,194	28,911	79,105	56,968
Total taxes receivable	<u>1,836,326</u>	<u>495,654</u>	<u>2,331,980</u>	<u>195,238</u>
Less: allowance for uncollectible taxes	<u>402,803</u>	<u>70,929</u>	<u>473,732</u>	<u>31,163</u>
Taxes receivable, net	<u>\$ 1,433,523</u>	<u>\$ 424,725</u>	<u>\$ 1,858,248</u>	<u>\$164,075</u>

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(5) Loans and Notes Receivable

The Senior Citizen Real Estate Tax Deferral program is a tax-relief loan program. It allows qualified seniors to defer all or part of their taxes and special assessments on their primary home. The loan, which comes from the State of Illinois, is re-paid when the property is sold, or upon the death of the participant.

Loans receivable (amounts expressed in thousands) at June 30, 2019, are as follows:

	Governmental Activities
Senior Citizens Real Estate Deferred Tax	\$ 37,569

(6) Interfund Balances and Activity

(a) Balances Due from/to Other Funds

The following balances (amounts expressed in thousands) at June 30, 2019, represent amounts due from other Department and State funds.

	Due From			
Fund	Other Department Funds	Other State Funds		Description/Purpose
General	\$ 111	\$ 1,672		Due from other Department funds pursuant to statutory tax allocations, for administrative cost reimbursements, and from other State funds pursuant to statutory tax allocations.
Nonmajor governmental funds	92,421	13,061		Due from other Department Funds for excess collection deposits over refunds and other State funds pursuant to statutory tax allocations
Fiduciary funds	38,123	-		Due from other Department funds pursuant to statutory tax allocations.
	\$ 130,655	\$ 14,733		

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The following (amounts expressed in thousands) at June 30, 2019, represent amounts due to other Department and other State funds.

Due to					
Fund	Other Department Funds	Other State Funds	Other Department Fiduciary Funds	Other State Fiduciary Funds	Description/Purpose
General	\$ 92,421	\$ 435,456	\$ -	\$ -	- Due to other department funds for excess collection deposits over refunds and other State funds pursuant to statutory tax allocations and administrative expenses.
Road Fund	-	31,393	-	-	- Due to other State funds pursuant to statutory tax and fee allocations.
Nonmajor governmental funds	111	8,495	38,123	2,585	Due to other Department and other State funds pursuant to statutory tax and fee allocations, for administrative cost reimbursements and administrative expenses, to other Department fiduciary funds pursuant to statutory tax allocations, and to other State fiduciary funds for payment of retirement benefits.
	<u>\$ 92,532</u>	<u>\$ 475,344</u>	<u>\$ 38,123</u>	<u>\$ 2,585</u>	

(b) Transfers from/to Other Funds

Interfund transfers in (amounts expressed in thousands) for the year ended June 30, 2019, were as follows:

Transfers in from			
Fund	Other Department Funds	Other State Funds	Description/Purpose
General	\$ 41,086	\$ 549	Transfers from other Department funds pursuant to statutory tax allocations for excess collection deposits over refunds.
Nonmajor governmental funds	92,421	105	Transfers from other Department and other State funds pursuant to statutory tax allocations for excess collection deposits over refunds.
	<u>\$ 133,507</u>	<u>\$ 654</u>	

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Interfund transfers out (amounts expressed in thousands) for the year ended June 30, 2019, were as follows:

Fund	Transfers out to		Description/Purpose
	Other Department Funds	Other State Funds	
General	\$ 92,421	\$ 11,024	Transfers to other Department funds and other State funds pursuant to statutory tax allocations for excess collection deposits over refunds.
Road	-	101,328	Transfers to other State funds pursuant to statutory tax allocations.
Nonmajor governmental funds	41,086	-	Transfers to other Department funds pursuant to statutory tax allocations.
	<u>\$ 133,507</u>	<u>\$ 112,352</u>	

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

The Illinois Housing Development Authority owed the Department's nonmajor governmental funds \$357.690 million at June 30, 2019, for advances on loan programs. The Department's Nonmajor Funds owe \$21.016 million at June 30, 2019, to State of Illinois Component Units for reimbursements for expenses incurred.

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(7) Capital Assets

Capital asset activity (amounts expressed in thousands) for the year ended June 30, 2019, was as follows:

	Balance July 1, 2018	Additions	Deletions	Net Transfers	Balance June 30, 2019
Governmental activities:					
Capital assets being depreciated/amortized:					
Equipment	\$ 2,793	\$ 54	\$ (119)	\$ -	\$ 2,728
Internally generated computer software	46,381	10,533	-	-	56,914
	<u>49,174</u>	<u>10,587</u>	<u>(119)</u>	<u>-</u>	<u>59,642</u>
Less accumulated depreciation/amortization:					
Equipment	2,593	52	(94)	-	2,551
Internally generated computer software	24,579	5,691	-	-	30,270
	<u>27,172</u>	<u>5,743</u>	<u>(94)</u>	<u>-</u>	<u>32,821</u>
Governmental activity capital assets, net	<u>\$ 22,002</u>	<u>\$ 4,844</u>	<u>\$ (25)</u>	<u>\$ -</u>	<u>\$ 26,821</u>

Depreciation/amortization expense for governmental activities of \$5,743 (amounts expressed in thousands) for the year ended June 30, 2019, was charged to the general government function.

(8) Long-Term Obligations

Changes in long-term obligations (amounts expressed in thousands) for the year ended June 30, 2019, were as follows:

	Balances July 1, 2018	Additions	Deletions	Balances June 30, 2019	Amounts Due Within One Year
Governmental activities:					
Net Pension Liability	\$ 1,036,183	\$ 182,977	\$ -	\$ 1,219,160	\$ -
OPEB Liability	567,203	228,326	-	795,529	-
Compensated Absences	9,973	12,992	14,435	8,530	924
Total governmental activities	<u>\$ 1,613,359</u>	<u>\$ 424,295</u>	<u>\$ 14,435</u>	<u>\$ 2,023,219</u>	<u>\$ 924</u>

Compensated absences, the net pension liability, and the net OPEB liability will be liquidated by the applicable governmental funds that account for the salaries and wages of the related employees.

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(9) Defined Benefit Pension Plan

Plan Description. Substantially all of the Department's full-time employees who are not eligible for participation in another state-sponsored retirement plan participate in the State Employees' Retirement System (SERS), which is a single-employer defined benefit pension trust fund in the State of Illinois reporting entity and is treated as a cost sharing plan by the Department. SERS is governed by article 14 of the Illinois Pension Code (40 ILCS 5/1, et al.). The plan consists of two tiers of contribution requirements and benefit levels based on when an employee was hired. Members who first become an employee and participate under any of the State's retirement plans on or after January 1, 2011, are members of Tier 2, while Tier 1 consists of employees hired before January 1, 2011, or those who have service credit prior to January 1, 2011. The provisions below apply to both Tier 1 and 2 members, except where noted. The SERS issues a separate CAFR available at www.srs.illinois.gov or that may be obtained by writing to the SERS, 2101 South Veterans Parkway, PO Box 19255, Springfield, Illinois, 62794-9255.

Benefit Provisions. SERS provides retirement benefits based on the member's final average compensation and the number of years of service credit that have been established. The retirement benefit formula available to general State employees that are covered under the Federal Social Security Act is 1.67% for each year of service and for noncovered employees it is 2.2% for each year of service. The maximum retirement annuity payable is 75% of final average compensation for regular employees and 80% for alternative formula employees. The minimum monthly retirement annuity payable is \$15 for each year of covered service and \$25 for each year of noncovered service.

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Members in SERS under the Tier 1 and Tier 2 receive the following levels of benefits based on the respective age and years of service credits.

Regular Formula Tier 1	Regular Formula Tier 2
<p>A member must have a minimum of 8 years of service credit and may retire at:</p> <ul style="list-style-type: none"> • Age 60, with 8 years of service credit. • Any age, when the member's age (years & whole months) plus years of service credit (years & whole months) equal 85 years (1,020 months) (Rule of 85) with eight years of credited service. • Between ages 55-60 with 25-30 years of service credit (reduced 1/2 of 1% for each month under age 60). <p>The retirement benefit is based on final average compensation and credited service. Final average compensation is the 48 highest consecutive months of service within the last 120 months of service.</p> <p>Under the Rule of 85, a member is eligible for the first 3% increase on January 1 following the first full year of retirement, even if the member is not age 60. If the member retires at age 60 or older, he/she will receive a 3% pension increase every year on January 1, following the first full year of retirement.</p> <p>If the member retires before age 60 with a reduced retirement benefit, he/she will receive a 3% pension increase every January 1 after the member turns age 60 and has been retired at least one full year. These pension increases are not limited by the 75% maximum.</p>	<p>A member must have a minimum of 10 years of credited service and may retire at:</p> <ul style="list-style-type: none"> • Age 67, with 10 years of credited service. • Between ages 62-67 with 10 years of credited service (reduced 1/2 of 1% for each month under age 67). <p>The retirement benefit is based on final average compensation and credited service. For regular formula employees, final average compensation is the average of the 96 highest consecutive months of service within the last 120 months of service. The retirement benefit is calculated on a maximum salary of \$106,800. This amount increases annually by 3% or one-half of the Consumer Price Index, whichever is less.</p> <p>If the member retires at age 67 or older, he/she will receive a pension increase of 3% or one-half of the Consumer Price Index for the preceding calendar year, whichever is less, every year on January 1, following the first full year of retirement. The calendar year 2018 rate is \$113,645.</p> <p>If the member retires before age 67 with a reduced retirement benefit, he/she will receive a pension increase of 3% or one-half of the Consumer Price Index for the preceding calendar year, whichever is less, every January 1 after the member turns age 67 and has been retired at least one full year. These pension increases are not limited by the 75% maximum.</p>

Additionally, the Plan provides an alternative retirement formula for State employees in high-risk jobs, such as State policemen, fire fighters, and security employees. Employees qualifying for benefits under the alternative formula may retire at an earlier age depending on membership in Tier 1 or Tier 2. The retirement formula is 2.5% for each year of covered service and 3.0% for each year of non-covered service. The maximum retirement annuity payable is 80% of final average compensation as calculated under the alternative formula.

SERS also provides occupational and nonoccupational (including temporary) disability benefits. To be eligible for nonoccupational (including temporary) disability benefits, an employee must have at least eighteen months of credited service to the System. The nonoccupational (including temporary) disability benefit is equal to 50% of the monthly rate of compensation of the employee on the date of removal from the payroll. Occupational disability benefits are provided when the member becomes disabled as a direct result of injuries or diseases arising out of and in the course of State employment. The monthly benefit is equal to 75% of the monthly rate of compensation on the date of removal from the payroll. This benefit amount is reduced by Workers' Compensation or payments under the Occupational Diseases Act.

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Occupational and nonoccupational death benefits are also available through the System. Certain nonoccupational death benefits vest after eighteen months of credited service. Occupational death benefits are provided from the date of employment.

Contributions. Contribution requirements of active employees and the State are established in accordance with Chapter 40, section 5/14-133 of the Illinois Compiled Statutes. Member contributions are based on fixed percentages of covered payroll ranging between 4.00% and 12.50%. Employee contributions are fully refundable, without interest, upon withdrawal from State employment. Tier 1 members contribute based on total annual compensation. Tier 2 members contribute based on an annual compensation rate not to exceed \$106,800 with limitations for future years increased by the lesser of 3% or one-half of the annual percentage increase in the Consumer Price Index. For 2019, this amount was \$114,942.

The State is required to make payment for the required departmental employer contributions, all allowances, annuities, any benefits granted under Chapter 40, Article 5/14 of the ILCS and all administrative expenses of the System to the extent specified in the ILCS. State law provides that the employer contribution rate be determined based upon the results of each annual actuarial valuation.

For fiscal year 2019, the required employer contributions were computed in accordance with the State's funding plan. This funding legislation provides for a systematic 50-year funding plan with an ultimate goal to achieve 90% funding of the plan's liabilities. In addition, the funding plan provided for a 15-year phase-in period to allow the State to adapt to the increased financial commitment. Since the 15-year phase-in period ended June 30, 2010, the State's contribution will remain at a level percentage of payroll for the next 35 years until the 90% funded level is achieved. For fiscal year 2019, the employer contribution rate was 51.152%. The Department's contribution amount for fiscal year 2019 was \$56.005 million. In addition, the Department recorded \$22.218 million of revenue and expenditures in the General Revenue account of the General Fund to account for payments to SERS for Department employees that were paid from statewide General Revenue Fund appropriations.

Pension liability, deferred outflows of resources, deferred inflows of resources and expense related to pensions. At June 30, 2019, the Department reported a liability of \$1,219.160 million for its proportionate share of the State's net pension liability for SERS on the statement of net position. The net pension liability was measured as of June 30, 2018 (current year measurement date), and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Department's portion of the net pension liability was based on the Department's proportion of employer contributions relative to all employer contributions made to the plan during the year ended June 30, 2018. As of the current year measurement date of June 30, 2018, the Department's proportion was 3.6882%, which was an increase of 0.5394% from its proportion measured as of the prior year measurement date (3.1488%).

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For the year ended June 30, 2019, the Department recognized pension expense of \$175.812 million which is reported in the General government function of the Statement of Activities. The Department recognized revenue for a portion of this amount (\$22.2 million) which is reported in appropriations from State resources in the General Revenue Fund as well as the general revenues section of the Statement of Activities. At June 30, 2019, the Department reported deferred outflows and deferred inflows of resources related to the pension liability from the following sources (amounts expressed in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 29,214
Changes of assumptions	67,176	27,974
Net difference between projected and actual investment earnings on pension plan investments	548	-
Changes in proportion	311,889	193,390
Department contributions subsequent to the measurement date	78,223	-
Total	\$ 457,836	\$ 250,578

\$78.223 million reported as deferred outflows of resources related to pensions resulting from Department contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized as pension expense as follows (amounts expressed in thousands):

Year ended June 30,	Amount
2020	\$ 59,734
2021	35,749
2022	18,340
2023	15,212
Total	\$ 129,035

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Actuarial Methods and Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Mortality: 105 percent of the RP-2014 Healthy Annuitant mortality table, sex distinct, with generational mortality improvements using the MP-2014 two-dimensional mortality improvement scales.

Inflation: 2.50%

Investment Rate of Return: 7.00%, net of pension plan investment expense, including inflation.

Salary increases: Salary increase rates based on age-related productivity from 7.42% on the high end to 3.00% on the low end and includes merit rates plus inflation.

Post-retirement benefit increases of 3.00%, compounded, for Tier 1 and the lesser of 3.00% or one-half of the annual increase in the Consumer Price Index for Tier 2.

Retirement Age: Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the June 30, 2014, actuarial valuation pursuant to an experience study of the period July 1, 2009, to June 30, 2013.

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The long-term expected real rate of return on pension plan investments was determined using the best estimates of geometric real rates of return for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. For each major asset class that is included in the pension plan's target asset allocation, calculated as of the measurement date of June 30, 2018, the best estimates of the geometric real rates of return are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	23%	5.50%
Developed Foreign Equity	13%	5.30%
Emerging Market Equity	8%	7.80%
Private Equity	7%	7.60%
Intermediate Investment Grade Bonds	14%	1.50%
Long-term Government Bonds	4%	1.80%
TIPS	4%	1.50%
High Yield and Bank Loans	5%	3.80%
Opportunistic Debt	8%	5.00%
Emerging Market Debt	2%	3.70%
Core Real Estate	5.5%	3.70%
Non-core Real Estate	4.5%	5.90%
Infrastructure	2%	5.80%
Total	<u>100%</u>	

Discount Rate. A discount rate of 6.81% was used to measure the total pension liability as of the measurement date of June 30, 2018, as compared to a discount rate of 6.78% used to measure the total liability as of the prior year measurement date. The June 30, 2018, single blended discount rate was based on the expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.62%, based on an index of 20-year general obligation bonds with an average AA credit rating as published by the Fidelity Index's "20-Year Municipal GO AA Index". The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions will be made based on the statutorily required rates under Illinois law. Based on these assumptions, the pension plan's fiduciary net position and future contributions will be sufficient to finance the benefit payments through the year 2075. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2075, and the municipal bond rate was applied to all benefit payments after that date.

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Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The net pension liability for the plan was calculated using the stated discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate as shown below (amounts expressed in thousands):

	1% Decrease (5.81%)	Discount Rate (6.81%)	1% Increase (7.81%)
Department's proportionate share of the net pension liability	\$ 1,475,925	\$ 1,219,160	\$ 1,008,800

Payables to the pension plan. At June 30, 2019, the Department reported a payable of \$1.925 million to SERS for the outstanding amount of contributions to the pension plans required for the year ended June 30, 2019.

(10) Other Postemployment Benefit Plan

Plan description. The State Employees Group Insurance Act of 1971 (Act), as amended, authorizes the Illinois State Employees Group Insurance Program (SEGIP) to provide health, dental, vision, and life insurance benefits for certain retirees and their dependents. Substantially all of the Department's full-time employees are members of SEGIP. Members receiving monthly benefits from the General Assembly Retirement System (GARS), Judges Retirement System (JRS), State Employees' Retirement System of Illinois (SERS), Teachers' Retirement System (TRS), and State Universities Retirement System of Illinois (SURS) are eligible for these other post-employment benefits (OPEB). Certain TRS members eligible for coverage under SEGIP include: certified teachers employed by certain State agencies, executives employed by the Board of Education, regional superintendents, regional assistant superintendents, TRS employees and members with certain reciprocal service. No assets are accumulated or dedicated to funding the retiree health insurance benefit and a separate trust has not been established for the funding of OPEB.

The Department of Central Management Services administers these benefits for annuitants with the assistance of the public retirement systems sponsored by the State (GARS, JRS, SERS, TRS and SURS). The State recognizes SEGIP OPEB benefits as a single-employer defined benefit plan. The plan does not issue a stand-alone financial report.

Benefits provided. The health, dental, and vision benefits provided to and contribution amounts required from annuitants are the result of collective bargaining between the State and the various unions representing the State's and the university component units' employees in accordance with limitations established in the Act. Therefore, the benefits provided and contribution amounts are subject to periodic change. Coverage through SEGIP becomes secondary to Medicare after Medicare eligibility has been reached. Members must enroll in Medicare Parts A and B to receive the subsidized SEGIP premium available to Medicare eligible participants. The Act requires the State to provide life insurance benefits for annuitants equal to their annual salary as of the last day of employment until age 60, at which time, the benefit amount becomes \$5,000.

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Funding policy and annual other postemployment benefit cost. OPEB offered through SEGIP are financed through a combination of retiree premiums, State contributions and Federal government subsidies from the Medicare Part D program. Contributions are deposited in the Health Insurance Reserve Fund, which covers both active State employees and retirement members. Annuitants may be required to contribute towards health and vision benefits with the amount based on factors such as date of retirement, years of credited service with the State, whether the annuitant is covered by Medicare, and whether the annuitant has chosen a managed health care plan. Annuitants who retired prior to January 1, 1998, and who are vested in the State Employee's Retirement System do not contribute toward health and vision benefits. For annuitants who retired on or after January 1, 1998, the annuitant's contribution amount is reduced five percent for each year of credited service with the State allowing those annuitants with twenty or more years of credited service to not have to contribute towards health and vision benefits. All annuitants are required to pay for dental benefits regardless of retirement date. The Director of Central Management Services shall, on an annual basis, determine the amount the State shall contribute toward the basic program of group health benefits. State contributions are made primarily from the General Revenue Fund on a pay-as-you-go basis. For fiscal year 2019, the annual cost of the basic program of group health, dental, and vision benefits before the State's contribution was \$11,269.44 (\$6,698.64 if Medicare eligible) if the annuitant chose benefits provided by a health maintenance organization and \$13,823.52 (\$4,983.60 if Medicare eligible) if the annuitant chose other benefits. The State is not required to fund the plan other than the pay-as-you-go amount necessary to provide the current benefits to retirees.

Changes in Estimates. Changes in Estimates. For the measurement date of June 30, 2018, the Department of Central Management Services experienced two significant changes within its estimation process since the previous measurement date. The OPEB liability, for which the Universities and Departments of the State of Illinois are responsible for employer contributions, was significantly impacted by (1) the State Universities' number of participants in SEGIP and (2) the average cost per employee within SEGIP. The Department of Central Management Services made changes to its estimation methodology as better data has become available, and continued to refine the estimate to achieve a more representative reflection of employer contributions to be made in future periods. As such, the primary allocation of OPEB liability and expense allocated within the general revenue fund and associated with non-University State employees experienced a significant increase.

Total OPEB liability, deferred outflows of resources, deferred inflows of resources and expense related to OPEB. The total OPEB liability, as reported at June 30, 2019, was measured as of June 30, 2018 (measurement date), based on an actuarial valuation as of June 30, 2017. Update procedures were used to roll forward the total OPEB liability to the measurement date. At June 30, 2019, the Department recorded a liability of \$795.529 million for its proportionate share of the State's total OPEB liability. The Department's portion of the OPEB liability was based on the Department's proportion of employer contributions relative to all employer contributions made to the plan during the year ended June 30, 2018. As of the current year measurement date, the Department's proportion was 1.9841%, which was an increase of 0.3112% from its proportion measured as of the prior year measurement date (1.6729%).

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The Department recognized OPEB expense for the year ended June 30, 2019, of \$195.847 million. At June 30, 2019, the Department reported deferred outflows and deferred inflows of resources, as of the measurement date of June 30, 2018, from the following sources (amounts expressed in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 204	\$ 17,517
Changes of assumptions	-	74,708
Changes in proportion and differences between employer contributions and proportionate share of contributions	205,009	114,702
Department contributions subsequent to the measurement date	10,370	-
Total	\$ 215,583	\$ 206,927

The amounts reported as deferred outflows of resources related to OPEB resulting from Department contributions subsequent to the measurement date will be recognized as a reduction to the OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (amounts expressed in thousands):

Year ended June 30,	Amount
2020	\$ (4,439)
2021	(4,439)
2022	(4,439)
2023	8,871
2024	2,732
Total	\$ (1,714)

Actuarial methods and assumptions. The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions, applied to all periods included in the measurement unless otherwise specified. The actuarial valuation for the SEGIP was based on GARS, JRS, SERS, TRS, and SURS active, inactive, and retiree data as of June 30, 2017, for eligible SEGIP employees, and SEGIP retiree data as of June 30, 2017.

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Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Inflation Rate	2.75%
Projected Salary Increases*	3.00% - 15.00%
Discount Rate	3.62%
Healthcare Cost Trend Rate:	
Medical (Pre-Medicare)	8.0% grading down 0.5% in the first year to 7.5%, then grading down 0.08% in the second year to 7.42%, followed by grading down of 0.5% per year over 5 years to 4.92% in year 7
Medical (Post-Medicare)	9.0% grading down 0.5% per year over 9 years to 4.5%
Dental and Vision	6.0% grading down 0.5% per year over 3 years to 4.5%
Retirees' Share of Benefit-Related Costs	Healthcare premium rates for members depend on the date of retirement and the years of service earned at retirement. Members who retired before January 1, 1998, are eligible for single coverage at no cost to the member. Members who retire after January 1, 1998, are eligible for single coverage provided they pay a portion of the premium equal to 5 percent for each year of service under 20 years. Eligible dependents receive coverage provided they pay 100 percent of the required dependent premium. Premiums for plan year 2018 and 2019 are based on actual premiums. Premiums after 2019 were projected based on the healthcare cost trend rates applied to per capital claim costs but excluding the additional trend rate that estimates the impact of the Excise Tax.
* Dependent upon service and participation in the respective retirement systems. Includes inflation rate listed.	

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Additionally, the demographic assumptions used in the OPEB valuation are identical to those used in the June 30, 2017 valuations for GARS, JRS, SERS, TRS, and SURS as follows:

	<u>Retirement age experience study[^]</u>	<u>Mortality^{^^}</u>
GARS	July 2012 – June 2015	RP-2014 White Collar Total Healthy Annuitant mortality table, sex distinct, set forward 1 year for males and set back 1 year for females and generational mortality improvements using MP-2014 two-dimensional mortality improvement scales
JRS	July 2012 – June 2015	RP-2014 White Collar Total Healthy Annuitant mortality table, sex distinct, set forward 1 year for males and set back 1 year for females and generational mortality improvements using MP-2014 two-dimensional mortality improvement scales
SERS	July 2009 – June 2013	105 percent of the RP 2014 Healthy Annuitant mortality table, sex distinct, with rates projected to 2015; generational mortality improvement factors were added
TRS	July 2011 – June 2014	RP-2014 with future mortality improvements on a fully generational basis using projection table MP-2014
SURS	July 2010 – June 2014	RP-2014 White Collar, gender distinct, projected using MP-2014 two-dimensional mortality improvement scale, set forward one year for male and female annuitants

[^] The actuarial assumptions used in the respective actuarial valuations are based on the results of actuarial experience studies for the periods defined. A modified experience review was completed for SERS for the 3-year period ending June 30, 2015. Changes were made to the assumptions regarding investment rate of return, projected salary increases, inflation rate, and mortality based on this review. All other assumptions remained unchanged.

^{^^} Mortality rates are based on mortality tables published by the Society of Actuaries' Retirement Plan's Experience Committee.

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Discount rate. Because plan benefits are financed on a pay-as-you-go basis, the single discount rate is based on a tax-exempt municipal bond rate index of 20-year general obligation bonds with an average AA credit rating as published by the Fidelity Index “20-year Municipal GO AA Index” as of the measurement date. A single discount rate of 3.56% at June 30, 2017, and 3.62% at June 30, 2018, was used to measure the total OPEB liability.

Sensitivity of total OPEB liability to changes in the single discount rate. The following presents the plan’s total OPEB liability, calculated using a Single Discount Rate of 3.62%, as well as what the plan’s total OPEB liability would be if it were calculated using a Single Discount rate that is one percentage point higher (4.62%) or lower (2.62%) than the current rate (amounts expressed in thousands):

	1% Decrease (2.62%)	Current Single Discount Rate Assumption (3.62%)	1% Increase (4.62%)
Department's proportionate share of total OPEB liability	\$ 932,660	\$ 795,529	\$ 686,669

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rate. The following presents the plan’s total OPEB liability, calculated using the healthcare cost trend rate, as well as what the plan’s total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point higher or lower, than the current healthcare cost trend rates (amounts in table expressed in thousands).

	1% Decrease	Current Healthcare Cost Trend Rates Assumptions	1% Increase
Department's proportionate share of total OPEB liability	\$ 671,911	\$ 795,529	\$ 956,126

(11) Tax Abatements

The State provides tax abatements through two programs—the Economic Development for a Growing Economy (EDGE) Program and the Angel Investment Credit Program:

Under the Economic Development for a Growing Economy Tax Credit Act (35 ILCS 10/), special tax incentives are provided to encourage businesses to locate or expand operations in Illinois when there is active consideration of a competing location in another state. EDGE Program can provide tax credits to qualifying businesses equal to the amount of state income taxes withheld from the salaries of employees in the newly created jobs. Non-refundable credits can be used against corporate income taxes paid or individual income taxes paid if the business is organized as a pass-

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through entity. Abatements are obtained through application by a business to the Department of Commerce and Economic Opportunity and claimed on tax returns filed with the Department of Revenue. Applicants must show that if not for the credit, the project would not occur in Illinois by demonstrating that at least one other State is being considered for the project and receipt of tax credits is essential to the applicant's decision to create and/or retain jobs in the State. An applicant must agree to make an investment of at least \$5 million in capital improvements and create a minimum of 25 new full time jobs in Illinois. For a company with 100 or fewer employees, a business must agree to make a capital investment of \$1 million and create at least 5 new full time jobs in Illinois. Credits awarded may be carried forward for 10 taxable years. The Act provides for the recapture of abated taxes in the event a taxpayer does not fulfill the commitment it makes in return for the tax abatement. A taxpayer claiming the credit must hold the investment in the State for the full term of the agreement. If, during the term of the agreement, the project is moved from the State or otherwise ceased, the State can recapture the abated tax requiring the taxpayer to repay the full value of the credit previously claimed.

The Angel Investment Credit Program is authorized under Section 220 of the Illinois Income Tax Act (35 ILCS 5/). The program was created to promote job growth and expand capital investment in Illinois by offering credits to interested businesses or individuals who make an investment in qualified innovative and new business ventures. Tax credits for qualified investors are equal to 25% of their investment made in the qualified business ventures and can be applied against corporate and individual income taxes. Abatements are obtained through application to the Department of Commerce and Economic Opportunity and claimed on tax returns filed with the Department of Revenue. In addition to investing in qualified new ventures, applicants must meet various requirements including supplying information demonstrating the venture provides the potential to increase jobs and capital investment in Illinois. Credits awarded may be carried forward for 5 taxable years. The Act provides for the recapture of abated taxes in the event a taxpayer does not fulfill the commitment it makes in return for the tax abatement. A taxpayer claiming the credit must hold the investment in the State for no less than 3 years. If, during the 3-year period, the qualified new business venture is moved from the State or otherwise ceased, the State can recapture the abated tax requiring the taxpayer to repay the full value of the credit previously claimed.

For the fiscal year ended June 30, 2019, the State abated income taxes totaling \$155.165 million and \$5.151 million under the EDGE and Angel Investment Credit Programs, respectively. The State Revenue Sharing Act (30 ILCS 115/) requires specific portions of income tax revenues to be shared with Illinois municipalities and counties. Taxes abated under the EDGE Program reduced the amount shared by \$8.415 million. Taxes abated under the Angel Investment Credit Program reduced the amount shared by \$0.269 million.

**STATE OF ILLINOIS
DEPARTMENT OF REVENUE**

Notes to Financial Statements

June 30, 2019

(12) Fund Balance

(a) Fund Balances

At June 30, 2019, the Department's fund balance restrictions (amounts expressed in thousands) were for the following purposes:

	General Fund	Road Fund	Nonmajor Special Revenue Funds	Total
Nonspendable purpose:				
Inventory	\$ -	\$ -	\$ 204	\$ 204
Restricted purpose:				
General Government	-	-	5	5
Committed purpose:				
General Government	-	-	25,946	25,946
Health and Social Services	17,112	-	474,814	491,926
Employment and Economic Development	-	-	4,464	4,464
Environment and Business Regulation	-	-	31,386	31,386
Education	142,491	-	-	142,491
Capital Outlay	18,511	-	169,142	187,653
Total Committed	178,114	-	705,752	883,866
Total Unassigned	(1,198,711)	(31,393)	(96,474)	(1,326,578)
Total fund balances (deficit)	\$ (1,020,597)	\$ (31,393)	\$ 609,487	\$ (442,503)

(b) Fund Deficits

The General Fund (\$1.021) billion, the Road Fund (\$31.393) million, and the following nonmajor governmental funds had fund deficits at June 30, 2019, as noted: Illinois Gaming Law Enforcement (\$333) thousand, Local Government Distributive (\$14.214) million, School Infrastructure (\$515) thousand, and Personal Property Tax Replacement (\$81.412) million.

**STATE OF ILLINOIS
DEPARTMENT OF REVENUE**

Notes to Financial Statements

June 30, 2019

The fund deficit in the General Fund will be managed through the collection and allocation of future State revenues to the Department. The fund deficit of the Road, Illinois Gaming Law Enforcement, Local Government Distributive, School Infrastructure, and the Personal Property Tax Replacement funds will be managed through future revenues earned and other sources of financial resources.

(13) Risk Management

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

The Department's risk management activities are financed through appropriations to the Illinois Department of Central Management Services and are accounted for in the general fund of the State. The claims are not considered to be a liability of the Department; and accordingly, have not been reported in the Department's financial statements for the year ended June 30, 2019.

(14) Commitments and Contingencies

(a) Operating leases

The Department leases certain office equipment necessary for operations which require the Department to make monthly lease payments. Rent expense under operating leases was \$483 thousand for the year ended June 30, 2019. The minimum lease payments under these operating leases that have noncancelable lease terms in excess of one year are as follows:

<u>Year ended June 30,</u>	<u>Amount</u>
2020	\$ 297
2021	212
2022	186
2023	<u>8</u>
Total	<u>\$ 703</u>

(b) Litigation

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

State of Illinois
Department of Revenue

Combining Schedule of Accounts
General Fund

June 30, 2019 (Expressed in Thousands)

	General Revenue Account 0001	Common School Special 0005	Education Assistance 0007	Illinois Sports Facility 0225	Income Tax Refund 0278	Common School 0412	Fund for the Advancement of Education 0640	Commitment to Human Services 0644	Capital Projects 0694	Eliminations	Total
ASSETS											
Unexpended appropriations	\$ 15,900	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,900
Cash equity in State Treasury	261,612	55,171	15,492	15,761	652,024	2,021	6,734	6,734	13	-	1,015,562
Taxes receivable, net	1,074,960	129,736	58,824	1,432	99,393	2,488	24,016	24,016	18,658	-	1,433,523
Other receivables, net	166	-	-	-	-	-	-	-	-	-	166
Due from other Department funds	617,076	-	-	-	-	-	-	-	-	(616,965)	111
Due from other State funds	-	-	-	-	1,672	-	-	-	-	-	1,672
Total assets	\$ 1,969,714	\$ 184,907	\$ 74,316	\$ 17,193	\$ 753,089	\$ 4,509	\$ 30,750	\$ 30,750	\$ 18,671	\$ (616,965)	\$ 2,466,934
LIABILITIES											
Accounts payable and accrued liabilities	\$ 241,881	\$ 65,021	\$ 1,034	\$ -	\$ 1,486	\$ 2,333	\$ 472	\$ 472	\$ 160	\$ -	\$ 312,859
Income tax refunds payable	-	-	-	-	1,549,943	-	-	-	-	-	1,549,943
Intergovernmental payables	1,048	-	-	8,038	-	-	-	-	-	-	9,086
Due to other Department funds	-	-	-	-	709,386	-	-	-	-	(616,965)	92,421
Due to other State funds	424,416	-	-	9,155	1,885	-	-	-	-	-	435,456
Unearned revenue	645,916	-	55,638	-	169,774	-	6,201	6,201	-	-	883,730
Total liabilities	1,313,261	65,021	56,672	17,193	2,432,474	2,333	6,673	6,673	160	(616,965)	3,283,495
DEFERRED INFLOWS OF RESOURCES											
Unavailable revenue	156,865	-	14,314	-	18,914	13	6,965	6,965	-	-	204,036
Total deferred inflows of resources	156,865	-	14,314	-	18,914	13	6,965	6,965	-	-	204,036
Total liabilities and deferred inflows of resources	1,470,126	65,021	70,986	17,193	2,451,388	2,346	13,638	13,638	160	(616,965)	3,487,531
FUND BALANCES (DEFICITS)											
Committed	-	119,886	3,330	-	-	2,163	17,112	17,112	18,511	-	178,114
Unassigned	499,588	-	-	-	(1,698,299)	-	-	-	-	-	(1,198,711)
Total fund balances (deficits)	499,588	119,886	3,330	-	(1,698,299)	2,163	17,112	17,112	18,511	-	(1,020,597)
Total liabilities, deferred inflows of resources and fund balances (deficits)	\$ 1,969,714	\$ 184,907	\$ 74,316	\$ 17,193	\$ 753,089	\$ 4,509	\$ 30,750	\$ 30,750	\$ 18,671	\$ (616,965)	\$ 2,466,934

State of Illinois
Department of Revenue

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

For the Year Ended June 30, 2019 (Expressed in Thousands)

	General Revenue Account 0001	Common School Special 0005	Education Assistance 0007	Illinois Sports Facility 0225	Income Tax Refund 0278	Common School 0412	Fund for the Advancement of Education 0640	Commitment to Human Services 0644	Capital Projects 0694	Eliminations	Total
REVENUES											
Income taxes	\$ 18,517,170	\$ -	\$ 1,675,767	\$ -	\$ 592,867	\$ -	\$ 709,257	\$ 709,257	\$ -	\$ -	\$ 22,204,318
Sales taxes	6,151,680	2,215,802	-	-	-	-	-	-	60,195	-	8,427,677
Public utility taxes	801,085	-	-	-	-	61,372	-	-	-	-	862,457
Other taxes	514,175	-	-	9,155	-	74,548	-	-	126,232	-	724,110
Licenses and fees	8,564	-	-	-	-	169	-	-	-	-	8,733
Other charges for services	2,435	-	-	-	-	-	-	-	-	-	2,435
Interest and investment income	-	-	-	-	3,590	-	-	-	-	-	3,590
Other	4,313	-	-	-	-	-	-	-	-	-	4,313
Total revenues	25,999,422	2,215,802	1,675,767	9,155	596,457	136,089	709,257	709,257	186,427	-	32,237,633
EXPENDITURES											
General government	84,125	-	-	-	176	-	-	-	-	-	84,301
Employment and economic development	-	-	-	5,000	-	-	-	-	-	-	5,000
Capital outlay	6	-	-	-	-	-	-	-	-	-	6
Total expenditures	84,131	-	-	5,000	176	-	-	-	-	-	89,307
Excess of revenues over expenditures	25,915,291	2,215,802	1,675,767	4,155	596,281	136,089	709,257	709,257	186,427	-	32,148,326
OTHER SOURCES (USES) OF FINANCIAL RESOURCES											
Appropriations from State resources	104,811	-	-	-	-	-	-	-	-	-	104,811
Lapsed appropriations	(3,397)	-	-	-	-	-	-	-	-	-	(3,397)
Receipts collected and transmitted to State Treasury	(26,022,030)	-	(1,676,903)	-	-	(135,835)	(739,409)	(739,464)	(185,021)	-	(29,498,662)
Amount of SAMS transfers-in	(335,682)	-	-	-	-	(2,194,621)	-	-	-	-	(2,530,303)
Amount of SAMS transfers-out	179,927	-	-	-	-	-	-	-	-	-	179,927
Transfers-in	624,938	-	-	5,000	28,662	2,194,621	-	-	-	(2,811,586)	41,635
Transfers-out	-	(2,194,621)	-	(9,155)	(711,255)	-	-	-	-	2,811,586	(103,445)
Net other sources (uses) of financial resources	(25,451,433)	(2,194,621)	(1,676,903)	(4,155)	(682,593)	(135,835)	(739,409)	(739,464)	(185,021)	-	(31,809,434)
Net change in fund balances	463,858	21,181	(1,136)	-	(86,312)	254	(30,152)	(30,207)	1,406	-	338,892
Fund balances (deficits), July 1, 2018	35,730	98,705	4,466	-	(1,611,987)	1,909	47,264	47,319	17,105	-	(1,359,489)
FUND BALANCES (DEFICITS), JUNE 30, 2019	\$ 499,588	\$ 119,886	\$ 3,330	\$ -	\$ (1,698,299)	\$ 2,163	\$ 17,112	\$ 17,112	\$ 18,511	\$ -	\$ (1,020,597)

State of Illinois
Department of Revenue

**Combining Balance Sheet -
Nonmajor Governmental Funds**

June 30, 2019 (Expressed in Thousands)

	Nonmajor Special Revenue									
	Motor Fuel Tax	Public Utility 0012	Underground Storage Tank 0059	0072	Compassionate Use of Medical Cannabis	0075	Illinois Gaming Law Enforcement 0085	IDOR Federal Trust 0140	Rental Housing Support Program 0150	
ASSETS										
Unexpended appropriations	\$	4,000	\$	-	\$	70	\$	-	\$	-
Cash equity in State Treasury		8,384		279		591		24		9,348
Cash and cash equivalents		-		-		-		-		-
Securities lending collateral equity with State Treasurer		-		-		-		-		-
Taxes receivable, net		113,117		-		6,741		903		257
Intergovernmental receivables		-		-		-		-		-
Other receivables, net		-		1		-		-		-
Due from other State fiduciary funds		-		-		-		-		-
Due from other Department funds		-		-		-		-		-
Due from other State funds		-		-		-		-		-
Loans and notes receivable, long-term		-		-		-		-		-
Due from State of Illinois component units		-		-		-		-		-
Inventories		-		-		-		-		-
Total assets	\$	125,501	\$	280	\$	7,402	\$	903	\$	281
										\$
										9,348
LIABILITIES										
Accounts payable and accrued liabilities	\$	2,499	\$	26	\$	38	\$	-	\$	27
Intergovernmental payables		55		-		3		587		-
Obligations under securities lending of State Treasurer		-		-		-		-		-
Due to other Department fiduciary funds		-		-		-		-		-
Due to other State fiduciary funds		573		-		29		-		-
Due to other Department funds		-		-		-		-		-
Due to other State funds		2,432		-		-		-		-
Due to State of Illinois component units		-		-		-		-		5,818
Unearned revenue		-		-		-		-		-
Total liabilities		5,559		26		70		614		5,818
DEFERRED INFLOWS OF RESOURCES										
Unavailable revenue		-		-		171		-		-
Total deferred inflows of resources		-		-		171		-		-
Total liabilities and deferred inflows of resources		5,559		26		241		614		5,818
FUND BALANCES (DEFICITS)										
Nonspendable - Inventory		-		-		-		-		-
Restricted		-		-		-		-		-
Committed		119,942		254		7,161		903		3,530
Unassigned		-		-		-		(333)		-
Total fund balances (deficits)		119,942		254		7,161		903		(333)
Total liabilities, deferred inflows of resources and fund balances (deficits)	\$	125,501	\$	280	\$	7,402	\$	903	\$	281
										\$
										9,348

(Continued)

State of Illinois
Department of Revenue

**Combining Balance Sheet -
Nonmajor Governmental Funds**

June 30, 2019 (Expressed in Thousands)

	Nonmajor Special Revenue									
	State & Local Sales Tax Reform 0186	RTA Occupation and Use Tax Replacement 0187	County & Mass Transit 0188	Local Govt Tax 0189	Emergency Public Health 0240	Illinois Affordable Housing Trust 0286	Used Tire Management 0294	Natural Areas Acquisition 0298		
ASSETS										
Unexpended appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash equity in State Treasury	93,819	-	85,083	339,415	2	45,493	6	233		
Cash and cash equivalents	-	-	-	-	-	-	-	-		
Securities lending collateral equity with State Treasurer	-	-	-	-	-	12,978	-	-		
Taxes receivable, net	22,143	-	13,942	98,067	-	13	-	3		
Intergovernmental receivables	-	-	-	-	-	-	-	-		
Other receivables, net	-	-	-	-	784	89	2,980	-		
Due from other State fiduciary funds	-	-	-	-	-	-	-	-		
Due from other Department funds	-	8,328	-	-	-	-	-	-		
Due from other State funds	-	-	-	-	-	10,000	-	-		
Loans and notes receivable, long-term	-	-	-	-	-	-	-	-		
Due from State of Illinois component units	-	-	-	-	-	357,690	-	-		
Inventories	-	-	-	-	-	-	-	-		
Total assets	\$ 115,962	\$ 8,328	\$ 99,025	\$ 437,482	\$ 786	\$ 426,263	\$ 2,986	\$ 236		
LIABILITIES										
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,028	\$ -	\$ 21		
Intergovernmental payables	24,636	8,328	60,902	437,482	-	29	-	-		
Obligations under securities lending of State Treasurer	-	-	-	-	-	12,978	-	-		
Due to other Department fiduciary funds	-	-	38,123	-	-	-	-	-		
Due to other State fiduciary funds	-	-	-	-	-	-	-	-		
Due to other Department funds	91,326	-	-	-	-	-	110	-		
Due to other State funds	-	-	-	-	-	-	-	-		
Due to State of Illinois component units	-	-	-	-	-	6,777	-	-		
Unearned revenue	-	-	-	-	-	-	-	-		
Total liabilities	115,962	8,328	99,025	437,482	-	20,812	110	21		
DEFERRED INFLOWS OF RESOURCES										
Unavailable revenue	-	-	-	-	-	-	-	-		
Total deferred inflows of resources	-	-	-	-	-	-	-	-		
Total liabilities and deferred inflows of resources	115,962	8,328	99,025	437,482	-	20,812	110	21		
FUND BALANCES (DEFICITS)										
Nonspendable - Inventory	-	-	-	-	-	-	-	-		
Restricted	-	-	-	-	-	-	-	-		
Committed	-	-	-	-	786	405,451	2,876	215		
Unassigned	-	-	-	-	-	-	-	-		
Total fund balances (deficits)	-	-	-	-	786	405,451	2,876	215		
Total liabilities, deferred inflows of resources and fund balances (deficits)	\$ 115,962	\$ 8,328	\$ 99,025	\$ 437,482	\$ 786	\$ 426,263	\$ 2,986	\$ 236		

(Continued)

State of Illinois
Department of Revenue

**Combining Balance Sheet -
Nonmajor Governmental Funds**

June 30, 2019 (Expressed in Thousands)

	Nonmajor Special Revenue							
	Open Space Lands Acquisition & Development 0299	Tax Compliance and Administration 0384	Local Government Distributive 0515	Drycleaner Environmental Response 0548	Supplemental Low Income Energy Assistance 0550	Renewable Energy Resource 0564	School Infrastructure 0568	International Tourism 0621
ASSETS								
Unexpended appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash equity in State Treasury	544	28,178	133,333	1	885	50	752	357
Cash and cash equivalents	-	-	-	-	-	-	-	-
Securities lending collateral equity with State Treasurer	-	7,131	-	-	-	-	-	-
Taxes receivable, net	9	1,068	53,616	36	8,362	-	1,043	696
Intergovernmental receivables	-	-	-	-	-	-	-	-
Other receivables, net	-	4,718	-	-	-	491	-	-
Due from other State fiduciary funds	-	-	-	-	-	-	-	-
Due from other Department funds	-	-	73,548	-	-	-	-	-
Due from other State funds	-	3,061	-	-	-	-	-	-
Loans and notes receivable, long-term	-	-	-	-	-	-	-	-
Due from State of Illinois component units	-	-	-	-	-	-	-	-
Inventories	-	204	-	-	-	-	-	-
Total assets	\$ 553	\$ 44,360	\$ 260,497	\$ 37	\$ 9,247	\$ 541	\$ 1,795	\$ 1,053
LIABILITIES								
Accounts payable and accrued liabilities	\$ 49	\$ 4,218	\$ 815	\$ -	\$ 50	\$ 3	\$ 2,297	\$ -
Intergovernmental payables	-	68	214,505	-	-	-	-	-
Obligations under securities lending of State Treasurer	-	7,131	-	-	-	-	-	-
Due to other Department fiduciary funds	-	-	-	-	-	-	-	-
Due to other State fiduciary funds	-	822	-	-	-	-	-	-
Due to other Department funds	-	-	-	-	-	-	-	-
Due to other State funds	-	5,918	-	-	-	-	-	-
Due to State of Illinois component units	-	52	-	-	-	-	-	-
Unearned revenue	-	-	48,201	-	-	-	-	-
Total liabilities	49	18,209	263,521	-	50	3	2,297	-
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue	-	1	11,190	-	-	-	13	-
Total deferred inflows of resources	-	1	11,190	-	-	-	13	-
Total liabilities and deferred inflows of resources	49	18,210	274,711	-	50	3	2,310	-
FUND BALANCES (DEFICITS)								
Nonspendable - Inventory	-	204	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-
Committed	504	25,946	-	37	9,197	538	-	1,053
Unassigned	-	-	(14,214)	-	-	-	(515)	-
Total fund balances (deficits)	504	26,150	(14,214)	37	9,197	538	(515)	1,053
Total liabilities, deferred inflows of resources and fund balances (deficits)	\$ 553	\$ 44,360	\$ 260,497	\$ 37	\$ 9,247	\$ 541	\$ 1,795	\$ 1,053

(Continued)

State of Illinois
Department of Revenue

**Combining Balance Sheet -
Nonmajor Governmental Funds**

June 30, 2019 (Expressed in Thousands)

	Nonmajor Special Revenue							
	Rental Purchase Agreement Tax Refund 0671	Personal Property Tax Replacement 0802	Dram Shop 0821	Local Government Video Gaming 0842	Foreclosure Prevention 0891	Abandoned Residential Property Municipality Relief 0892	Senior Citizen Real Estate Deferred Tax 0930	Build Illinois 0960
ASSETS								
Unexpended appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash equity in State Treasury	1	288,452	17,158	7,386	890	10,103	17,187	11,046
Cash and cash equivalents	-	-	-	-	-	-	-	-
Securities lending collateral equity with State Treasurer	-	30,822	-	-	-	-	-	-
Taxes receivable, net	-	50,603	-	6,767	-	-	-	45,084
Intergovernmental receivables	-	-	-	-	292	199	-	-
Other receivables, net	-	210	-	-	-	-	14,992	-
Due from other State fiduciary funds	-	-	-	-	-	-	-	-
Due from other Department funds	-	92,421	-	-	-	-	-	9,450
Due from other State funds	-	-	-	-	-	-	-	-
Loans and notes receivable, long-term	-	-	-	-	-	-	37,569	-
Due from State of Illinois component units	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-
Total assets	\$ 1	\$ 462,508	\$ 17,158	\$ 14,153	\$ 1,182	\$ 10,302	\$ 69,748	\$ 65,580
LIABILITIES								
Accounts payable and accrued liabilities	\$ -	\$ 24,139	\$ 122	\$ -	\$ -	\$ -	\$ -	\$ 16,380
Intergovernmental payables	-	247,308	24	14,153	-	-	-	-
Obligations under securities lending of State Treasurer	-	30,822	-	-	-	-	-	-
Due to other Department fiduciary funds	-	-	-	-	-	-	-	-
Due to other State fiduciary funds	-	1,078	83	-	-	-	-	-
Due to other Department funds	1	-	-	-	-	-	-	-
Due to other State funds	-	93	52	-	-	-	-	-
Due to State of Illinois component units	-	-	1	-	88	8,280	-	-
Unearned revenue	-	240,480	-	-	-	-	-	-
Total liabilities	1	543,920	282	14,153	88	8,280	-	16,380
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue	-	-	-	-	-	-	14,992	-
Total deferred inflows of resources	-	-	-	-	-	-	14,992	-
Total liabilities and deferred inflows of resources	1	543,920	282	14,153	88	8,280	14,992	16,380
FUND BALANCES (DEFICITS)								
Nonspendable - Inventory	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-
Committed	-	-	16,876	-	1,094	2,022	54,756	49,200
Unassigned	-	(81,412)	-	-	-	-	-	-
Total fund balances (deficits)	-	(81,412)	16,876	-	1,094	2,022	54,756	49,200
Total liabilities, deferred inflows of resources and fund balances (deficits)	\$ 1	\$ 462,508	\$ 17,158	\$ 14,153	\$ 1,182	\$ 10,302	\$ 69,748	\$ 65,580

(Continued)

State of Illinois
Department of Revenue

**Combining Balance Sheet -
Nonmajor Governmental Funds**

June 30, 2019 (Expressed in Thousands)

	<u>Nonmajor Special Revenue</u>				
	Local Tourism 0969	Evidence Fund 1369	Eliminations	Total	
ASSETS					
Unexpended appropriations	\$ -	\$ -	\$ -	\$ -	4,070
Cash equity in State Treasury	1,156	-	-	-	1,100,156
Cash and cash equivalents	-	5	-	-	5
Securities lending collateral equity with State Treasurer	-	-	-	-	50,931
Taxes receivable, net	2,255	-	-	-	424,725
Intergovernmental receivables	-	-	-	-	491
Other receivables, net	-	-	-	-	24,265
Due from other State fiduciary funds	-	-	-	-	-
Due from other Department funds	-	-	(91,326)	-	92,421
Due from other State funds	-	-	-	-	13,061
Loans and notes receivable, long-term	-	-	-	-	37,569
Due from State of Illinois component units	-	-	-	-	357,690
Inventories	-	-	-	-	204
Total assets	\$ 3,411	\$ 5	\$ (91,326)	\$ -	\$ 2,105,588
LIABILITIES					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	51,712
Intergovernmental payables	-	-	-	-	1,008,080
Obligations under securities lending of State Treasurer	-	-	-	-	50,931
Due to other Department fiduciary funds	-	-	-	-	38,123
Due to other State fiduciary funds	-	-	-	-	2,585
Due to other Department funds	-	-	(91,326)	-	111
Due to other State funds	-	-	-	-	8,495
Due to State of Illinois component units	-	-	-	-	21,016
Unearned revenue	-	-	-	-	288,681
Total liabilities	-	-	(91,326)	-	1,469,734
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	-	-	-	-	26,367
Total deferred inflows of resources	-	-	-	-	26,367
Total liabilities and deferred inflows of resources	-	-	(91,326)	-	1,496,101
FUND BALANCES (DEFICITS)					
Nonspendable - Inventory	-	-	-	-	204
Restricted	-	5	-	-	5
Committed	3,411	-	-	-	705,752
Unassigned	-	-	-	-	(96,474)
Total fund balances (deficits)	3,411	5	-	-	609,487
Total liabilities, deferred inflows of resources and fund balances (deficits)	\$ 3,411	\$ 5	\$ (91,326)	\$ -	\$ 2,105,588

(Concluded)

State of Illinois
Department of Revenue

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

For the Year Ended June 30, 2019 (Expressed in Thousands)

	Nonmajor Special Revenue							
	Motor Fuel Tax	Public Utility 0059	Underground Storage Tank 0072	Compassionate Use of Medical Cannabis 0075	Illinois Gaming Law Enforcement 0085	IDOR Federal Trust 0140	Rental Housing Support Program 0150	
REVENUES								
Federal operating grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 28	\$ -	
Income taxes	-	-	-	-	-	-	-	
Sales taxes	-	-	-	6,342	-	-	-	
Motor fuel taxes	1,244,008	-	74,985	-	-	-	-	
Public utility taxes	-	7,353	-	-	-	-	-	
Other taxes	-	-	-	-	1,473	-	12,348	
Licenses and fees	1,078	2	-	-	248	-	-	
Other charges for services	-	-	-	-	-	-	-	
Interest and other investment income	-	-	-	-	-	-	-	
Other	-	-	-	-	-	-	-	
Total revenues	1,245,086	7,355	74,985	6,342	1,721	28	12,348	
EXPENDITURES								
General government	46,104	-	1,959	-	-	28	15,271	
Health and social services	-	-	-	-	-	-	-	
Education	-	-	-	-	-	-	-	
Environmental and business regulation	-	-	-	-	-	-	-	
Public protection and justice	-	-	-	-	-	-	-	
Intergovernmental	-	-	-	-	587	-	-	
Capital outlay	1,366	-	-	-	-	-	-	
Total expenditures	47,470	-	1,959	-	587	28	15,271	
Excess (deficiency) of revenues over (under) expenditures	1,197,616	7,355	73,026	6,342	1,134	-	(2,923)	
OTHER SOURCES (USES) OF FINANCIAL RESOURCES								
Appropriations from State resources	98,886	-	2,004	-	1,286	-	-	
Lapsed appropriations	(10,166)	-	(73)	-	(698)	-	-	
Receipts collected and transmitted to State Treasury	(1,277,388)	(7,085)	(74,236)	(5,891)	(1,760)	-	-	
Amount of SAMS transfers-in	-	(5)	-	-	-	-	-	
Amount of SAMS transfers-out	-	-	-	-	-	-	-	
Transfers-in	-	4	-	-	-	-	-	
Transfers-out	-	-	-	-	-	-	-	
Net other sources (uses) of financial resources	(1,188,668)	(7,086)	(72,305)	(5,891)	(1,172)	-	-	
Net change in fund balances	8,948	269	721	451	(38)	-	(2,923)	
Fund balances (deficits), July 1, 2018	110,994	(15)	6,440	452	(295)	-	6,453	
FUND BALANCES (DEFICITS), JUNE 30, 2019	\$ 119,942	\$ 254	\$ 7,161	\$ 903	\$ (333)	\$ -	\$ 3,530	

(Continued)

State of Illinois
Department of Revenue

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

For the Year Ended June 30, 2019 (Expressed in Thousands)

	Nonmajor Special Revenue								
	State & Local Sales Tax Reform 0186	RTA Occupation and Use Tax Replacement 0187	County & Mass Transit 0188	Local Govt Tax 0189	Emergency Public Health 0240	Illinois Affordable Housing Trust 0286	Used Tire Management 0294	Natural Areas Acquisition 0298	
REVENUES									
Federal operating grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Income taxes	-	-	-	-	-	-	-	-	-
Sales taxes	144,801	51,697	383,000	1,898,272	-	-	-	-	-
Motor fuel taxes	-	-	-	-	-	-	-	-	-
Public utility taxes	-	-	-	-	-	-	-	-	-
Other taxes	-	-	-	-	-	39,995	-	11,997	-
Licenses and fees	-	-	-	-	4,275	-	16,242	-	-
Other charges for services	-	-	-	-	-	-	-	-	-
Interest and other investment income	-	-	-	-	-	2,914	-	-	-
Other	-	-	-	-	-	35,953	-	-	-
Total revenues	144,801	51,697	383,000	1,898,272	4,275	78,862	16,242	11,997	
EXPENDITURES									
General government	-	-	-	-	-	57,757	-	-	-
Health and social services	-	-	-	-	-	14,599	-	-	-
Education	-	-	-	-	-	-	-	-	-
Environmental and business regulation	-	-	-	-	-	-	-	-	-
Public protection and justice	-	-	-	-	-	-	-	-	-
Intergovernmental	106,496	51,697	383,000	1,898,272	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-
Total expenditures	106,496	51,697	383,000	1,898,272	-	72,356	-	-	
Excess (deficiency) of revenues over (under) expenditures	38,305	-	-	-	4,275	6,506	16,242	11,997	
OTHER SOURCES (USES) OF FINANCIAL RESOURCES									
Appropriations from State resources	-	-	-	-	-	-	-	-	-
Lapsed appropriations	-	-	-	-	-	-	-	-	-
Receipts collected and transmitted to State Treasury	-	-	-	-	(4,335)	-	(16,541)	(12,197)	-
Amount of SAMS transfers-in	-	-	-	-	-	-	-	-	-
Amount of SAMS transfers-out	-	-	-	-	-	-	7,488	-	-
Transfers-in	-	-	-	-	-	-	-	-	-
Transfers-out	(38,124)	-	-	-	-	-	(7,424)	-	-
Net other sources (uses) of financial resources	(38,124)	-	-	-	(4,335)	-	(16,477)	(12,197)	
Net change in fund balances	181	-	-	-	(60)	6,506	(235)	(200)	
Fund balances (deficits), July 1, 2018	(181)	-	-	-	846	398,945	3,111	415	
FUND BALANCES (DEFICITS), JUNE 30, 2019	\$ -	\$ -	\$ -	\$ -	\$ 786	\$ 405,451	\$ 2,876	\$ 215	

(Continued)

State of Illinois
Department of Revenue

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

For the Year Ended June 30, 2019 (Expressed in Thousands)

Nonmajor Special Revenue

	Open Space Lands Acquisition & Development 0299	Tax Compliance and Administration 0384	Local Government Distributive 0515	Drycleaner Environmental Response 0548	Supplemental Low Income Energy Assistance 0550	Renewable Energy Resource 0564	School Infrastructure 0568	International Tourism 0621
REVENUES								
Federal operating grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Income taxes	-	6,752	1,338,356	-	-	-	-	-
Sales taxes	-	2,587	324,042	-	-	-	-	-
Motor fuel taxes	-	-	-	-	-	-	-	-
Public utility taxes	-	362	-	-	101,327	-	49,372	-
Other taxes	27,995	789	-	222	-	-	-	6,001
Licenses and fees	-	54,529	-	1,142	-	5,408	-	-
Other charges for services	-	130	-	-	-	-	-	-
Interest and other investment income	-	591	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total revenues	27,995	65,740	1,662,398	1,364	101,327	5,408	49,372	6,001
EXPENDITURES								
General government	-	66,487	-	-	-	-	-	-
Health and social services	-	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-	-
Environmental and business regulation	-	-	-	-	-	-	-	-
Public protection and justice	-	-	-	-	-	-	-	-
Intergovernmental	-	-	1,657,784	-	-	-	-	-
Capital outlay	-	8,854	-	-	-	-	-	-
Total expenditures	-	75,341	1,657,784	-	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	27,995	(9,601)	4,614	1,364	101,327	5,408	49,372	6,001
OTHER SOURCES (USES) OF FINANCIAL RESOURCES								
Appropriations from State resources	-	-	-	-	-	-	-	-
Lapsed appropriations	-	-	-	-	-	-	-	-
Receipts collected and transmitted to State Treasury	(28,460)	-	-	(1,392)	(100,354)	(5,353)	(48,984)	(5,999)
Amount of SAMS transfers-in	-	-	-	-	-	-	-	-
Amount of SAMS transfers-out	-	-	-	-	-	-	-	-
Transfers-in	-	425	-	-	-	-	-	-
Transfers-out	-	-	(5,000)	-	-	-	-	-
Net other sources (uses) of financial resources	(28,460)	425	(5,000)	(1,392)	(100,354)	(5,353)	(48,984)	(5,999)
Net change in fund balances	(465)	(9,176)	(386)	(28)	973	55	388	2
Fund balances (deficits), July 1, 2018	969	35,326	(13,828)	65	8,224	483	(903)	1,051
FUND BALANCES (DEFICITS), JUNE 30, 2019	\$ 504	\$ 26,150	\$ (14,214)	\$ 37	\$ 9,197	\$ 538	\$ (515)	\$ 1,053

(Continued)

State of Illinois
Department of Revenue

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

For the Year Ended June 30, 2019 (Expressed in Thousands)

	Nonmajor Special Revenue							
	Rental Purchase Agreement Tax Refund 0671	Personal Property Tax Replacement 0802	Dram Shop 0821	Local Government Video Gaming 0842	Foreclosure Prevention 0891	Abandoned Residential Property Municipality Relief 0892	Senior Citizen Real Estate Deferred Tax 0930	Build Illinois 0960
REVENUES								
Federal operating grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Income taxes	-	1,452,533	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	518,684
Motor fuel taxes	-	-	-	-	-	-	-	-
Public utility taxes	-	242,461	-	-	-	-	-	-
Other taxes	-	-	-	79,627	-	-	-	153,398
Licenses and fees	-	-	10,570	-	-	6,480	-	-
Other charges for services	-	-	542	-	2,084	-	-	-
Interest and other investment income	-	2,849	-	-	-	-	1,814	-
Other	-	-	23	-	-	-	-	-
Total revenues	-	1,697,843	11,135	79,627	2,084	6,480	1,814	672,082
EXPENDITURES								
General government	-	123,639	-	-	3,419	8,456	-	-
Health and social services	-	-	5	-	-	-	-	-
Education	-	1,683	-	-	-	-	-	-
Environmental and business regulation	-	-	5,538	-	-	-	-	-
Public protection and justice	-	788	-	-	-	-	-	-
Intergovernmental	-	1,519,559	-	79,627	-	-	-	-
Capital outlay	-	360	-	-	-	-	-	-
Total expenditures	-	1,646,029	5,543	79,627	3,419	8,456	-	-
Excess (deficiency) of revenues over (under) expenditures	-	51,814	5,592	-	(1,335)	(1,976)	1,814	672,082
OTHER SOURCES (USES) OF FINANCIAL RESOURCES								
Appropriations from State resources	-	-	-	-	-	-	-	-
Lapsed appropriations	-	-	-	-	-	-	-	-
Receipts collected and transmitted to State Treasury	-	-	-	-	-	-	-	(675,970)
Amount of SAMS transfers-in	-	-	-	-	-	-	-	(37,800)
Amount of SAMS transfers-out	-	-	-	-	-	-	-	-
Transfers-in	-	92,421	-	-	-	-	-	37,800
Transfers-out	-	(28,662)	-	-	-	-	-	-
Net other sources (uses) of financial resources	-	63,759	-	-	-	-	-	(675,970)
Net change in fund balances	-	115,573	5,592	-	(1,335)	(1,976)	1,814	(3,888)
Fund balances (deficits), July 1, 2018	-	(196,985)	11,284	-	2,429	3,998	52,942	53,088
FUND BALANCES (DEFICITS), JUNE 30, 2019	\$ -	\$ (81,412)	\$ 16,876	\$ -	\$ 1,094	\$ 2,022	\$ 54,756	\$ 49,200

(Continued)

State of Illinois
Department of Revenue

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

For the Year Ended June 30, 2019 (Expressed in Thousands)

	Nonmajor Special Revenue			
	Local Tourism 0969	Evidence Fund 1369	Eliminations	Total
REVENUES				
Federal operating grants	\$ -	\$ -	\$ -	\$ 28
Income taxes	-	-	-	2,797,641
Sales taxes	-	-	-	3,329,425
Motor fuel taxes	-	-	-	1,318,993
Public utility taxes	-	-	-	400,875
Other taxes	19,440	-	-	353,285
Licenses and fees	-	-	-	99,974
Other charges for services	-	-	-	2,756
Interest and other investment income	-	-	-	8,168
Other	-	-	-	35,976
Total revenues	19,440	-	-	8,347,121
EXPENDITURES				
General government	-	4	-	323,124
Health and social services	-	-	-	14,604
Education	-	-	-	1,683
Environmental and business regulation	-	-	-	5,538
Public protection and justice	-	-	-	788
Intergovernmental	-	-	-	5,697,022
Capital outlay	-	-	-	10,580
Total expenditures	-	4	-	6,053,339
Excess (deficiency) of revenues over (under) expenditures	19,440	(4)	-	2,293,782
OTHER SOURCES (USES) OF FINANCIAL RESOURCES				
Appropriations from State resources	-	-	-	102,176
Lapsed appropriations	-	-	-	(10,937)
Receipts collected and transmitted to State Treasury	(19,434)	-	-	(2,285,379)
Amount of SAMS transfers-in	-	-	-	(37,805)
Amount of SAMS transfers-out	-	-	-	7,488
Transfers-in	-	-	(38,124)	92,526
Transfers-out	-	-	38,124	(41,086)
Net other sources (uses) of financial resources	(19,434)	-	-	(2,173,017)
Net change in fund balances	6	(4)	-	120,765
Fund balances (deficits), July 1, 2018	3,405	9	-	488,722
FUND BALANCES (DEFICITS), JUNE 30, 2019	\$ 3,411	\$ 5	\$ -	\$ 609,487

(Concluded)

State of Illinois
Department of Revenue

**Combining Statement of Fiduciary Net Position -
Agency Funds**

June 30, 2019 (Expressed in Thousands)

	Agency							
	County Water Commission Tax 0084	Non-Home Rule Municipal ROT 0088	Home Rule Municipal Drink 0097	Soft ROT	Municipal Wireless Service Emergency 0125	Home Rule Municipal ROT 0138	Home Rule County ROT 0139	Business District ROT 0160
ASSETS								
Cash equity in State Treasury	\$ 144	\$ 31,997	\$ 2,016	\$ 1,455	\$ 163,774	\$ 117,398	\$ 5,193	
Cash and cash equivalents	-	-	-	-	-	-	-	-
Securities lending collateral equity with State Treasurer	39	6,871	-	-	32,778	22,356	-	-
Taxes receivable, net	-	7,602	959	-	50,086	31,591	2,692	-
Other receivables, net	-	47	-	25	224	153	-	-
Due from other Department funds	-	-	-	-	-	-	-	-
Total assets	\$ 183	\$ 46,517	\$ 2,975	\$ 1,480	\$ 246,862	\$ 171,498	\$ 7,885	
LIABILITIES								
Intergovernmental payables	\$ 144	\$ 39,646	\$ 2,975	\$ 1,480	\$ 214,084	\$ 149,142	\$ 7,885	
Obligations under securities lending of State Treasurer	39	6,871	-	-	32,778	22,356	-	-
Other liabilities	-	-	-	-	-	-	-	-
Total liabilities	\$ 183	\$ 46,517	\$ 2,975	\$ 1,480	\$ 246,862	\$ 171,498	\$ 7,885	

(Continued)

State of Illinois
Department of Revenue

**Combining Statement of Fiduciary Net Position -
Agency Funds**

June 30, 2019 (Expressed in Thousands)

	Agency						
	County Option Motor Fuel Tax 0190	County Public Safety ROT 0219	Sports Facility Tax Trust 0229	Private Vehicle Use Home Rule 0263	Metropolitan Pier & Expo. Auth. Trust 0337	Illinois Tourism Tax 0452	School Facility Occupation Tax 0498
ASSETS							
Cash equity in State Treasury	\$ 5,930	\$ 21,482	\$ -	\$ 4,461	\$ 25,350	\$ 5,819	\$ 29,058
Cash and cash equivalents	-	-	-	-	-	-	-
Securities lending collateral equity with State Treasurer	1,121	-	-	-	3,913	-	-
Taxes receivable, net	2,889	2,209	-	416	16,365	3,833	7,938
Other receivables, net	8	-	-	-	27	-	-
Due from other Department funds	-	-	-	-	-	-	-
Total assets	\$ 9,948	\$ 23,691	\$ -	\$ 4,877	\$ 45,655	\$ 9,652	\$ 36,996
LIABILITIES							
Intergovernmental payables	\$ 8,827	\$ 23,691	\$ -	\$ 4,877	\$ 41,742	\$ 9,652	\$ 36,996
Obligations under securities lending of State Treasurer	1,121	-	-	-	3,913	-	-
Other liabilities	-	-	-	-	-	-	-
Total liabilities	\$ 9,948	\$ 23,691	\$ -	\$ 4,877	\$ 45,655	\$ 9,652	\$ 36,996

(Continued)

State of Illinois
Department of Revenue

**Combining Statement of Fiduciary Net Position -
Agency Funds**

June 30, 2019 (Expressed in Thousands)

	Agency						
	Flood Prevention Occupation Tax 0558	Tax Suspense Trust 0583	Metro East Park & Recreation 0717	Municipal Telecom 0719	RTA Sales Tax Trust 0812	Metro East Mass Transit District Tax 0841	Tennessee Valley Authority Local Trust 0861
ASSETS							
Cash equity in State Treasury	\$ 2,769	\$ 5	\$ 1,188	\$ 38,221	\$ 174,314	\$ 7,287	\$ -
Cash and cash equivalents	-	-	-	-	-	-	-
Securities lending collateral equity with State Treasurer	-	-	-	-	41,235	1,606	-
Taxes receivable, net	653	-	121	2,818	32,519	1,280	-
Other receivables, net	-	-	2	-	281	11	-
Due from other Department funds	-	-	-	-	38,123	-	-
Total assets	\$ 3,422	\$ 5	\$ 1,311	\$ 41,039	\$ 286,472	\$ 10,184	\$ -
LIABILITIES							
Intergovernmental payables	\$ 3,422	\$ -	\$ 1,311	\$ 41,039	\$ 245,237	\$ 8,578	\$ -
Obligations under securities lending of State Treasurer	-	-	-	-	41,235	1,606	-
Other liabilities	-	5	-	-	-	-	-
Total liabilities	\$ 3,422	\$ 5	\$ 1,311	\$ 41,039	\$ 286,472	\$ 10,184	\$ -

(Continued)

State of Illinois
Department of Revenue

**Combining Statement of Fiduciary Net Position -
 Agency Funds**

June 30, 2019 (Expressed in Thousands)

	<u>Agency</u>			
	Municipal Automobile Renting Tax 0868	County Automobile Renting Tax 0869	Surety Bond 1151	Total
ASSETS				
Cash equity in State Treasury	\$ 1,824	\$ 61	\$ -	\$ 639,746
Cash and cash equivalents	-	-	233	233
Securities lending collateral equity with State Treasurer	377	13	-	110,309
Taxes receivable, net	104	-	-	164,075
Other receivables, net	3	-	-	781
Due from other Department funds	-	-	-	38,123
Total assets	<u>\$ 2,308</u>	<u>\$ 74</u>	<u>\$ 233</u>	<u>\$ 953,267</u>
LIABILITIES				
Intergovernmental payables	\$ 1,931	\$ 61	\$ -	\$ 842,720
Obligations under securities lending of State Treasurer	377	13	-	110,309
Other liabilities	-	-	233	238
Total liabilities	<u>\$ 2,308</u>	<u>\$ 74</u>	<u>\$ 233</u>	<u>\$ 953,267</u>

(Concluded)

State of Illinois
Department of Revenue

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

For the Year Ended June 30, 2019 (Expressed in Thousands)

	Balance at July 1, 2018		Additions	Deletions	Balance at June 30, 2019	
County Water Commission Tax (0084)						
ASSETS						
Cash equity in State Treasury	\$	178	\$	3	\$	37
Securities lending collateral equity with State Treasurer		72		1,173		1,206
Taxes receivable, net		23		-		23
Other receivables, net		-		3		3
Total assets	\$	273	\$	1,179	\$	1,269
LIABILITIES						
Intergovernmental payables	\$	201	\$	3	\$	60
Obligations under securities lending of State Treasurer		72		1,173		1,206
Total liabilities	\$	273	\$	1,176	\$	1,266
Non-Home Rule Municipal ROT (0088)						
ASSETS						
Cash equity in State Treasury	\$	28,355	\$	149,196	\$	145,554
Securities lending collateral equity with State Treasurer		8,993		194,847		196,969
Taxes receivable, net		6,399		149,905		148,702
Other receivables, net		36		505		494
Total assets	\$	43,783	\$	494,453	\$	491,719
LIABILITIES						
Intergovernmental payables	\$	34,790	\$	150,410	\$	145,554
Obligations under securities lending of State Treasurer		8,993		194,847		196,969
Total liabilities	\$	43,783	\$	345,257	\$	342,523
Home Rule Municipal Soft Drink ROT (0097)						
ASSETS						
Cash equity in State Treasury	\$	1,475	\$	10,809	\$	10,268
Taxes receivable, net		1,347		10,421		10,809
Total assets	\$	2,822	\$	21,230	\$	21,077
LIABILITIES						
Intergovernmental payables	\$	2,822	\$	10,421	\$	10,268
Total liabilities	\$	2,822	\$	10,421	\$	10,268
Municipal Wireless Service Emergency (0125)						
ASSETS						
Cash equity in State Treasury	\$	1,399	\$	6,299	\$	6,243
Other receivables, net		427		5,897		6,299
Total assets	\$	1,826	\$	12,196	\$	12,542
LIABILITIES						
Intergovernmental payables	\$	1,826	\$	5,897	\$	6,243
Total liabilities	\$	1,826	\$	5,897	\$	6,243

(Continued)

State of Illinois
Department of Revenue

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

For the Year Ended June 30, 2019 (Expressed in Thousands)

	Balance at July 1, 2018		Additions	Deletions	Balance at June 30, 2019	
Home Rule Municipal ROT (0138)						
ASSETS						
Cash equity in State Treasury	\$	164,664	\$ 1,070,737	\$	1,071,627	\$ 163,774
Securities lending collateral equity with State Treasurer		47,174	1,002,320		1,016,716	32,778
Taxes receivable, net		40,649	1,077,604		1,068,167	50,086
Other receivables, net		189	2,605		2,570	224
Total assets	\$	252,676	\$ 3,153,266	\$	3,159,080	\$ 246,862
LIABILITIES						
Intergovernmental payables	\$	205,502	\$ 1,080,209	\$	1,071,627	\$ 214,084
Obligations under securities lending of State Treasurer		47,174	1,002,320		1,016,716	32,778
Total liabilities	\$	252,676	\$ 2,082,529	\$	2,088,343	\$ 246,862
Home Rule County ROT (0139)						
ASSETS						
Cash equity in State Treasury	\$	115,719	\$ 785,766	\$	784,087	\$ 117,398
Securities lending collateral equity with State Treasurer		50,850	815,083		843,577	22,356
Taxes receivable, net		33,951	781,178		783,538	31,591
Other receivables, net		203	2,178		2,228	153
Total assets	\$	200,723	\$ 2,384,205	\$	2,413,430	\$ 171,498
LIABILITIES						
Intergovernmental payables	\$	149,873	\$ 783,356	\$	784,087	\$ 149,142
Obligations under securities lending of State Treasurer		50,850	815,083		843,577	22,356
Total liabilities	\$	200,723	\$ 1,598,439	\$	1,627,664	\$ 171,498
Business District ROT (0160)						
ASSETS						
Cash equity in State Treasury	\$	4,449	\$ 27,893	\$	27,149	\$ 5,193
Taxes receivable, net		1,727	28,858		27,893	2,692
Total assets	\$	6,176	\$ 56,751	\$	55,042	\$ 7,885
LIABILITIES						
Intergovernmental payables	\$	6,176	\$ 28,858	\$	27,149	\$ 7,885
Total liabilities	\$	6,176	\$ 28,858	\$	27,149	\$ 7,885
County Option Motor Fuel Tax (0190)						
ASSETS						
Cash equity in State Treasury	\$	5,961	\$ 34,048	\$	34,079	\$ 5,930
Securities lending collateral equity with State Treasurer		1,707	36,050		36,636	1,121
Taxes receivable, net		2,928	33,916		33,955	2,889
Other receivables, net		7	94		93	8
Total assets	\$	10,603	\$ 104,108	\$	104,763	\$ 9,948
LIABILITIES						
Intergovernmental payables	\$	8,896	\$ 34,010	\$	34,079	\$ 8,827
Obligations under securities lending of State Treasurer		1,707	36,050		36,636	1,121
Total liabilities	\$	10,603	\$ 70,060	\$	70,715	\$ 9,948

(Continued)

State of Illinois
Department of Revenue

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

For the Year Ended June 30, 2019 (Expressed in Thousands)

	Balance at July 1, 2018		Additions	Deletions	Balance at June 30, 2019	
County Public Safety ROT (0219)						
ASSETS						
Cash equity in State Treasury	\$	20,132	\$ 102,496	\$	101,146	\$ 21,482
Taxes receivable, net		503	104,202		102,496	2,209
Total assets	\$	20,635	\$ 206,698	\$	203,642	\$ 23,691
LIABILITIES						
Intergovernmental payables	\$	20,635	\$ 104,202	\$	101,146	\$ 23,691
Total liabilities	\$	20,635	\$ 104,202	\$	101,146	\$ 23,691
Sports Facility Tax Trust (0229)						
ASSETS						
Cash equity in State Treasury	\$	-	\$ 3,053	\$	3,053	\$ -
Taxes receivable, net		-	3,053		3,053	-
Total assets	\$	-	\$ 6,106	\$	6,106	\$ -
LIABILITIES						
Intergovernmental payables	\$	-	\$ 3,053	\$	3,053	\$ -
Total liabilities	\$	-	\$ 3,053	\$	3,053	\$ -
Private Vehicle Use Home Rule (0263)						
ASSETS						
Cash equity in State Treasury	\$	5,335	\$ 16,354	\$	17,228	\$ 4,461
Taxes receivable, net		65	16,705		16,354	416
Total assets	\$	5,400	\$ 33,059	\$	33,582	\$ 4,877
LIABILITIES						
Intergovernmental payables	\$	5,400	\$ 16,705	\$	17,228	4,877
Total liabilities	\$	5,400	\$ 16,705	\$	17,228	\$ 4,877
Metro Pier & Exposition Authority Trust (0337)						
ASSETS						
Cash equity in State Treasury	\$	77,322	\$ 157,217	\$	209,189	\$ 25,350
Securities lending collateral equity with State Treasurer		27,315	129,801		153,203	3,913
Taxes receivable, net		16,662	156,418		156,715	16,365
Other receivables, net		109	420		502	27
Total assets	\$	121,408	\$ 443,856	\$	519,609	\$ 45,655
LIABILITIES						
Accounts payable and accrued liabilities	\$	-	\$ -	\$	-	\$ -
Intergovernmental payables		94,093	156,838		209,189	41,742
Obligations under securities lending of State Treasurer		27,315	129,801		153,203	3,913
Total liabilities	\$	121,408	\$ 286,639	\$	362,392	\$ 45,655

(Continued)

State of Illinois
Department of Revenue

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

For the Year Ended June 30, 2019 (Expressed in Thousands)

	Balance at July 1, 2018		Additions	Deletions	Balance at June 30, 2019	
Illinois Tourism Tax (0452)						
ASSETS						
Cash equity in State Treasury	\$	5,081	\$ 27,544	\$	26,806	\$ 5,819
Taxes receivable, net		3,204	28,173		27,544	3,833
Total assets	\$	8,285	\$ 55,717	\$	54,350	\$ 9,652
LIABILITIES						
Intergovernmental payables	\$	8,285	\$ 28,173	\$	26,806	\$ 9,652
Total liabilities	\$	8,285	\$ 28,173	\$	26,806	\$ 9,652
School Facility Occupation Tax (0498)						
ASSETS						
Cash equity in State Treasury	\$	26,823	\$ 137,325	\$	135,090	\$ 29,058
Taxes receivable, net		6,511	138,752		137,325	7,938
Total assets	\$	33,334	\$ 276,077	\$	272,415	\$ 36,996
LIABILITIES						
Intergovernmental payables	\$	33,334	\$ 138,752	\$	135,090	\$ 36,996
Total liabilities	\$	33,334	\$ 138,752	\$	135,090	\$ 36,996
Flood Prevention Occupation Tax (0558)						
ASSETS						
Cash equity in State Treasury	\$	2,555	\$ 12,373	\$	12,159	\$ 2,769
Taxes receivable, net		549	12,477		12,373	653
Total assets	\$	3,104	\$ 24,850	\$	24,532	\$ 3,422
LIABILITIES						
Intergovernmental payables	\$	3,104	\$ 12,477	\$	12,159	\$ 3,422
Total liabilities	\$	3,104	\$ 12,477	\$	12,159	\$ 3,422
Tax Suspense Trust (0583)						
ASSETS						
Cash equity in State Treasury	\$	2	\$ 119	\$	116	\$ 5
Total assets	\$	2	\$ 119	\$	116	\$ 5
LIABILITIES						
Other liabilities	\$	2	\$ 119	\$	116	\$ 5
Total liabilities	\$	2	\$ 119	\$	116	\$ 5
Metro East Park and Recreation (0717)						
ASSETS						
Cash equity in State Treasury	\$	1,039	\$ 4,801	\$	4,652	\$ 1,188
Taxes receivable, net		162	4,739		4,780	121
Other receivables, net		1	22		21	2
Total assets	\$	1,202	\$ 9,562	\$	9,453	\$ 1,311
LIABILITIES						
Intergovernmental payables	\$	1,202	\$ 4,761	\$	4,652	\$ 1,311
Total liabilities	\$	1,202	\$ 4,761	\$	4,652	\$ 1,311

(Continued)

State of Illinois
Department of Revenue

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

For the Year Ended June 30, 2019 (Expressed in Thousands)

	Balance at July 1, 2018		Additions	Deletions	Balance at June 30, 2019	
Municipal Telecommunications (0719)						
ASSETS						
Cash equity in State Treasury	\$	44,047	\$ 183,963	\$ 189,789	\$	38,221
Taxes receivable, net		2,053	184,728	183,963		2,818
Total assets	\$	46,100	\$ 368,691	\$ 373,752	\$	41,039
LIABILITIES						
Intergovernmental payables	\$	46,100	\$ 184,728	\$ 189,789	\$	41,039
Total liabilities	\$	46,100	\$ 184,728	\$ 189,789	\$	41,039
RTA Sales Tax Trust (0812)						
ASSETS						
Cash equity in State Treasury	\$	153,060	\$ 1,317,838	\$ 1,296,584	\$	174,314
Securities lending collateral equity with State Treasurer		63,727	1,289,441	1,311,933		41,235
Taxes receivable, net		50,814	1,151,676	1,169,971		32,519
Other receivables, net		255	3,372	3,346		281
Due from other Department funds		36,471	146,173	144,521		38,123
Total assets	\$	304,327	\$ 3,908,500	\$ 3,926,355	\$	286,472
LIABILITIES						
Intergovernmental payables	\$	240,600	\$ 1,301,221	\$ 1,296,584	\$	245,237
Obligations under securities lending of State Treasurer		63,727	1,289,441	1,311,933		41,235
Total liabilities	\$	304,327	\$ 2,590,662	\$ 2,608,517	\$	286,472
Metro East Mass Transit Dist. Tax (0841)						
ASSETS						
Cash equity in State Treasury	\$	6,719	\$ 32,429	\$ 31,861	\$	7,287
Securities lending collateral equity with State Treasurer		2,141	49,734	50,269		1,606
Taxes receivable, net		1,372	32,210	32,302		1,280
Other receivables, net		9	129	127		11
Total assets	\$	10,241	\$ 114,502	\$ 114,559	\$	10,184
LIABILITIES						
Intergovernmental payables	\$	8,100	\$ 32,339	\$ 31,861	\$	8,578
Obligations under securities lending of State Treasurer		2,141	49,734	50,269		1,606
Total liabilities	\$	10,241	\$ 82,073	\$ 82,130	\$	10,184
Tennessee Valley Authority Local Trust (0861)						
ASSETS						
Cash equity in State Treasury	\$	-	\$ 224	\$ 224	\$	-
Total assets	\$	-	\$ 224	\$ 224	\$	-
LIABILITIES						
Intergovernmental payables	\$	-	\$ 224	\$ 224	\$	-
Total liabilities	\$	-	\$ 224	\$ 224	\$	-

(Continued)

State of Illinois
Department of Revenue

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

For the Year Ended June 30, 2019 (Expressed in Thousands)

	Balance at July 1, 2018		Additions		Deletions		Balance at June 30, 2019	
Municipal Automobile Renting Tax (0868)								
ASSETS								
Cash equity in State Treasury	\$	1,270	\$	7,745	\$	7,191	\$	1,824
Securities lending collateral equity with State Treasurer		438		9,939		10,000		377
Taxes receivable, net		489		7,335		7,720		104
Other receivables, net		2		26		25		3
Total assets	\$	2,199	\$	25,045	\$	24,936	\$	2,308
LIABILITIES								
Accounts payable and accrued liabilities	\$	-	\$	-	\$	-	\$	-
Intergovernmental payables		1,761		7,361		7,191		1,931
Obligations under securities lending of State Treasurer		438		9,939		10,000		377
Total liabilities	\$	2,199	\$	17,300	\$	17,191	\$	2,308
County Automobile Renting Tax (0869)								
ASSETS								
Cash equity in State Treasury	\$	38	\$	256	\$	233	\$	61
Securities lending collateral equity with State Treasurer		11		337		335		13
Taxes receivable, net		27		228		255		-
Other receivables, net		-		1		1		-
Total assets	\$	76	\$	822	\$	824	\$	74
LIABILITIES								
Intergovernmental payables	\$	65	\$	229	\$	233	\$	61
Obligations under securities lending of State Treasurer		11		337		335		13
Total liabilities	\$	76	\$	566	\$	568	\$	74
Surety Bond (1151)								
ASSETS								
Cash and cash equivalents	\$	272	\$	8	\$	47	\$	233
Total assets	\$	272	\$	8	\$	47	\$	233
LIABILITIES								
Other liabilities	\$	272	\$	8	\$	47	\$	233
Total liabilities	\$	272	\$	8	\$	47	\$	233
Total - All Agency Funds								
ASSETS								
Cash equity in State Treasury	\$	665,623	\$	4,088,488	\$	4,114,365	\$	639,746
Cash and cash equivalents		272		8		47		233
Securities lending collateral equity with State Treasurer		202,428		3,528,725		3,620,844		110,309
Taxes receivable, net		169,435		3,922,578		3,927,938		164,075
Other receivables, net		1,238		15,252		15,709		781
Due from other Department funds		36,471		146,173		144,521		38,123
Total assets	\$	1,075,467	\$	11,701,224	\$	11,823,424	\$	953,267
LIABILITIES								
Intergovernmental payables	\$	872,765	\$	4,084,227	\$	4,114,272	\$	842,720
Obligations under securities lending of State Treasurer		202,428		3,528,725		3,620,844		110,309
Other liabilities		274		127		163		238
Total liabilities	\$	1,075,467	\$	7,613,079	\$	7,735,279	\$	953,267

(Concluded)

**Independent Auditor's 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 Frank J. Mautino
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the State of Illinois, Department of Revenue (Department), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements and have issued our report thereon dated January 27, 2020.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free from 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2019-001.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Department's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying Schedule of Findings as item 2019-001 that we consider to be a material weakness.

State of Illinois, Department of Revenue's Response to the Finding

The Department's response to the finding identified in our audit is described in the accompanying schedule of findings. The Department's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

Schaumburg, Illinois
January 27, 2020

**State of Illinois
Department of Revenue
Schedule of Findings**

Current Findings – Government Auditing Standards

Finding 2019-001 Inadequate Internal Controls over Access to GenTax

The Department of Revenue (Department) did not have adequate internal controls over access to the enterprise tax system (GenTax). During fiscal year 2019, GenTax processed over 13.4 million tax transactions and \$48.0 billion in payments from taxpayers for the Department.

We requested the Department provide the populations of individuals hired and terminated from employment during the audit period. In response to our request, the Department provided the populations; however, they did not provide documentation demonstrating the populations were sufficiently precise and detailed under the Professional Standards promulgated by the American Institute of Certified Public Accountants (AU-C § 330, AU-C § 530). Even given the population limitations noted, we performed testing over the security control of GenTax utilizing the populations provided.

In order to obtain access to GenTax, the Department's Access Control Procedure states approvals have to be obtained from:

- Internal Affairs stating a background check has to be cleared,
- "Request for Access to Illinois Department of Revenue Systems" form is to be completed and approved, and
- An email from the business process owner documenting and approving the applicable access right to GenTax.

During our testing of a sample of GenTax security controls, we noted:

- 3 of 3 (100%) new users tested did not have a completed "Request for Access to the Illinois Department of Revenue Systems" form.
- 6 of 25 (24%) new users tested did not have an email from the business process owner documenting and approving the user access rights to GenTax.

The Department's Access Control Procedure states access to GenTax is to be disabled upon a user's departure. During our testing of the 31 users who departed during the fiscal year, we noted that 5 of 31 (16%) user's access were disabled from 2 to 125 days after departure.

Additionally, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department to establish and maintain a system, or systems, of internal administrative and fiscal controls to provide assurance revenues applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial reports and to maintain accountability over the State's resources.

Department management indicated, as they did in the prior year, the weaknesses were due to lack of oversight and inadequate communication between program areas and information security.

Failure to properly approve and disable users' access in a timely manner puts the Department at risk of unauthorized access to GenTax. (Finding Code No. 2019-001, 2018-002)

**State of Illinois
Department of Revenue**

Schedule of Findings (Continued)

Current Findings – *Government Auditing Standards*

Finding 2019-001 Inadequate Internal Controls over Access to GenTax (Continued)

Recommendation

We recommend the Department obtain the required documentation approving each user's access in accordance with the Access Control Procedure. In addition, the Department should ensure all Department user's access is timely disabled upon termination.

Department Response

Accepted. The Department does have processes in place to limit the ability of users to perform transactions upon termination; however, we agree improvements can be made. The Department has been working steadily to improve access controls to GenTax and will take the necessary corrective actions to implement the recommendations in this finding.

**State of Illinois
Department of Revenue**

Schedule of Findings (Continued)

Prior Year Findings Not Repeated

A. Finding (Inadequate Controls Over Changes to GenTax)

During the prior audit, the Department of Revenue and the Department of Employment Security (Departments) did not maintain adequate controls over changes to the enterprise-wide tax system (GenTax). Specifically, we noted the Departments could not provide a complete population of changes made to GenTax, the Departments did not maintain evidence of testing prior to implementing the changes into GenTax, changes were not adequately approved, and changes did not follow the required change control process in place.

During the current audit, the Departments were able to provide the auditors with a complete population of changes, maintained adequate testing documentation of the changes prior to implementing the changes into GenTax, changes were adequately approved, and the Departments implemented revised procedures to ensure proper controls over changes to GenTax. (Finding Code No. 2018-001, 2017-001)

B. Finding (Inadequate Controls over Tax Abatements)

During the prior audit, the Department of Revenue (Department) did not have adequate controls over income tax abatements resulting from tax credits issued under the Economic Development for a Growing Economy (EDGE) and Angel Investment Credit (AIC) programs administered by the Department of Commerce and Economic Opportunity. Specifically, neither the Department of Revenue or the Department of Commerce and Economic Opportunity were able to provide the EDGE and AIC tax credit agreements or certificate for all of the tax credits tested.

During the current audit, the Department had already updated the procedures on a prospective basis beginning with tax year 2018. For items relating to earlier tax years and on a going forward basis the Department worked with the Department of Commerce and Economic Opportunity to establish an automated solution to enable the appropriate exchange of information between the agencies. Based on those changes, the Department of Revenue and the Department of Commerce and Economic Opportunity were able to provide all requested tax credit agreements or certificates for the tax credits tested. (Finding Code No. 2018-003, 2017-002)