

**STATE OF ILLINOIS
DEPARTMENT OF
CENTRAL MANAGEMENT SERVICES**

FINANCIAL AUDIT

For the Year Ended June 30, 2004

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

**STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES**

FINANCIAL AUDIT

For the Year Ended June 30, 2004

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STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
FINANCIAL AUDIT

For the Year Ended June 30, 2004

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**STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES**

FINANCIAL AUDIT

For the Year Ended June 30, 2004

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NOTE: The 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* is issued under separate cover in the Compliance Report.

**STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES**

AGENCY OFFICIALS

Director	Mr. Michael M. Rumman
Assistant Director	Mr. Paul Campbell
Assistant Director	Mr. N. Keith Chambers
Chief Operating Officer	Mr. Brian Chapman
Chief Fiscal Officer	Mr. Ronald Banks
Chief Administrative Officer / General Counsel	Mr. H. Edward Wynn
Chief Internal Auditor (Illinois Office of Internal Audit)	Mr. John Cressman

Department offices are located at:

Stratton Office Building
401 South Spring Street
Springfield, Illinois 62706

**STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES**

FINANCIAL STATEMENT REPORT SUMMARY

The audit of the accompanying financial statements of the State of Illinois, Department of Central Management Services (Department) as of June 30, 2004 and for the year then ended, was performed by Sikich Gardner and Co, LLP as Special Assistant Auditors to the Auditor General, State of Illinois.

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



MEMBERS OF
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
ILLINOIS CPA SOCIETY

INDEPENDENT AUDITOR'S REPORT

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State of Illinois, Department of Central Management Services, as of and for the year ended June 30, 2004, which collectively comprise the Department of Central Management Services' basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of Illinois, Department of Central Management Services' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the financial statements of the State of Illinois, Department of Central Management Services are intended to present the financial position and changes in financial position and cash flows, where applicable, of only that portion of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State that is attributable to the transactions of the State of Illinois, Department of Central Management Services. They do not purport to, and do not, present fairly the financial position of the State of Illinois as of June 30, 2004, and its changes in financial position including cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State of Illinois, Department of Central Management Services as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 15, 2004 on our consideration of the State of Illinois, Department of Central Management Services' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and contracts. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Local Government Health Insurance Reserve Fund - Schedule of Claims for the Nine Years Ended June 30, 2004, Teacher Health Insurance Security Fund – Schedule of Claims for the Nine Years Ended June 30, 2004, and Community College Health Insurance Security Fund – Schedule of Claims for the Six Years Ended June 30, 2004 on pages 45 through 47 are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The State of Illinois, Department of Central Management Services has not presented a management's discussion and analysis and budgetary comparison information that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Illinois, Department of Central Management Services' basic financial statements. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

A handwritten signature in black ink that reads "Siskel Hardner & Co, LLP". The signature is written in a cursive, flowing style.

Springfield, Illinois

December 15, 2004 (Except for Note 12(c) as to which the date is February 22, 2005)

State of Illinois
Department of Central Management Services

Statement of Net Assets

June 30, 2004 (Expressed in Thousands)

	Governmental Activities	Business-type Activities	Total
ASSETS			
Unexpended appropriations	\$ 61,780	\$ -	\$ 61,780
Cash equity with State Treasurer	152,511	84,250	236,761
Cash and cash equivalents	24,236	6,951	31,187
Investments	4,366	-	4,366
Receivables, net:			
Taxes	5,164	-	5,164
Intergovernmental	737	128	865
Other	8,141	9,511	17,652
Unrestricted internal balances	11	(11)	-
Due from other Department fiduciary funds	17	-	17
Due from other State funds	51,539	-	51,539
Due from State of Illinois component units	5,805	-	5,805
Inventories	1,257	-	1,257
Prepaid expenses	908	-	908
Restricted assets:			
Cash and cash equivalents	108	-	108
Capital assets not being depreciated	37,706	-	37,706
Capital assets being depreciated, net	220,296	-	220,296
Total assets	574,582	100,829	675,411
LIABILITIES			
Accounts payable and accrued liabilities	251,047	45,706	296,753
Intergovernmental payables	11,258	-	11,258
Due to Department fiduciary funds	4,281	-	4,281
Due to other State fiduciary funds	89	-	89
Due to other State funds	28	-	28
Due to State of Illinois component units	1,135	-	1,135
Deferred revenues	8	-	8
Long term obligations:			
Due within one year	39,706	3	39,709
Due subsequent to one year	61,656	113	61,769
Total liabilities	369,208	45,822	415,030
NET ASSETS			
Invested in capital assets, net of related debt	231,462	-	231,462
Restricted for:			
Debt service	8,186	-	8,186
Capital projects	7,916	-	7,916
Unrestricted (deficits)	(42,190)	55,007	12,817
Total net assets	\$ 205,374	\$ 55,007	\$ 260,381

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

State of Illinois
Department of Central Management Services

Statement of Activities

For the Year Ended June 30, 2004 (Expressed in Thousands)

Functions/Programs	Expenses	Program	Net (Expense) Revenues and Changes in Net Assets		
		Revenues	Governmental Activities	Business-type Activities	Total
		Charges for Services			
Primary government					
Governmental activities					
Health and social services	\$ 550	\$ -	\$ (550)	\$ -	\$ (550)
General government	1,812,107	618,591	(1,193,516)	-	(1,193,516)
Interest	1,341	-	(1,341)	-	(1,341)
Total governmental activities	<u>1,813,998</u>	<u>618,591</u>	<u>(1,195,407)</u>	<u>-</u>	<u>(1,195,407)</u>
Business-type activities					
Insurance programs	335,476	360,530		25,054	25,054
Total business-type activities	<u>335,476</u>	<u>360,530</u>		<u>25,054</u>	<u>25,054</u>
Total primary government	<u>\$ 2,149,474</u>	<u>\$ 979,121</u>			<u>(1,170,353)</u>
General revenues					
Appropriations from State Resources			1,158,131	-	1,158,131
Lapsed appropriations			(9,768)	-	(9,768)
Receipts collected and transmitted to State Treasury			(1,041)	-	(1,041)
Public utility taxes			45,850	-	45,850
Interest and investment income			897	717	1,614
Other revenues			4,256	-	4,256
Capital transfers from other State agencies			4,272	-	4,272
Amount of SAMS transfer-in			(64,481)		(64,481)
Transfers-in			120,744	2,000	122,744
Transfers-out			(37,641)	(6,883)	(44,524)
Total general revenues and transfers			<u>1,221,219</u>	<u>(4,166)</u>	<u>1,217,053</u>
Change in net assets			25,812	20,888	46,700
Net assets, July 1, 2003			179,562	34,119	213,681
Net assets, June 30, 2004			<u>\$ 205,374</u>	<u>\$ 55,007</u>	<u>\$ 260,381</u>

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

State of Illinois
Department of Central Management Services

Balance Sheet -
Governmental Funds

June 30, 2004 (Expressed in Thousands)

	<u>General Fund</u>	<u>Road Fund</u>	<u>Non-major funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Unexpended appropriations	\$ 61,513	\$ 267	\$ -	\$ 61,780
Cash equity with State Treasurer	3	-	52,476	52,479
Cash and cash equivalents	-	-	2,015	2,015
Investments	-	-	4,366	4,366
Receivables, net:				
Taxes receivable	-	-	5,164	5,164
Intergovernmental receivables	-	-	15	15
Other receivables	351	-	22	373
Due from other Department funds	-	-	4,751	4,751
Due from other State funds	-	-	7,837	7,837
Due from State of Illinois component units	-	-	2,563	2,563
Total assets	<u>\$ 61,867</u>	<u>\$ 267</u>	<u>\$ 79,209</u>	<u>\$ 141,343</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 4,129	\$ -	\$ 19,059	\$ 23,188
Intergovernmental payables	187	-	6,633	6,820
Due to Department fiduciary funds	4,281	-	-	4,281
Due to other State fiduciary funds	65	-	1	66
Due to other Department funds	154,638	-	321	154,959
Due to other State funds	1	-	2	3
Due to State of Illinois component units	236	-	890	1,126
Deferred revenues	352	-	8	360
Matured portion of long-term obligations	2,973	267	-	3,240
Total liabilities	<u>166,862</u>	<u>267</u>	<u>26,914</u>	<u>194,043</u>
FUND BALANCES (DEFICITS)				
Reserved for:				
Encumbrances	33	-	125	158
Debt service	-	-	8,078	8,078
Unreserved, undesignated:				
General fund	(105,028)	-	-	(105,028)
Special revenue funds	-	-	44,092	44,092
Total fund balances (deficits)	<u>(104,995)</u>	<u>-</u>	<u>52,295</u>	<u>(52,700)</u>
Total liabilities and fund balances (deficits)	<u>\$ 61,867</u>	<u>\$ 267</u>	<u>\$ 79,209</u>	<u>\$ 141,343</u>

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

State of Illinois
Department of Central Management Services
Reconciliation of Governmental Funds Balance Sheet
to Statement of Net Assets
June 30, 2004
(Expressed in Thousands)

Total fund balances-governmental funds		\$ (52,700)
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		218,691
Internal service funds are used to charge costs of certain activities to individual funds. The assets and liabilities of the internal service funds are reported as governmental activities in the Statement of Net Assets.		129,463
Revenues in the Statement of Activities that do not provide current financial resources are deferred in the funds.		352
Some liabilities reported in the Statement of Net Assets do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds. These activities consist of:		
Installment purchase obligations	(252)	
Certificates of participation	(23,220)	
Capital lease obligations	-	
Accrued interest	(659)	
Compensated absences	(3,179)	
Workers' compensation	(59,997)	
Auto liability claims	(3,125)	
		(90,432)
Net assets of governmental activities		\$ 205,374

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

State of Illinois

Department of Central Management Services

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

For the Year Ended June 30, 2004 (Expressed in Thousands)

	<u>General Fund</u>	<u>Road Fund</u>	<u>Non-major funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Public utility taxes	\$ -	\$ -	45,850	\$ 45,850
Licenses and fees	-	-	1	1
Other charges for services	738	-	1,084	1,822
Interest and other investment income	-	-	409	409
Other	196	-	4,060	4,256
Total revenues	<u>934</u>	<u>-</u>	<u>51,404</u>	<u>52,338</u>
EXPENDITURES				
Health and social services	-	-	550	550
General government	1,006,774	103,514	100,311	1,210,599
Debt service - principal	184	-	2,706	2,890
Debt service - interest	17	-	1,400	1,417
Capital outlays	156	-	45	201
Total expenditures	<u>1,007,131</u>	<u>103,514</u>	<u>105,012</u>	<u>1,215,657</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,006,197)</u>	<u>(103,514)</u>	<u>(53,608)</u>	<u>(1,163,319)</u>
OTHER SOURCES (USES) OF FINANCIAL RESOURCES				
Appropriations from State resources	1,052,498	105,633	-	1,158,131
Lapsed appropriations	(7,655)	(2,113)	-	(9,768)
Receipts collected and transmitted to State Treasury	(1,035)	(6)	-	(1,041)
Amount of SAMS transfers-in	(64,481)	-	-	(64,481)
Transfers-in	64,482	-	133,394	197,876
Transfers-out	(31,009)	-	(62,386)	(93,395)
Net other sources (uses) of financial resources	<u>1,012,800</u>	<u>103,514</u>	<u>71,008</u>	<u>1,187,322</u>
Net change in fund balances	<u>6,603</u>	<u>-</u>	<u>17,400</u>	<u>24,003</u>
Fund balances (deficits), July 1, 2003	<u>(111,598)</u>	<u>-</u>	<u>34,895</u>	<u>(76,703)</u>
FUND BALANCES (DEFICITS), JUNE 30, 2004	<u>\$ (104,995)</u>	<u>\$ -</u>	<u>\$ 52,295</u>	<u>\$ (52,700)</u>

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

State of Illinois
Department of Central Management Services
Reconciliation of Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to Statement of Activities
For the Year Ended June 30, 2004
(Expressed in Thousands)

Net change in fund balances	\$	24,003
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which depreciation exceeded capital outlays in the current period.		(9,058)
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		2,890
Some capital assets were transferred in from other State agencies and therefore, were received as no cost.		3,966
Internal service funds are used to charge the costs of certain activities to individual funds. The net revenue of the internal service funds is reported as governmental activities in the Statement of Activities.		12,120
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		34
Proceeds from sales of capital assets are reported in the governmental funds. However, in the Statement of Activities, losses from the sale of capital assets are also reported. This is the amount the losses from the sale of capital assets exceeded proceeds.		(236)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. Below are such activities.		
Increase in compensated absences obligation		(446)
Increase in workers' compensation obligation		(8,634)
Decrease in auto liability claims		1,097
Decrease in accrued interest		76
		76
Change in net assets of governmental activities	\$	25,812

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

State of Illinois
Department of Central Management Services

Statement of Net Assets -
Proprietary Funds

June 30, 2004 (Expressed in Thousands)

	Business-Type Activities - Enterprise Funds Non-major Proprietary Funds	Governmental Activities - Internal Service Funds
ASSETS		
Cash equity with State Treasurer	\$ 84,250	\$ 100,032
Cash and cash equivalents	6,951	22,221
Receivables, net:		
Intergovernmental	128	722
Other	9,511	7,768
Due from other Department fiduciary funds	-	17
Due from other Department funds	-	153,484
Due from other State funds	-	43,702
Due from State of Illinois component units	-	3,242
Inventories	-	1,257
Prepaid expenses	-	908
Total current assets	100,840	333,353
Restricted assets:		
Cash and cash equivalents	-	108
Capital assets not being depreciated	-	1,761
Capital assets being depreciated, net	-	37,550
Total assets	100,840	372,772
LIABILITIES		
Accounts payable and accrued liabilities	45,706	227,200
Intergovernmental payables	-	4,438
Due to other State fiduciary funds	-	23
Due to other Department funds	11	3,265
Due to other State funds	-	25
Due to State of Illinois component units	-	9
Current portion of long-term obligations	3	2,785
Total current liabilities	45,720	237,745
Noncurrent portion of long-term obligations	113	5,564
Total liabilities	45,833	243,309
NET ASSETS		
Invested in capital assets, net of related debt	-	36,243
Net assets restricted for debt service	-	108
Unrestricted	55,007	93,112
Total net assets	\$ 55,007	\$ 129,463

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

State of Illinois

Department of Central Management Services

**Statement of Revenues, Expenses and Changes in
Fund Net Assets - Proprietary Funds**

For the Year Ended June 30, 2004 (Expressed in Thousands)

	Business-Type Activities - Enterprise Funds Non-major Proprietary Funds	Governmental Activities - Internal Service Funds
OPERATING REVENUES		
Charges for sales and services	\$ 354,450	\$ 1,632,536
Other	6,080	19,171
Total operating revenues	360,530	1,651,707
OPERATING EXPENSES		
Cost of sales and services	-	159,363
Benefit payments and refunds	331,582	1,407,724
General and administrative	3,894	28,817
Depreciation	-	12,137
Other	-	9,819
Total operating expenses	335,476	1,617,860
Operating income (loss)	25,054	33,847
NONOPERATING REVENUES (EXPENSES)		
Interest and investment income	717	488
Interest expense	-	(177)
Other expenses	-	(966)
Income (loss) before contributions	25,771	33,192
Capital contributions from CDB	-	306
Income (loss) before transfers	25,771	33,498
Transfers-in	2,000	6,960
Transfers-out	(6,883)	(28,338)
Change in net assets	20,888	12,120
Net assets, July 1, 2003	34,119	117,343
NET ASSETS, JUNE 30, 2004	\$ 55,007	\$ 129,463

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

State of Illinois
Department of Central Management Services

Statement of Cash Flows -
Proprietary Funds

For the Year Ended June 30, 2004 (Expressed in Thousands)

	Business-Type Activities - Enterprise Funds Non-major Proprietary Funds	Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from sales and services	\$ 353,034	\$ 176,550
Cash received from transactions with other funds	-	1,440,106
Cash payments to suppliers for goods and services	(332,603)	(1,636,520)
Cash payments to employees for services	(1,813)	(46,195)
Cash receipts from other operating activities	6,080	16,097
Cash payments for other operating activities	-	-
Net cash provided (used) by operating activities	<u>24,698</u>	<u>(49,962)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers-in from other funds	2,000	6,960
Transfers-out to other funds	(6,883)	(28,338)
Net cash provided (used) by noncapital financing activities	<u>(4,883)</u>	<u>(21,378)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from capital debt incurred, net of bond issuance costs	-	767
Acquisition and construction of capital assets	-	(9,668)
Principal paid on capital debt	-	(3,837)
Interest paid on capital debt	-	(177)
Net cash (used) by capital and related financing activities	<u>-</u>	<u>(12,915)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends on investments	697	508
Net cash provided (used) by investing activities	<u>697</u>	<u>508</u>
Net increase (decrease) in cash and cash equivalents	<u>20,512</u>	<u>(83,747)</u>
Cash and cash equivalents, July 1, 2003	<u>70,689</u>	<u>206,108</u>
CASH AND CASH EQUIVALENTS, JUNE 30, 2004	<u>\$ 91,201</u>	<u>\$ 122,361</u>
Reconciliation of cash and cash equivalents to the balance sheet:		
Total cash and cash equivalents per the balance sheet	\$ 91,201	\$ 122,253
Add: restricted cash equivalents	-	108
CASH AND CASH EQUIVALENTS, JUNE 30, 2004	<u>\$ 91,201</u>	<u>\$ 122,361</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
OPERATING INCOME (LOSS)	<u>\$ 25,054</u>	<u>\$ 33,847</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	-	12,137
Provision for uncollectible accounts	-	1
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(1,871)	(3,088)
(Increase) decrease in intergovernmental receivables	455	(173)
(Increase) decrease in due from other State funds	-	(19,095)
(Increase) decrease in due from State of Illinois component units	-	2,815
(Increase) decrease in inventory	-	93
(Increase) decrease in prepaid expenses	-	(308)
Increase (decrease) in accounts payable and accrued liabilities	1,074	(73,837)
Increase (decrease) in intergovernmental payables	(1)	4,274
Increase (decrease) in due to other State funds	(30)	(2,517)
Increase (decrease) in due to State of Illinois component units	-	(12)
Increase (decrease) in deferred revenues	-	(3,960)
Increase (decrease) in other liabilities	17	(139)
Total adjustments	<u>(356)</u>	<u>(83,809)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 24,698</u>	<u>\$ (49,962)</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Cost of installment purchases	\$ -	\$ 767
Contributions of capital assets from CDB	-	317
Total noncash investing, capital and financing activities	<u>\$ -</u>	<u>\$ 1,084</u>

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

State of Illinois
Department of Central Management Services

Statement of Fiduciary Net Assets

June 30, 2004 (Expressed in Thousands)

	<u>Pension Trust Fund</u>	
	State Employees' Deferred Compensation Plan	<u>Agency Funds</u>
ASSETS		
Cash equity with State Treasurer	\$ 3,651	\$ 10,826
Cash and cash equivalents	1,293	-
Investments	2,174,021	-
Other receivables, net	1,068	5
Due from other Department funds	-	4,281
Due from other State funds	-	6
Due from State of Illinois component units	-	109
Total assets	<u>2,180,033</u>	<u>15,227</u>
LIABILITIES		
Accounts payable and accrued liabilities	607	15,227
Due to other Department funds	17	-
Other liabilities	108	-
Total liabilities	<u>732</u>	<u>\$ 15,227</u>
NET ASSETS		
Held in trust for:		
Deferred compensation benefits	2,179,301	
Total net assets	<u>\$ 2,179,301</u>	

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

State of Illinois

Department of Central Management Services

Statement of Changes in Fiduciary Net Assets

For the Year Ended June 30, 2004 (Expressed in Thousands)

	Pension Trust Fund
	State Employees' Deferred Compensation Plan
Deposits/Contributions:	
Members/participants	\$ 136,229
Investment earnings:	
Interest, dividends and other investment income	40,577
Net appreciation of investments	298,662
Net investment income	339,239
Total additions	475,468
Deductions:	
Benefit payments and refunds	67,679
Participants' withdrawals	48,566
General and administration	1,293
Other	(445)
Total deductions	117,093
Net additions (deductions)	358,375
Net assets, July 1, 2003	1,820,926
Net assets, JUNE 30, 2004	\$ 2,179,301

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

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

Notes to Financial Statements

June 30, 2004

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STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

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(1) Organization

The Department of Central Management Services (the Department) is a part of the executive branch of government of the State of Illinois (State) and operates under the authority of and review by the Illinois General Assembly. The Department operates under a budget approved by the General Assembly in which resources 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 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 ESCO COP Debt Service Fund and the DPA COP Debt Service Fund.

The Department provides a variety of centralized services for the operation of State Government. The Department provides personnel services for State agencies; administers the State Employee Benefits Program; purchases goods and services for State agencies; supplies telecommunications, data processing, videoconferencing, and office automation; manages state property, and disseminates information about State Government to the news media and general public. It employs volume purchasing and economies of scale to reduce costs and improve government efficiency. The Department also promotes the economic development of minority and female businesses and rehabilitation facilities for persons with disabilities.

(2) Summary of Significant Accounting Policies

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

(a) Financial Reporting Entity

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

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

Based upon the required criteria, the Department has no component units and is not a component unit of any other entity. However, because the Department is not legally separate from the State of Illinois, the financial statements of the Department are included in the financial statements of the State of Illinois. The State of Illinois' Comprehensive Annual Financial Report may be

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DEPARTMENT OF CENTRAL MANAGEMENT SERVICES**

Notes to Financial Statements

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

(b) Basis of Presentation

The financial statements of the State of Illinois, Department of Central Management Services, are intended to present the financial position, the changes in financial position, and cash flows of only that portion of the governmental and business-type activities, by each major fund, and the aggregate remaining fund information of the State of Illinois that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the State of Illinois as of June 30, 2004, and the changes in financial position and cash flows 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 assets and statement of activities report the overall financial activity of the Department, excluding fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities of the Department. These statements distinguish between the *governmental* and *business-type* activities of the Department. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

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

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

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DEPARTMENT OF CENTRAL MANAGEMENT SERVICES**

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General – This is the State’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The services which are administered by the department and accounted for in the general fund include, among others, health and social services. Certain resources obtained from federal grants and used to support general governmental activities are accounted for in the General Fund consistent with applicable legal requirements.

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

The Department also administers internal service funds which account for data processing, printing, fleet management, telecommunications, and medical and dental benefits for State employees provided to agencies of the State on a reimbursement basis.

Additionally, the Department administers the following fiduciary fund types:

Pension Trust – Pension (and other employee benefit) trust funds account for resources required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other post-employment benefit plans, or other employee benefit plans.

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

(c) *Measurement Focus and Basis of Accounting*

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Nonexchange transactions, in which the Department gives (or receives) value without directly receiving (or giving) equal value in exchange, include public utility taxes and donations. On an accrual basis, revenues from public utility 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. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, 1) principal and interest on formal debt issues,

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such as bonds and capital leases, are recorded only when payment is due and 2) compensated absences and claims and judgments are recorded when they are expected to be liquidated with expendable available financial resources. General 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 public utility taxes, interest and other charges for services. All other revenue sources including fines, penalties, licenses and other miscellaneous revenues are considered to be measurable and available only when cash is received.

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

(d) *Shared Fund Presentation*

The financial statement presentation for the General Fund and the Road Fund represents only the portion of shared funds that can be directly attributed to the operations of the Department. Financial statements for total fund operations of the shared State funds are presented in the State of Illinois' Comprehensive Annual Financial Report.

In presenting these financial statements, certain unique accounts are used for the presentation of shared funds. The following accounts are used in these financial statements to present the Department's portion of shared funds:

Unexpended Appropriations

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

Appropriations from State Resources

This "other financing source" account represents the final legally adopted appropriation according to SAMS records. The amounts reported are net of any re-appropriations to subsequent years and the difference between current and prior year liabilities for re-appropriated accounts. Re-appropriations reflect the State's realignment of the budgetary needs to the subsequent year and avoid double counting a portion of the appropriation in more than one fiscal year.

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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.

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.

Receipts Collected and Transmitted to State Treasury

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

(e) Cash and Cash Equivalents

Cash equivalents are defined as short-term, highly liquid investments readily convertible to cash with original maturities of three months or less. Cash equivalents include cash on hand and petty cash funds.

(f) Inventories

Inventories of the State Garage Revolving Fund, consisting primarily of automotive parts, accessories, and supplies, are valued at cost, principally on the weighted average method. Inventories of the Statistical Services Revolving Fund and the Paper and Printing Revolving Fund, consisting primarily of paper and printing supplies, are valued at cost, principally on the first-in, first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

(g) 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 fund balance sheets or fund statements of net assets.

Reimbursements—repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are reported as

**STATE OF ILLINOIS
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expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

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

The Department also has activity with various component units of the State of Illinois for professional services rendered and on-behalf employee benefits paid.

(h) Capital Assets

Capital assets, which includes property, plant, and equipment, are reported at cost or estimated historical cost based on appraisals. Contributed assets are reported at estimated fair value at the time received. Capital assets are depreciated using the straight-line method.

Capitalization thresholds and the estimated useful lives are as follows:

Capital Asset Category	Capitalization Threshold	Estimated Useful Life
Land	\$100,000	N/A
Land Improvements	25,000	N/A
Buildings	100,000	10-60
Building Improvements	25,000	10-45
Equipment	5,000	3-25

(i) Compensated Absences

The liability for compensated absences reported in the government-wide, proprietary and fiduciary fund financial statements 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

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twelve sick days per year, but will not receive monetary compensation for any additional time earned after December 31, 1997. Sick days earned between 1984 and December 31, 1997 (with a 50% cash value) would only be used after all days with no cash value are depleted. Any sick days earned and unused after December 31, 1997 will be converted to service time for purposes of calculating employee pension benefits.

(j) Fund Balances

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for specific purpose. Designations of fund balances represent tentative State plans that are subject to change.

(k) Net Assets

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

Invested in Capital Assets, Net of Related Debt – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the State's policy to use restricted resources first, then unrestricted resources when they are needed.

Unrestricted – This consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

(l) Use of Estimates

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

(m) Health Benefits Claims Processing

By State statute, the Department is responsible for administering the State's health benefit programs. The Department contracts with third party administrators to process health, dental and prescription claims submitted by healthcare service providers relating to the applicable self-insured portions of the health benefit programs accounted for in the Local Government Health Insurance Reserve Fund, Teacher Health Insurance Security Fund, Community College Health Insurance Security Fund and Health Insurance Reserve Fund. It is the Department's policy to

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recognize claims expense and accrue any unpaid liability relating to claims incurred but not reported (IBNR) based on actuarial projections and reports of processed claims provided by the third-party administrators.

(n) State Employees' Deferred Compensation Plan Administration

By State statute the Department is responsible for administering the State Employees' Deferred Compensation Plan (Plan). The Department contracts with PRIMCO for investment management services and T. Rowe Price Retirement Plan Services, Inc. to provide recordkeeping services for the Plan. Additional investment management fees are paid to mutual fund managers before any dividends are declared in accordance with customary industry practices. Asset charges intended to cover the costs of administration, including investment management and recordkeeping fees, are computed monthly and withdrawn from participants' accounts on a monthly or quarterly basis. Effective January 1, 2001, the annual fee charged to participants was limited to a maximum of \$45. This fee was waived for calendar year 2004.

(3) Deposits and Investments

(a) Deposits

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

Cash on deposit for locally held funds had carrying amounts and bank balances of \$4.161 million at June 30, 2004. Of the bank balances, \$2.499 million was insured through federal depository insurance or collateral held by the Department or the Department's agent in the Department's name and \$1.662 million was uninsured and uncollateralized.

Deposits in the custody of the State Treasurer, or in transit, totaled \$236.761 million and \$14.671 million for governmental funds and fiduciary funds, respectively, at June 30, 2004. These deposits 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.

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(b) Investments

Investments are reported at fair value, net of applicable investment management fees. The fair value of investments (amounts expressed in thousands) as of June 30, 2004 were as follows:

	<u>Fair Value</u>
<i>Governmental and Business-Type Activities</i>	
Investments not subject to categorization:	
Money market mutual funds	\$ 27,026
Investment contracts	<u>4,366</u>
Total investments	<u><u>\$ 31,392</u></u>
<i>Fiduciary Funds</i>	
Investments not subject to categorization:	
Money market mutual funds	\$ 1,293
Investment contracts	501,051
Investment in mutual funds	1,670,586
Annuities	<u>2,384</u>
Total investments	<u><u>\$2,175,314</u></u>

Detail on the nature of these deposits and investments are available within the State of Illinois' Comprehensive Annual Financial Report.

**STATE OF ILLINOIS
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Notes to Financial Statements

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(c) Reconciliation to Statement of Net Assets and Statement of Fiduciary Net Assets

The Statement of Net Assets and Statement of Fiduciary Net Assets cash and cash equivalents contain certain short-term investments (included as investments above) to reflect their liquidity. A reconciliation follows:

<i>Governmental and Business-Type Activities</i>	<u>Deposits</u>	<u>Investments</u>
Amounts Per Note	\$ 4,161	\$ 31,392
Cash equivalents	27,026	(27,026)
Amounts per Statement of Net Assets	<u><u>\$ 31,187</u></u>	<u><u>\$ 4,366</u></u>
<i>Fiduciary Funds</i>	<u>Deposits</u>	<u>Investments</u>
Amounts Per Note	\$ -	\$ 2,175,314
Cash equivalents	1,293	(1,293)
Amounts per Statement of Fiduciary Net Assets	<u><u>\$ 1,293</u></u>	<u><u>\$ 2,174,021</u></u>

(d) Concentration of Credit Risk

Investments are financial instruments that potentially subject the State Employees' Deferred Compensation Plan (Plan) to significant concentrations of credit risk. The Plan maintains investments with various insurance companies and other financial institutions, which are located in many different states throughout the United States. The Plan's periodic evaluations of the relative credit standing of these insurance companies and other financial institution are considered in the Plan's investment strategy. Pursuant to GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*, the Plan's investments, including the cash advanced to a recordkeeping agent, are not subject to risk categorization.

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(4) Taxes Receivable

Taxes receivable (amounts expressed in thousands) at June 30, 2004 are as follows:

	<u>Nonmajor Governmental Funds</u>
Taxes receivables:	
Public utility	\$ <u>5,164</u>
Total taxes receivable	5,164
Less: allowance for uncollectible taxes	<u>-</u>
Taxes receivable, net	\$ <u><u>5,164</u></u>

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Notes to Financial Statements

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(5) Interfund Balances and Activity

(a) Balances Due to/from Other Funds

The following balances (amounts expressed in thousands) at June 30, 2004 represent amounts due from other Department and State of Illinois funds.

<u>Fund</u>	<u>Due from</u>			<u>Description/Purpose</u>
	<u>Other Department Funds</u>	<u>Other State Funds</u>	<u>Other Department Fiduciary Funds</u>	
Nonmajor governmental funds	\$ 4,751	\$ 7,837	\$ -	Due from other Department funds and other State funds pursuant to statutory efficiency initiatives, debt service payments, and purchase of federal surplus property.
Internal service funds	153,484	43,702	17	Due from other Department funds and other State funds for services provided.
Fiduciary funds	4,281	6	-	Due from other Department and other State funds for group insurance payments
	<u>\$ 162,516</u>	<u>\$ 51,545</u>	<u>\$ 17</u>	

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Notes to Financial Statements

June 30, 2004

The following balances (amounts expressed in thousands) at June 30, 2004 represent amounts due to other Department and State of Illinois funds.

Fund	Due to				Description/Purpose
	Other Department Funds	Other State Funds	Other Department Fiduciary Funds	Other State Fiduciary Funds	
General	\$ 154,638	\$ 1	\$ 4,281	\$ 65	Due to other Department funds for internal service fund services received and statutory efficiency initiatives, other State funds for services received, other Department fiduciary funds for group insurance payments, and other State fiduciary funds for retirement contributions.
Nonmajor governmental funds	321	2	-	1	Due to other Department funds for internal service fund services received, other State funds for services received, and other State fiduciary funds for retirement contributions.
Nonmajor proprietary funds	11	-	-	-	Due to other Department funds for internal service fund services received.
Internal service funds	3,265	25	-	23	Due to other Department funds for internal service fund services received and statutory efficiency initiatives, other State funds for services received, and other State fiduciary funds for retirement contributions.
Fiduciary Funds	17	-	-	-	Due to other Department funds for internal service fund services received.
	<u>\$ 158,252</u>	<u>\$ 28</u>	<u>\$ 4,281</u>	<u>\$ 89</u>	

**STATE OF ILLINOIS
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Notes to Financial Statements

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(b) Transfers to/from Other Funds

Interfund transfers in (amounts expressed in thousands) for the year ended June 30, 2004, were as follows:

<u>Fund</u>	<u>Transfers in from</u>		<u>Description/Purpose</u>
	<u>Other Department Funds</u>	<u>Other State Funds</u>	
General	\$ 59,159	\$ 5,323	Transfer from other Department funds and other State funds for statutory efficiency initiatives.
Nonmajor governmental funds	24,933	108,461	Transfers from other Department funds and other State funds pursuant to statutory efficiency initiatives and from other State funds for debt service requirements.
Nonmajor proprietary funds	-	2,000	Transfer from other State funds pursuant to statute.
Internal service funds	-	6,960	Transfer from other State funds pursuant to statute.
	<u>\$ 84,092</u>	<u>\$ 122,744</u>	

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Notes to Financial Statements

June 30, 2004

Interfund transfers out (amounts expressed in thousands) for the year ended June 30, 2004, were as follows:

<u>Fund</u>	<u>Transfers out to</u>		<u>Description/Purpose</u>
	<u>Other Department Funds</u>	<u>Other State Funds</u>	
General	\$ 6,130	\$ 24,879	Transfers to other Department funds pursuant to statutory efficiency initiatives and debt service requirements and to other State funds for program costs.
Nonmajor governmental funds	59,061	3,325	Transfer to other Department funds pursuant to statutory efficiency initiatives and other State funds due to budget shortfalls.
Nonmajor proprietary funds	-	6,883	Transfer to other State funds due to budget shortfalls.
Internal service funds	18,901	9,437	Transfer to other Department funds pursuant to statutory efficiency initiatives and other State funds pursuant to statute and due to budget shortfalls.
	<u>\$ 84,092</u>	<u>\$ 44,524</u>	

**STATE OF ILLINOIS
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Notes to Financial Statements

June 30, 2004

(6) Capital Assets

Capital asset activity (amounts expressed in thousands) for the year ended June 30, 2004 was as follows:

	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Net Transfers</u>	<u>Balance June 30, 2004</u>
Governmental activities:					
Capital assets not being depreciated:					
depreciated:					
Land and land improvements	\$ 36,697	\$ -	\$ -	\$ 35	\$ 36,732
Nondepreciable historical treasures and works of art	974	-	-	-	974
Total capital assets not being depreciated	<u>37,671</u>	<u>-</u>	<u>-</u>	<u>35</u>	<u>37,706</u>
Capital assets being depreciated:					
Site improvements	701	-	-	-	701
Buildings and building improvements	368,387	-	-	4,317	372,704
Equipment	125,171	9,869	13,518	210	121,732
Total capital assets being depreciated	<u>494,259</u>	<u>9,869</u>	<u>13,518</u>	<u>4,527</u>	<u>495,137</u>
Less: Accumulated depreciation:					
Site improvements	370	36	-	-	406
Buildings and building improvements	160,450	9,939	-	69	170,458
Equipment	104,880	11,421	12,534	210	103,977
Total accumulated depreciation	<u>265,700</u>	<u>21,396</u>	<u>12,534</u>	<u>279</u>	<u>274,841</u>
Total capital assets being depreciated, net	<u>228,559</u>	<u>(11,527)</u>	<u>984</u>	<u>4,248</u>	<u>220,296</u>
Governmental activity capital assets, net	<u>\$ 266,230</u>	<u>\$ (11,527)</u>	<u>\$ 984</u>	<u>\$ 4,283</u>	<u>\$ 258,002</u>

**STATE OF ILLINOIS
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Notes to Financial Statements

June 30, 2004

(6) Capital Assets (continued)

Depreciation expense for governmental activities (amounts expressed in thousands) for the year ended June 30, 2004 was charges to functions as follows:

General government \$ 21,396

(7) Long-Term Obligations

(a) Changes in Long-Term Obligations

Changes in long-term obligations (amounts expressed in thousands) for the year ended June 30, 2004 were a follows:

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004	Amounts Due Within One Year
Governmental activities:					
Compensated absences \$	8,153	\$ 4,266	\$ 3,959	\$ 8,460	\$ 827
Capital lease obligations	390	-	190	200	200
Installment purchase obligations	6,001	767	3,648	3,120	2,082
Certificates of participation	25,880	-	2,660	23,220	2,815
Workers' compensation claim obligations	51,363	42,305	30,431	63,237	32,182
Auto liability claim obligation	4,222	912	2,009	3,125	1,600
Total governmental activities	\$ 96,009	\$ 48,250	\$ 42,897	\$ 101,362	\$ 39,706

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DEPARTMENT OF CENTRAL MANAGEMENT SERVICES**

Notes to Financial Statements

June 30, 2004

(7) Long-Term Obligations (continued)

	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2004</u>	<u>Amounts Due Within One Year</u>
Business-type activities:					
Compensated absences \$	99	\$ 81	\$ 64	\$ 116	\$ 3

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

(b) Capital lease obligations

The Department leases office space and computer equipment with a historical cost and accumulated depreciation of \$1,842 and \$714, respectively, under capital lease arrangements. Although lease terms vary, certain leases are renewable subject to appropriation by the General Assembly. If renewal is reasonably assured, leases requiring appropriation by the General Assembly are considered non-cancelable leases for financial reporting. Future minimum lease payments (amounts expressed in thousands) at June 30, 2004 are as follows:

<u>Year ended June 30,</u>	<u>Amount</u>
2005	\$ 210
Total minimum lease payments	210
Less: amounts representing interest	(10)
Present value of minimum lease payments	\$ 200

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June 30, 2004

(c) *Installment purchase obligations*

The Department has acquired certain vehicles, electronic data processing and data storage equipment, and communication and video equipment through installment purchase arrangements. Future debt service requirements under installment purchase contracts (amounts expressed in thousands) at June 30, 2004, are as follows:

Year Ending June 30	Principal	Interest	Total
2005	\$ 2,082	\$ 79	\$ 2,161
2006	947	19	966
2007	71	4	75
2008	20	-	20
	\$ 3,120	\$ 102	\$ 3,222

(d) *Certificates of participation*

The Department financed the purchase of an office building in Chicago and energy conservation measures in various State owned buildings. This non-state issued certificate is sold by a private concern and is repaid by Department appropriations pursuant to an installment purchase agreement. Future debt service requirements under certificates of participation (amounts expressed in thousands) at June 30, 2004, are as follows:

Year Ending June 30	Principal	Interest	Total
2005	\$ 2,815	\$ 1,237	\$ 4,052
2006	2,985	1,070	4,055
2007	4,415	854	5,269
2008	895	700	1,595
2009	940	652	1,592
2010-2014	5,525	2,405	7,930
2015-2019	5,645	660	6,305
	\$ 23,220	\$ 7,578	\$ 30,798

(8) 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 Department retains the risk of loss (i.e. self insured) for these risks except minimal commercial insurance. There were no significant reductions in insurance coverage from the prior fiscal year. The amount of settlements has not exceeded insurance coverage in the past three fiscal years.

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Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claims liabilities are based upon the estimated ultimate cost of settling the claims including specific, incremental claim adjustment expenses, salvage, and subrogation and considering the effects of inflation and recent claim settlement trends including frequency and amount of payouts and other economic and social factors. Liabilities for incurred losses to be settled by fixed or reasonably determinable payments over a long period of time are reported at their present value using an interest rate of 4.1891% which is the average interest rate for fiscal year 2004 general obligation debt issues.

The Department's risk financing of auto liability has been determined using an estimate of claims outstanding. The liability is expected to be paid from future resources of the General Fund in the amount of \$3.125 million.

The Department's workers' compensation liability has been determined using claims outstanding and a projection of claims to be submitted, based upon prior years experience, to the Department. Claims that will be liquidated with expendable available financial resources have been recorded as a liability in the General Fund and the Road Fund in the amounts of \$2.973 million and \$267 thousand, respectively. The remaining portion of the liability, \$59.997 million, as of June 30, 2004, is included in the Department-wide financial statements. Of this liability, \$48.252 is expected to be paid from future resources of the General Fund and \$11.745 is expected to be paid from future resources of the Road Fund.

The following is a reconciliation of the Department's claims liabilities for the years June 30, 2003 and June 30, 2004.

Year Ended June 30	Beginning Balance	Claims Incurred	Decreases	Ending Balance
2003	\$ 50,070	\$ 42,308	\$ 36,793	\$ 55,585
2004	\$ 55,585	\$ 43,217	\$ 32,440	\$ 66,362

(9) Pension Plan

Substantially all of the Department's full-time employees who are not eligible for participation in another state-sponsored retirement plan participate in the State Employees' Retirement System (SERS), which is a pension trust fund in the State of Illinois reporting entity. The SERS is a single-employer defined benefit public employee retirement system (PERS) in which State employees participate, except those covered by the State Universities, Teachers', General Assembly, and Judges' Retirement Systems. The financial position and results of operations of the SERS for fiscal year 2004 are included in the State of Illinois' Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2004. The SERS issues a separate CAFR that may be obtained by writing to the SERS, 2101 South Veterans Parkway, Springfield, Illinois, 62794-9255.

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June 30, 2004

A summary of SERS benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established are included as an integral part of the SERS' CAFR. Also included is a discussion of employer and employee obligations to contribute and the authority under which those obligations are established.

The Department pays employer retirement contributions based upon an actuarially determined percentage of their payrolls. For fiscal year 2004, the employer contribution rate was 13.439%. Effective for pay periods beginning after December 31, 1991, the State opted to pay the employee portion of retirement for most State agencies (including the Department) with employees covered by the State Employees' and Teachers' Retirement Systems. However, effective with the fiscal year 2004 budget, the State opted to stop paying the portion or a part of the portion of retirement for many State agencies (including the Department) for certain classes of employees covered by the State Employees' and Teachers' Retirement Systems. The pickup, when applicable, is subject to sufficient annual appropriations and those employees covered may vary across employee groups and State agencies.

(10) Post-employment Benefits

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

(11) Fund Deficits

The General Fund had a deficit fund balance of \$104,995 (amount expressed in thousands) at June 30, 2004. This deficit results from the recognition of liabilities payable to the Health Insurance Reserve Fund for benefit claims and other operating expenses which will be paid with future year appropriations.

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(12) Commitments and Contingencies

(a) Operating leases

The Department leases a parking lot, warehouse, and several buildings in Springfield, under the terms of a noncancelable operating lease agreement that requires the Department to make minimum lease payments plus pay a pro rata share of certain operating costs. Rent expense under operating leases was \$41.796 million for the year ended June 30, 2004.

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

<u>Year ending June 30,</u>	<u>Amount</u>
2005	\$ 6,556
2006	6,117
2007	5,627
2008	3,781
2009	1,909
2010-2014	<u>1,676</u>
	<u>\$ 25,666</u>

(b) Wireless Carrier Reimbursements

The Wireless Carrier Reimbursement Fund is authorized to reimburse a wireless carrier for expenses incurred in complying with Federal Communications Commission wireless enhanced 9-1-1 service mandates from taxes collected by the wireless carrier. At June 30, 2004, \$8.722 million in expenses have been incurred by individual wireless carriers in excess of the taxes the individual wireless carriers have collected. On July 1, 2004, the administration of the Wireless Carrier Reimbursement Fund was transferred to the Illinois Commerce Commission.

(c) Federal Service Charges

The Department's internal service funds receive revenue from charges for services provided to various federal grants of the State which are subject to review and audit by federal grantor agencies. On January 20, 2005, the Department of Health and Human Services completed a review of charges from the Department's internal services funds and determined refunds to the federal government of \$1.361 million from the Statistical Services Revolving Fund and \$3.008 million from the Communications Revolving Fund for State fiscal years 2002 and 2003 were required under the Illinois Statewide Cost Allocation Plan. The allocation of certain overhead costs for internal service funds for State fiscal year 2004 could still be questioned as not being an eligible expenditure under the terms of the grants. At June 30, 2004, there were no other material questioned costs that have not been resolved with federal awarding agencies. However questioned costs could still be identified during audits to be conducted in the future. The Department believes there will be no material adjustments to the amounts charged to federal grants and has not recorded a provision for possible repayment.

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(d) *Litigation*

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

(13) Local Government Health Insurance Reserve Fund Risk Pool Disclosure

The Local Government Health Insurance Reserve Fund (LGHIRF) was established to provide health and dental insurance to participating local governmental entities. As of June 30, 2004 there were 577 local governmental entities participating with approximately 8,697 employees and 6,107 dependents covered. Each participating local governmental unit is required to enter into a written agreement with Department of Central Management Services. The agreement sets forth the responsibilities of both parties. The responsibilities required of the Department are:

- Setting and adjusting premium rates
- Billing and collection of monthly premiums from local governmental units
- Enrollment and termination of members and dependants after notification of the local governmental unit
- Establishment of a Local Government Health Plan Advisory Board, consisting of seven advisors from the participating local governmental units
- Establishment of the Local Government Health Insurance Fund
- Processing and payment of authorized claims

The responsibilities required of the local governmental units are:

- Enrollment of all employees and dependents that meet eligibility guidelines and who elect to participate
- Collection and transmission of monthly member and dependent premiums
- Designation of a Health Plan Representative
- Participation in the program for a minimum of two years

The Local Government Health Insurance Reserve Fund (LGHIRF) had previously contracted with third-party reinsurers for reinsurance coverage. However, no such coverage was in place for the year ended June 30, 2004.

The basis used in calculating the estimated liability for future claims is based on claims reported but not paid during the fiscal year plus an estimate of claims incurred but not reported (IBNR). The estimate for claims incurred but not reported was calculated using a factor based on historical experience stated as a percentage of claims reported vs. total claims incurred during the policy cycle. For the year ended June 30, 2004, all claims are paid on a two-year claim cycle.

Based on the above method, the liability for future claims (amounts expressed in thousands) at June 30, 2004 is as follows:

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Claims incurred and reported but not paid as of June 30	\$ 2,440
Estimated liability for claims incurred but not reported	7,893
Total estimated liability for future claims	<u>\$ 10,333</u>

A reconciliation of total benefit claim payments and refunds including claims adjustment expense is as follows (amounts expressed in thousands):

Payments made for benefit claims	\$ 69,460
Less: Liability for unpaid claims, beginning of year	11,559
Subtotal	<u>57,901</u>
Add: Liability for unpaid claims, end of year	10,333
Total benefit claim payments and refunds	<u>\$ 68,234</u>

(14) Teacher Health Insurance Security Fund Risk Pool Disclosure

The Teacher Health Insurance Security Fund (THISF) was established to provide health insurance for the Illinois Teachers' Retirement System (TRS) benefit recipients and dependent beneficiaries. As of June 30, 2004 there were approximately 44,346 annuitants and 8,535 dependents covered. The Department works in conjunction with the Illinois Teachers' Retirement System to administer this plan. The responsibilities required of the Department are:

- Setting and adjusting premium rates
- Establishment of the Teachers Health Insurance Security Fund
- Processing and payment of authorized claims
- Other matters noted in administration of the fund

The responsibilities required of the TRS are:

- Enrollment of annuitants and dependents that meet eligibility guidelines and who elect to participate
- Termination of membership for annuitants and dependents
- Collection and transmission of monthly annuitant and dependent premiums
- Collection and transmission of one-half of one percent contributions from active teachers for program funding purposes

The Teacher Health Insurance Security Fund (THISF) was created on July 1, 1995, but the health insurance program administered by the Department did not start until January 1, 1996. THISF had

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previously contracted with third-party reinsurers for reinsurance coverage. However, no such coverage was in place for the year ended June 30, 2004.

The basis used in calculating the estimated liability for future claims is based on claims reported but not paid during the fiscal year plus an estimate of claims incurred but not reported (IBNR). The estimate for claims incurred but not reported was calculated using a factor based on historical experience stated as a percentage of claims reported vs. total claims incurred during the policy cycle. For the year ended June 30, 2004, all claims are paid on a two-year claim cycle.

Based on the above method, the liability for future claims (amounts expressed in thousands) at June 30, 2004 is as follows:

Claims incurred and reported but not paid as of June 30	\$ 7,797
Estimated liability for claims incurred but not reported	25,631
Total estimated liability for future claims	<u>\$ 33,428</u>

A reconciliation of total benefit claim payments and refunds including claims adjustment expense is as follows (amounts expressed in thousands):

Payments made for benefit claims	\$ 244,543
Less: Liability for unpaid claims, beginning of year	30,546
Subtotal	<u>213,997</u>
Add: Liability for unpaid claims, end of year	33,428
Total benefit claim payments and refunds	<u>\$ 247,425</u>

(15) Community College Health Insurance Security Fund Risk Pool Disclosure

The Community College Health Insurance Security Fund (CCHISF) was established to provide health and dental insurance for the Illinois community college retirees and dependent beneficiaries. As of June 30, 2004 there were approximately 3,140 annuitants and 754 dependents covered. The Department works in conjunction with the State Universities Retirement System (SURS) to administer this plan. The responsibilities required of the Department are:

- Setting and adjusting premium rates
- Establishment of the Community College Health Insurance Security Fund
- Processing and payment of authorized claims
- Other matters noted in administration of the fund

The responsibilities required of SURS are:

- Enrollment of annuitants and dependents that meet eligibility guidelines and who elect to participate

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- Termination of membership for annuitants and dependents
- Collection and transmission of monthly annuitant and dependent premiums
- Collection and transmission of one-half of one percent contributions from active community college employees for program funding purposes

The Community College Health Insurance Security Fund (CCHISF) was created on January 1, 1999, but the health insurance program administered by the Department did not start until July 1, 1999. CCHISF had previously contracted with third-party reinsurers for reinsurance coverage. However, no such coverage was in place for the year ended June 30, 2004.

The basis used in calculating the estimated liability for future claims is based on claims reported but not paid during the fiscal year plus an estimate of claims incurred but not reported (IBNR). The estimate for claims incurred but not reported was calculated using a factor based on historical experience stated as a percentage of claims reported vs. total claims incurred during the policy cycle. For the year ended June 30, 2004, all claims are paid on a two-year claim cycle.

Based on the above method, the liability for future claims (amounts expressed in thousands) at June 30, 2004 is as follows:

Claims incurred and reported but not paid as of June 30	\$ 393
Estimated liability for claims incurred but not reported	1,383
Total estimated liability for future claims	\$ 1,776

A reconciliation of total benefit claim payments and refunds including claims adjustment expense is as follows (amounts expressed in thousands):

Payments made for benefit claims	\$ 16,347
Less: Liability for unpaid claims, beginning of year	2,200
Subtotal	14,147
Add: Liability for unpaid claims, end of year	1,776
Total benefit claim payments and refunds	\$ 15,923

(16) State Employees' Deferred Compensation Plan General Description

Under State Employees' Deferred Compensation Plan (Plan) provisions, all State employees are eligible to voluntarily elect to contribute a portion of their compensation to the Plan through payroll deduction. The Plan was created in accordance with the Illinois Compiled Statutes (40 ILCS 5/24-101) and Section 457 of the Internal Revenue Code. The financial position and results of operations of the Plan for fiscal year 2004 are included in the State's Comprehensive Annual Financial Report for the year ended June 30, 2004. The Plan issues separate financial statements on a calendar year basis that may be obtained by writing to the Deferred Compensation Plan, 201 E. Madison, Suite 1C, P.O. Box 19208, Springfield, Illinois 62794-9208.

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The following description of the Plan is only general information. Participants and other interested parties should refer to the Plan agreement for a complete description of all Plan provisions.

Federal law requires the assets of the Plan and the income earned thereon to be held in trust for the exclusive benefit of the Plan participants and their beneficiaries. Participants' rights under the Plan are limited to an amount equal to the fair value of the deferral account for each individual participant.

In compliance with Section 457 of the Internal Revenue Code, the Plan limits the amount of an individual's annual contribution to 100 percent of their annual taxable compensation, not to exceed \$12,000 (\$14,000 for participants age 50 or older) and \$13,000 (\$16,000 for participants age 50 and older) for calendar years 2003 and 2004, respectively. The State does not make any contributions to the Plan. The Plan allows participants a limited make-up on deferrals in the three years prior to the year a participant reaches normal retirement age. For each of these three years, a participant can defer the regular limit plus an additional amount based on actual underutilized deferrals, which were made in prior years, up to a maximum of \$24,000 and \$26,000 for calendar years 2003 and 2004, respectively.

Participants may withdraw the current value of funds contributed upon termination of employment with the State of Illinois. Withdrawals can also be made due to financial hardship if approved by a committee established by the Plan. Upon retirement, participants may select various payment options, including lump sum or periodic payments. The participants may also elect to delay the distribution of their accounts to a specific future date. Death beneficiaries may select similar payment options as retired employees. All investments are assets of the Plan until such time as payments are made to participants.

(17) Subsequent Event

The Department is continuing to consolidate state-wide administrative functions for such items as facilities management, workers compensation, information technology, etc. to realize savings initiatives for the State of Illinois.

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Schedule of Claims
Local Government Health Insurance Reserve Fund (193)

For the Nine Years Ended June 30, 2004

DEVELOPMENT INFORMATION

The table below illustrates how the Fund's earned required contribution and investment income compared to related costs of loss and other expenses assumed by the Fund as of the following fiscal year ends (expressed in thousands).

The following information for the nine fiscal years ended June 30, 2004 is being gathered prospectively, as data becomes available because the revenues and expenses were first allocated between earned and ceded for the fiscal year ended June 30, 1996.

	2004	2003	2002	2001	2000	1999	1998	1997	1996
Net earned required contribution and investment revenue:									
Earned	\$ 72,400	\$ 81,854	\$ 88,640	\$ 87,366	\$ 71,645	\$ 57,656	\$ 44,006	\$ 38,774	\$ 36,695
Ceded	-	-	-	(1,234)	(1,210)	(596)	(628)	(394)	(619)
Net earned revenue	<u>72,400</u>	<u>81,854</u>	<u>88,640</u>	<u>86,132</u>	<u>70,435</u>	<u>57,060</u>	<u>43,378</u>	<u>38,380</u>	<u>36,076</u>
Unallocated expenses	<u>2,796</u>	<u>785</u>	<u>827</u>	<u>751</u>	<u>1,390</u>	<u>489</u>	<u>823</u>	<u>587</u>	<u>627</u>
Estimated incurred claims and expense, end of policy year:									
Incurred	67,837	71,465	79,534	86,543	80,892	59,034	49,481	41,401	32,270
Ceded	-	-	-	(80)	924	(1,256)	444	(647)	(520)
Net incurred claims	<u>67,837</u>	<u>71,465</u>	<u>79,534</u>	<u>86,463</u>	<u>81,816</u>	<u>57,778</u>	<u>49,925</u>	<u>40,754</u>	<u>31,750</u>
Paid (cumulative) as of:									
End of policy year	<u>64,416</u>	<u>58,355</u>	<u>82,262</u>	<u>76,091</u>	<u>63,807</u>	<u>51,981</u>	<u>47,437</u>	<u>38,043</u>	<u>26,655</u>
One year later		<u>63,399</u>	<u>99,967</u>	<u>87,785</u>	<u>74,517</u>	<u>60,016</u>	<u>53,005</u>	<u>42,015</u>	<u>30,247</u>
Two years later			<u>99,967</u>	<u>87,785</u>	<u>74,517</u>	<u>60,016</u>	<u>53,027</u>	<u>42,082</u>	<u>30,409</u>
Three years later				<u>87,785</u>	<u>74,517</u>	<u>60,016</u>	<u>53,027</u>	<u>41,888</u>	<u>30,430</u>
Four years later					<u>74,517</u>	<u>60,016</u>	<u>53,027</u>	<u>41,888</u>	<u>30,430</u>
Re-estimated ceded losses and expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,980</u>	<u>1,522</u>	<u>1,256</u>	<u>82</u>	<u>776</u>	<u>595</u>
Re-estimated incurred claims and expense:									
End of policy year	<u>74,749</u>	<u>69,914</u>	<u>97,965</u>	<u>97,779</u>	<u>83,618</u>	<u>58,376</u>	<u>53,041</u>	<u>42,444</u>	<u>30,836</u>
One year later		<u>63,399</u>	<u>99,967</u>	<u>87,785</u>	<u>74,517</u>	<u>60,016</u>	<u>53,005</u>	<u>42,015</u>	<u>30,247</u>
Two years later			<u>99,967</u>	<u>87,785</u>	<u>74,517</u>	<u>60,016</u>	<u>53,027</u>	<u>42,082</u>	<u>30,409</u>
Three years later				<u>87,785</u>	<u>74,517</u>	<u>60,016</u>	<u>53,027</u>	<u>41,888</u>	<u>30,430</u>
Four years later					<u>74,517</u>	<u>60,016</u>	<u>53,027</u>	<u>41,888</u>	<u>30,430</u>
Increase (decrease) in estimated incurred claims and expense from end of policy year	<u>\$ -</u>	<u>\$ (6,515)</u>	<u>\$ 2,002</u>	<u>\$ (9,994)</u>	<u>\$ (9,101)</u>	<u>\$ 1,640</u>	<u>\$ (14)</u>	<u>\$ (556)</u>	<u>\$ (406)</u>

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Schedule of Claims
Teacher Health Insurance Security Fund (203)
For the Nine Years Ended June 30, 2004

DEVELOPMENT INFORMATION

The table below illustrates how the Fund's earned required contribution and investment income compared to related costs of loss and other expenses assumed by the Fund as of the following fiscal year ends (expressed in thousands).

The following information for the nine fiscal years ended June 30, 2004 is being gathered prospectively, as data becomes available because the revenues and expenses were first allocated between earned and ceded for the fiscal year ended June 30, 1996.

	2004	2003	2002	2001	2000	1999	1998	1997	1996
Net earned required contribution and investment revenue:									
Earned	\$ 265,947	\$220,189	\$186,120	\$128,177	\$110,312	\$102,430	\$ 97,044	\$ 94,623	\$ 87,660
Ceded	-	-	-	-	-	-	-	(314)	-
Net earned revenue	<u>265,947</u>	<u>220,189</u>	<u>186,120</u>	<u>128,177</u>	<u>110,312</u>	<u>102,430</u>	<u>97,044</u>	<u>94,309</u>	<u>87,660</u>
Unallocated expenses	<u>7,252</u>	<u>1,608</u>	<u>2,146</u>	<u>1,934</u>	<u>1,735</u>	<u>2,407</u>	<u>2,401</u>	<u>1,083</u>	<u>759</u>
Estimated incurred claims and expense, end of policy year:									
Incurred	242,211	203,664	172,805	155,601	124,892	103,347	91,564	78,395	71,192
Ceded	-	-	-	-	-	-	-	-	-
Net incurred claims	<u>242,211</u>	<u>203,664</u>	<u>172,805</u>	<u>155,601</u>	<u>124,892</u>	<u>103,347</u>	<u>91,564</u>	<u>78,395</u>	<u>71,192</u>
Paid (cumulative) as of:									
End of policy year	<u>231,176</u>	<u>187,152</u>	<u>166,198</u>	<u>140,460</u>	<u>104,660</u>	<u>89,918</u>	<u>83,545</u>	<u>75,947</u>	<u>65,363</u>
One year later		<u>200,519</u>	<u>184,982</u>	<u>155,200</u>	<u>117,117</u>	<u>98,931</u>	<u>93,628</u>	<u>83,317</u>	<u>72,125</u>
Two years later			<u>184,982</u>	<u>155,200</u>	<u>117,117</u>	<u>98,931</u>	<u>93,205</u>	<u>83,334</u>	<u>72,298</u>
Three years later				<u>155,200</u>	<u>117,117</u>	<u>98,931</u>	<u>93,205</u>	<u>83,334</u>	<u>72,266</u>
Four years later					<u>117,117</u>	<u>98,931</u>	<u>93,205</u>	<u>83,334</u>	<u>72,330</u>
Re-estimated ceded losses and expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>59</u>	<u>-</u>	<u>-</u>
Re-estimated incurred claims and expense:									
End of policy year	<u>264,604</u>	<u>217,698</u>	<u>196,167</u>	<u>167,062</u>	<u>127,460</u>	<u>100,201</u>	<u>89,435</u>	<u>80,668</u>	<u>74,291</u>
One year later		<u>200,519</u>	<u>184,982</u>	<u>155,200</u>	<u>117,117</u>	<u>98,931</u>	<u>93,628</u>	<u>83,317</u>	<u>72,125</u>
Two years later			<u>184,982</u>	<u>155,200</u>	<u>117,117</u>	<u>98,931</u>	<u>93,205</u>	<u>83,334</u>	<u>72,298</u>
Three years later				<u>155,200</u>	<u>117,117</u>	<u>98,931</u>	<u>93,205</u>	<u>83,334</u>	<u>72,266</u>
Four years later					<u>117,117</u>	<u>98,931</u>	<u>93,205</u>	<u>83,334</u>	<u>72,330</u>
Increase (decrease) in estimated incurred claims and expense from end of policy year	<u>\$ -</u>	<u>\$ (17,179)</u>	<u>\$ (11,185)</u>	<u>\$ (11,862)</u>	<u>\$ (10,343)</u>	<u>\$ (1,270)</u>	<u>\$ 3,770</u>	<u>\$ 2,666</u>	<u>\$ (1,961)</u>

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

Schedule of Claims
Community College Health Insurance Security Fund (577)
For the Six Years Ended June 30, 2004

DEVELOPMENT INFORMATION

The table below illustrates how the Fund's earned required contribution and investment income compared to related costs of loss and other expenses assumed by the Fund as of the following fiscal year ends (expressed in thousands).

The following information for the six fiscal years ended June 30, 2004 is being gathered prospectively, as data becomes available because the revenues and expenses were first allocated between earned and ceded for the fiscal year ended June 30, 1999 which is the year the fund began.

	2004	2003	2002	2001	2000	1999
Net earned required contribution and investment revenue:						
Earned	\$ 16,820	\$ 15,259	\$ 13,704	\$ 12,373	\$ 10,786	\$ 3,850
Ceded	-	-	-	-	-	-
Net earned revenue	<u>16,820</u>	<u>15,259</u>	<u>13,704</u>	<u>12,373</u>	<u>10,786</u>	<u>3,850</u>
Unallocated expenses	<u>729</u>	<u>438</u>	<u>419</u>	<u>403</u>	<u>320</u>	<u>330</u>
Estimated incurred claims and expense, end of policy year:						
Incurred	15,454	13,248	10,346	8,841	5,025	-
Ceded	-	-	-	-	-	-
Net incurred claims	<u>15,454</u>	<u>13,248</u>	<u>10,346</u>	<u>8,841</u>	<u>5,025</u>	<u>-</u>
Paid (cumulative) as of:						
End of policy year	<u>15,772</u>	<u>12,061</u>	<u>9,784</u>	<u>7,108</u>	<u>4,587</u>	<u>-</u>
One year later		<u>12,636</u>	<u>10,816</u>	<u>7,798</u>	<u>5,101</u>	<u>-</u>
Two years later			<u>10,816</u>	<u>7,798</u>	<u>5,101</u>	<u>-</u>
Three years later				<u>7,798</u>	<u>5,101</u>	<u>-</u>
Four years later					<u>5,101</u>	<u>-</u>
Re-estimated ceded losses and expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Re-estimated incurred claims and expense:						
End of policy year	<u>17,548</u>	<u>14,261</u>	<u>11,469</u>	<u>8,827</u>	<u>5,025</u>	<u>-</u>
One year later		<u>12,636</u>	<u>10,816</u>	<u>7,798</u>	<u>5,101</u>	<u>-</u>
Two years later			<u>10,816</u>	<u>7,798</u>	<u>5,101</u>	<u>-</u>
Three years later				<u>7,798</u>	<u>5,539</u>	<u>-</u>
Four years later					<u>5,539</u>	<u>-</u>
Increase (decrease) in estimated incurred claims and expense from end of policy year	<u>\$ -</u>	<u>\$ (1,625)</u>	<u>\$ (653)</u>	<u>\$ (1,029)</u>	<u>\$ 514</u>	<u>\$ -</u>

State of Illinois
Department of Central Management Services

Combining Balance Sheet -
Non-major Governmental Funds

June 30, 2004 (Expressed in Thousands)

	Special Revenue					
	Facilities Management Revolving	Senior Citizens and Disabled Persons Program	Workers' Compensation Revolving	Minority and Female Business Enterprise	Wireless Service Emergency	Wireless Carrier Reimburse- ment
ASSETS						
Cash equity with State Treasurer	\$ 125	\$ 219	\$ 565	\$ 10	\$ 3,210	\$ 7,677
Cash and cash equivalents	-	-	-	-	-	-
Investments	-	-	-	-	-	-
Receivables, net:						
Taxes	-	-	-	-	3,443	1,721
Intergovernmental	-	-	-	-	-	-
Other	-	15	-	-	-	-
Due from other Department funds	-	-	-	-	-	-
Due from other State funds	-	-	-	-	-	-
Due from State of Illinois component units	-	-	-	-	-	-
Total assets	\$ 125	\$ 234	\$ 565	\$ 10	\$ 6,653	\$ 9,398
LIABILITIES						
Accounts payable and accrued liabilities	\$ 26	\$ 4	\$ 283	\$ -	\$ -	\$ 1,744
Intergovernmental payables	-	-	-	-	6,633	-
Due to other State fiduciary funds	-	-	-	-	-	-
Due to other Department funds	1	-	-	-	20	20
Due to other State funds	-	-	-	-	-	-
Due to State of Illinois component units	6	-	-	-	-	-
Deferred Revenues	6	-	-	-	-	-
Total liabilities	39	4	283	-	6,653	1,764
FUND BALANCES						
Reserved for:						
Encumbrances	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Unreserved, unrestricted	86	230	282	10	-	7,634
Total fund balances	86	230	282	10	-	7,634
Total liabilities and fund balances	\$ 125	\$ 234	\$ 565	\$ 10	\$ 6,653	\$ 9,398

State of Illinois
Department of Central Management Services

**Combining Balance Sheet -
Non-major Governmental Funds**

June 30, 2004 (Expressed in Thousands)

	Special Revenue			Debt Service		Total
	State Surplus Property Revolving	Efficiency Initiatives Revolving	Special Events Revolving	ESCO COP Debt Service	DPA COP Debt Service	
ASSETS						
Cash equity with State Treasurer	\$ 1,809	\$ 38,807	\$ 54	\$ -	\$ -	\$ 52,476
Cash and cash equivalents	-	-	-	210	1,805	2,015
Investments	-	-	-	4,366	-	4,366
Receivables, net:						
Taxes	-	-	-	-	-	5,164
Intergovernmental	15	-	-	-	-	15
Other	4	-	3	-	-	22
Due from other Department funds	1	4,728	-	22	-	4,751
Due from other State funds	18	7,819	-	-	-	7,837
Due from State of Illinois component units	-	4	-	2,559	-	2,563
Total assets	\$ 1,847	\$ 51,358	\$ 57	\$ 7,157	\$ 1,805	\$ 79,209
LIABILITIES						
Accounts payable and accrued liabilities	\$ 195	\$ 16,807	\$ -	\$ -	\$ -	\$ 19,059
Intergovernmental payables	-	-	-	-	-	6,633
Due to other State fiduciary funds	1	-	-	-	-	1
Due to other Department funds	275	5	-	-	-	321
Due to other State funds	-	2	-	-	-	2
Due to State of Illinois component units	-	-	-	884	-	890
Deferred Revenues	-	-	2	-	-	8
Total liabilities	471	16,814	2	884	-	26,914
FUND BALANCES						
Reserved for:						
Encumbrances	-	125	-	-	-	125
Debt service	-	-	-	6,273	1,805	8,078
Unreserved, unrestricted	1,376	34,419	55	-	-	44,092
Total fund balances	1,376	34,544	55	6,273	1,805	52,295
Total liabilities and fund balances	\$ 1,847	\$ 51,358	\$ 57	\$ 7,157	\$ 1,805	\$ 79,209

State of Illinois

Department of Central Management Services

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

For the Year Ended June 30, 2004 (Expressed in Thousands)

	Special Revenue					
	Facilities Management Revolving	Senior Citizens and Disabled Persons Program	Workers' Compensation Revolving	Minority and Female Business Enterprise	Wireless Service Emergency	Wireless Carrier Reimburse- ment
REVENUES						
Public utility taxes	\$ -	\$ -	\$ -	\$ -	\$ 30,567	\$ 15,283
License and fees	-	-	-	1	-	-
Interest and other investment income	-	-	-	-	-	-
Other revenues	-	234	-	-	-	-
Other charges for services	183	-	566	-	-	-
Total revenues	183	234	566	1	30,567	15,283
EXPENDITURES						
General government	147	4	284	-	29,242	31,233
Health and social services	-	-	-	-	-	-
Debt service - principal	-	-	-	-	-	-
Debt service - interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	147	4	284	-	29,242	31,233
Excess (deficiency) of revenues over (under) expenditures	36	230	282	1	1,325	(15,950)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES						
Transfers-in	-	-	-	-	-	-
Transfers-out	-	-	-	-	(1,325)	(2,000)
Net other sources (uses) of financial resources	-	-	-	-	(1,325)	(2,000)
Net change in fund balances	36	230	282	1	-	(17,950)
Fund balances, July 1, 2003	50	-	-	9	-	25,584
FUND BALANCES, JUNE 30, 2004	\$ 86	\$ 230	\$ 282	\$ 10	\$ -	\$ 7,634

State of Illinois
Department of Central Management Services
Combining Statement of Revenues,
Expenditures and Changes in Fund Balance -
Non-major Governmental Funds
For the Year Ended June 30, 2004 (Expressed in Thousands)

	Special Revenue			Debt Service		Total
	State Surplus Property Revolving	Efficiency Initiatives Revolving	Special Events Revolving	ESCO COP Debt Service	DPA COP Debt Service	
REVENUES						
Public utility taxes	\$ -	\$ -	\$ -	\$ -	\$ -	45,850
License and fees	-	-	-	-	-	1
Interest and other investment income	-	-	-	406	3	409
Other revenues	2,972	852	-	-	2	4,060
Other charges for services	264	-	71	-	-	1,084
Total revenues	3,236	852	71	406	5	51,404
EXPENDITURES						
General government	2,268	37,104	25	4	-	100,311
Health and social services	-	-	-	-	550	550
Debt service - principal	46	-	-	1,920	740	2,706
Debt service - interest	10	-	-	530	860	1,400
Capital outlay	7	38	-	-	-	45
Total expenditures	2,331	37,142	25	2,454	2,150	105,012
Excess (deficiency) of revenues over (under) expenditures	905	(36,290)	46	(2,048)	(2,145)	(53,608)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES						
Transfers-in	-	129,683	-	1,278	2,433	133,394
Transfers-out	(212)	(58,849)	-	-	-	(62,386)
Net other sources (uses) of financial resources	(212)	70,834	-	1,278	2,433	71,008
Net change in fund balances	693	34,544	46	(770)	288	17,400
Fund balances, July 1, 2003	683	-	9	7,043	1,517	34,895
FUND BALANCES, JUNE 30, 2004	\$ 1,376	\$ 34,544	\$ 55	\$ 6,273	\$ 1,805	\$ 52,295

State of Illinois

Department of Central Management Services

Combining Statement of Net Assets

Enterprise Funds - Non-major Proprietary Funds

June 30, 2004 (Expressed in Thousands)

	Local Government Health Insurance Reserve	Teacher Health Insurance Security	Community College Health Insurance Security	Total
ASSETS				
Cash equity with State Treasurer	\$ 12,976	\$ 52,775	\$ 18,499	\$ 84,250
Cash and cash equivalents	1,625	5,162	164	6,951
Receivables, net:				
Intergovernmental	128	-	-	128
Other	196	8,846	469	9,511
Total current assets	14,925	66,783	19,132	100,840
LIABILITIES				
Accounts payable and accrued liabilities	10,361	33,475	1,870	45,706
Due to other Department funds	7	2	2	11
Current portion of long-term obligations	2	1	-	3
Total current liabilities	10,370	33,478	1,872	45,720
Noncurrent portion of long-term obligations	38	54	21	113
Total liabilities	10,408	33,532	1,893	45,833
NET ASSETS				
Unrestricted	4,517	33,251	17,239	55,007
Total net assets	\$ 4,517	\$ 33,251	\$ 17,239	\$ 55,007

State of Illinois

Department of Central Management Services

**Combining Statement of Revenues, Expenses,
and Changes in Fund Net Assets**

Enterprise Funds - Non-major Proprietary Funds

For the Year Ended June 30, 2004 (Expressed in Thousands)

	Local Government Health Insurance Reserve	Teacher Health Insurance Security	Community College Health Insurance Security	Total
OPERATING REVENUES				
Charges for sales and services	\$ 72,297	\$ 265,547	\$ 16,606	\$ 354,450
Other	397	5,214	469	6,080
Total operating revenues	72,694	270,761	17,075	360,530
OPERATING EXPENSES				
Benefit payments and refunds	68,234	247,425	15,923	331,582
General and administrative	743	2,734	417	3,894
Total operating expenses	68,977	250,159	16,340	335,476
Operating income (loss)	3,717	20,602	735	25,054
NONOPERATING REVENUES (EXPENSES)				
Interest and other investment income	103	400	214	717
Income before transfers	3,820	21,002	949	25,771
Transfers-in	-	2,000	-	2,000
Transfers-out	(2,053)	(4,518)	(312)	(6,883)
Change in net assets	1,767	18,484	637	20,888
Net assets, July 1, 2003	2,750	14,767	16,602	34,119
NET ASSETS, JUNE 30, 2004	\$ 4,517	\$ 33,251	\$ 17,239	\$ 55,007

State of Illinois

Department of Central Management Services

Combining Statement of Cash Flows

Enterprise Funds - Non-major Proprietary Funds

For the Year Ended June 30, 2004 (Expressed in Thousands)

	Local Government Health Insurance Reserve	Teacher Health Insurance Security	Community College Health Insurance Security	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from sales and services	\$ 72,746	\$ 263,786	\$ 16,502	\$ 353,034
Cash payments to suppliers for goods and services	(69,636)	(246,627)	(16,340)	(332,603)
Cash payments to employees for services	(638)	(843)	(332)	(1,813)
Cash receipts from other operating activities	397	5,214	469	6,080
Net cash provided (used) by operating activities	<u>2,869</u>	<u>21,530</u>	<u>299</u>	<u>24,698</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers-in from other funds	-	2,000	-	2,000
Transfers-out to other funds	(2,053)	(4,518)	(312)	(6,883)
Net cash provided (used) by noncapital financing activities	<u>(2,053)</u>	<u>(2,518)</u>	<u>(312)</u>	<u>(4,883)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends on investments	102	378	217	697
Net cash provided (used) by investing activities	<u>102</u>	<u>378</u>	<u>217</u>	<u>697</u>
Net increase (decrease) in cash and cash equivalents	918	19,390	204	20,512
Cash and cash equivalents, July 1, 2003	<u>13,683</u>	<u>38,547</u>	<u>18,459</u>	<u>70,689</u>
CASH AND CASH EQUIVALENTS, JUNE 30, 2004	<u>\$ 14,601</u>	<u>\$ 57,937</u>	<u>\$ 18,663</u>	<u>\$ 91,201</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
OPERATING INCOME (LOSS)	<u>\$ 3,717</u>	<u>\$ 20,602</u>	<u>\$ 735</u>	<u>\$ 25,054</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(6)	(1,761)	(104)	(1,871)
(Increase) decrease in intergovernmental receivables	455	-	-	455
Increase (decrease) in accounts payable and accrued liabilities	(1,285)	2,696	(337)	1,074
Increase (decrease) in intergovernmental payables	-	-	(1)	(1)
Increase (decrease) in due to other funds	(14)	(16)	-	(30)
Increase (decrease) in other liabilities	2	9	6	17
Total adjustments	<u>(848)</u>	<u>928</u>	<u>(436)</u>	<u>(356)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 2,869</u>	<u>\$ 21,530</u>	<u>\$ 299</u>	<u>\$ 24,698</u>

State of Illinois
Department of Central Management Services

Combining Statement of Net Assets

Internal Service Funds

June 30, 2004 (Expressed in Thousands)

	State Garage Revolving	Statistical Services Revolving	Paper and Printing Revolving	Communications Revolving	Health Insurance Reserve	Total
ASSETS						
Cash equity with State Treasurer	\$ 2,188	\$ 25,580	\$ 289	\$ 44,017	\$ 27,958	\$ 100,032
Cash and cash equivalents	-	-	-	-	22,221	22,221
Receivables, net:						
Intergovernmental	42	-	-	680	-	722
Other	6	-	-	87	7,675	7,768
Due from other Department fiduciary funds	1	12	-	4	-	17
Due from other Department funds	294	3,035	6	724	149,425	153,484
Due from other State funds	4,333	17,180	148	21,901	140	43,702
Due from State of Illinois component units	19	22	10	576	2,615	3,242
Inventories	1,117	48	92	-	-	1,257
Prepaid expenses	-	908	-	-	-	908
Total current assets	8,000	46,785	545	67,989	210,034	333,353
Restricted cash and cash equivalents	108	-	-	-	-	108
Capital assets not being depreciated	-	1,048	-	713	-	1,761
Capital assets being depreciated, net	7,212	16,918	-	13,420	-	37,550
Total assets	15,320	64,751	545	82,122	210,034	372,772
LIABILITIES						
Accounts payable and accrued liabilities	3,641	1,275	140	13,532	208,612	227,200
Intergovernmental payables	3	1,427	-	3,008	-	4,438
Due to other State fiduciary funds	-	23	-	-	-	23
Due to other Department funds	585	842	-	720	1,118	3,265
Due to other State funds	7	1	-	17	-	25
Due to State of Illinois component units	9	-	-	-	-	9
Current portion of long-term obligations	533	2,024	15	186	27	2,785
Total current liabilities	4,778	5,592	155	17,463	209,757	237,745
Noncurrent portion of long-term obligations	1,489	3,082	19	697	277	5,564
Total liabilities	6,267	8,674	174	18,160	210,034	243,309
NET ASSETS						
Invested in capital assets, net of related debt	6,789	15,434	-	14,020	-	36,243
Net assets restricted for debt service	108	-	-	-	-	108
Unrestricted	2,156	40,643	371	49,942	-	93,112
Total net assets	\$ 9,053	\$ 56,077	\$ 371	\$ 63,962	\$ -	\$ 129,463

State of Illinois

Department of Central Management Services

**Combining Statement of Revenues, Expenses, and
Changes in Net Assets - Internal Service Funds**

For the Year Ended June 30, 2004 (Expressed in Thousands)

	State Garage Revolving	Statistical Services Revolving	Paper and Printing Revolving	Communications Revolving	Health Insurance Reserve	Total
OPERATING REVENUES						
Charges for sales and services	\$ 31,963	\$ 72,969	\$ 951	\$ 110,503	\$ 1,416,150	\$ 1,632,536
Other	52	36	3	-	19,080	19,171
Total operating revenues	32,015	73,005	954	110,503	1,435,230	1,651,707
OPERATING EXPENSES						
Cost of sales and services	24,293	55,288	758	79,024	-	159,363
Benefit payments and refunds	-	-	-	-	1,407,724	1,407,724
General and administrative	7,564	2,466	442	8,287	10,058	28,817
Depreciation	816	5,405	-	5,916	-	12,137
Other	468	281	-	9,070	-	9,819
Total operating expenses	33,141	63,440	1,200	102,297	1,417,782	1,617,860
Operating income (loss)	(1,126)	9,565	(246)	8,206	17,448	33,847
NONOPERATING REVENUES (EXPENSES)						
Interest and investment income	2	-	-	-	486	488
Interest expense	(40)	(125)	-	(12)	-	(177)
Other expenses	(5)	(853)	-	(108)	-	(966)
Income before contributions	(1,169)	8,587	(246)	8,086	17,934	33,192
Capital contributions from CDB	240	66	-	-	-	306
Income before transfers	(929)	8,653	(246)	8,086	17,934	33,498
Transfers-in	-	3,960	-	3,000	-	6,960
Transfers-out	-	(2,393)	(1)	(8,010)	(17,934)	(28,338)
Change in net assets	(929)	10,220	(247)	3,076	-	12,120
Net assets, July 1, 2003	9,982	45,857	618	60,886	-	117,343
NET ASSETS, JUNE 30, 2004	\$ 9,053	\$ 56,077	\$ 371	\$ 63,962	\$ -	\$ 129,463

State of Illinois
Department of Central Management Services
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2004 (Expressed in Thousands)

	State Garage Revolving	Statistical Services Revolving	Paper and Printing Revolving	Communications Revolving	Health Insurance Reserve	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from sales and services	\$ 735	\$ 169	\$ -	\$ 12,004	\$ 163,642	\$ 176,550
Cash received from transactions with other funds	34,076	76,541	1,229	109,672	1,218,588	1,440,106
Cash payments to suppliers for goods and services	(22,764)	(45,222)	(975)	(87,190)	(1,480,369)	(1,636,520)
Cash payments to employees for services	(12,985)	(20,499)	(255)	(9,010)	(3,446)	(46,195)
Cash receipts from other operating activities	52	36	3		16,006	16,097
Net cash provided (used) by operating activities	(886)	11,025	2	25,476	(85,579)	(49,962)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers-in from other funds	-	3,960	-	3,000	-	6,960
Transfers-out to other funds	-	(2,393)	(1)	(8,010)	(17,934)	(28,338)
Net cash provided (used) by noncapital financing activities		1,567	(1)	(5,010)	(17,934)	(21,378)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Proceeds from capital debt incurred, net of bond issuance costs	-	767	-	-	-	767
Acquisition and construction of capital assets	-	(2,784)	-	(6,884)	-	(9,668)
Principal paid on capital debt	(636)	(2,783)	-	(418)	-	(3,837)
Interest paid on capital debt	(40)	(125)	-	(12)	-	(177)
Net cash (used) by capital and related financing activities	(676)	(4,925)	-	(7,314)	-	(12,915)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest and dividends on investments	2	-	-	-	506	508
Net cash provided by investing activities	2	-	-	-	506	508
Net increase (decrease) in cash and cash equivalents	(1,560)	7,667	1	13,152	(103,007)	(83,747)
Cash and cash equivalents, July 1, 2003	3,856	17,913	288	30,865	153,186	206,108
CASH AND CASH EQUIVALENTS, JUNE 30, 2004	\$ 2,296	\$ 25,580	\$ 289	\$ 44,017	\$ 50,179	\$ 122,361
Reconciliation of cash and cash equivalents to the balance sheet:						
Total cash and cash equivalents per the balance sheet	\$ 2,188	\$ 25,580	\$ 289	\$ 44,017	\$ 50,179	\$ 122,253
Add: restricted cash equivalents	108	-	-	-	-	108
CASH AND CASH EQUIVALENTS, JUNE 30, 2004	\$ 2,296	\$ 25,580	\$ 289	\$ 44,017	\$ 50,179	\$ 122,361
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
OPERATING INCOME (LOSS)	\$ (1,126)	\$ 9,565	\$ (246)	\$ 8,206	\$ 17,448	\$ 33,847
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	816	5,405	-	5,916	-	12,137
Provision for uncollectible accounts	-	-	-	1	-	1
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	(2)	-	-	(12)	(3,074)	(3,088)
(Increase) decrease in intergovernmental receivables	19	-	-	(192)	-	(173)
(Increase) decrease in due from other funds	2,820	6,612	124	8,092	(36,743)	(19,095)
(Increase) decrease in due from component units	16	9	(10)	(23)	2,823	2,815
(Increase) decrease in inventories	11	7	75	-	-	93
(Increase) decrease in prepaid expenses	-	(308)	-	-	-	(308)
Increase (decrease) in accounts payable and accrued liabilities	(3,763)	(6,154)	80	1,418	(65,418)	(73,837)
Increase (decrease) in intergovernmental payables	(3)	1,276	-	3,001	-	4,274
Increase (decrease) in due to other funds	336	(1,371)	(20)	(912)	(550)	(2,517)
Increase (decrease) in due to component units	(12)	-	-	-	-	(12)
Increase (decrease) in deferred revenue	-	(3,960)	-	-	-	(3,960)
Increase (decrease) in other liabilities	2	(56)	(1)	(19)	(65)	(139)
Total adjustments	240	1,460	248	17,270	(103,027)	(83,809)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (886)	\$ 11,025	\$ 2	\$ 25,476	\$ (85,579)	\$ (49,962)
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES						
Cost of installment purchases	\$ -	\$ 767	\$ -	\$ -	\$ -	\$ 767
Contributions of capital assets from CDB	240	66	-	11	-	317
Total noncash investing, capital and financing activities	\$ 240	\$ 833	\$ -	\$ 11	\$ -	\$ 1,084

State of Illinois

Department of Central Management Services

Combining Statement of Fiduciary Net Assets

Agency Funds

June 30, 2004 (Expressed in Thousands)

	Flexible Spending Account	Group Insurance Premium	Total
ASSETS			
Cash equity with State Treasurer	\$ 4,200	\$ 6,626	\$ 10,826
Other receivables, net	-	5	5
Due from other Department funds	-	4,281	4,281
Due from other State funds	-	6	6
Due from State of Illinois component units	-	109	109
Total assets	\$ 4,200	\$ 11,027	\$ 15,227
LIABILITIES			
Accounts payable and accrued liabilities	\$ 4,200	\$ 11,027	\$ 15,227
Total liabilities	\$ 4,200	\$ 11,027	\$ 15,227

State of Illinois
Department of Central Management Services

Combining Statement of Changes in Assets and Liabilities
Agency Funds

For the Year Ended June 30, 2004 (Expressed in Thousands)

	Balance at June 30, 2003	Additions	Deletions	Balance at June 30, 2004
Flexible Spending Account Fund:				
ASSETS				
Cash equity with State Treasurer	\$ 3,919	\$ 14,221	\$ 13,940	\$ 4,200
Total assets	\$ 3,919	\$ 14,221	\$ 13,940	\$ 4,200
LIABILITIES				
Accounts payable and accrued liabilities	\$ 3,919	\$ 14,221	\$ 13,940	\$ 4,200
Total liabilities	\$ 3,919	\$ 14,221	\$ 13,940	\$ 4,200
Group Insurance Premium Fund:				
ASSETS				
Cash equity with State Treasurer	\$ 7,392	\$ 65,512	\$ 66,278	\$ 6,626
Other receivables, net	2,479	5	2,479	5
Due from other Department funds	-	4,281	-	4,281
Due from other State funds	389	6	389	6
Due from State of Illinois component units	227	109	227	109
Total assets	\$ 10,487	\$ 69,913	\$ 69,373	\$ 11,027
LIABILITIES				
Accounts payable and accrued liabilities	\$ 10,487	\$ 11,027	\$ 10,487	\$ 11,027
Total liabilities	\$ 10,487	\$ 11,027	\$ 10,487	\$ 11,027