

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

FINANCIAL AUDIT

For the Year Ended June 30, 2005

**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, 2005

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STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
FINANCIAL AUDIT

For the Year Ended June 30, 2005

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

FINANCIAL AUDIT

For the Year Ended June 30, 2005

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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 (Effective through June 1, 2005)
	Mr. Paul J. Campbell (Acting, effective June 2, 2005)
Assistant Director	Mr. Paul J. Campbell (Effective through June 1, 2005)
Assistant Director	Mr. N. Keith Chambers
Chief Operating Officer	Mr. Brian Chapman
Chief Fiscal Officer	Mr. Ronald Banks (Effective through December 9, 2005)
	Ms. Marcia Armstrong (Acting, effective December 12, 2005)
Chief Administrative Officer / General Counsel	Mr. H. Edward Wynn (Effective through July 31, 2005)
General Counsel	Ms. Letitia Dominici (Acting, effective August 1, 2005)
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, 2005 and for the year then ended, was performed by Sikich, 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.



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, 2005, 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, 2005, 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, 2005, 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 January 18, 2006 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 Ten Years Ended June 30, 2005, Teacher Health Insurance Security Fund – Schedule of Claims for the Ten Years Ended June 30, 2005, and Community College Health Insurance Security Fund – Schedule of Claims for the Seven Years Ended June 30, 2005 on pages 45 through 47 are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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 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, appearing to read "S. Kirk" followed by a stylized flourish.

Springfield, Illinois
January 18, 2006

BASIC FINANCIAL STATEMENTS

State of Illinois

Department of Central Management Services

Statement of Net Assets

June 30, 2005 (Expressed in Thousands)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Unexpended appropriations	\$ 6,157	\$ -	\$ 6,157
Cash equity with State Treasurer	114,772	75,877	190,649
Cash and cash equivalents	32,503	10,648	43,151
Investments	4,082	-	4,082
Receivables, net:			
Intergovernmental	527	103	630
Other	8,714	9,886	18,600
Unrestricted internal balances	15	(15)	-
Due from other Department fiduciary funds	44	-	44
Due from other State funds	82,028	272	82,300
Due from State of Illinois component units	12,577	-	12,577
Inventories	1,767	-	1,767
Prepaid expenses	900	-	900
Capital assets not being depreciated	36,735	-	36,735
Capital assets being depreciated, net	251,903	-	251,903
Total assets	<u>552,724</u>	<u>96,771</u>	<u>649,495</u>
LIABILITIES			
Accounts payable and accrued liabilities	300,860	44,619	345,479
Intergovernmental payables	1,887	-	1,887
Due to Department fiduciary funds	318	-	318
Due to other State fiduciary funds	244	-	244
Due to other State funds	98	-	98
Due to State of Illinois component units	687	-	687
Long term obligations:			
Due within one year	78,511	2	78,513
Due subsequent to one year	163,186	109	163,295
Total liabilities	<u>545,791</u>	<u>44,730</u>	<u>590,521</u>
NET ASSETS			
Invested in capital assets, net of related debt	236,169	-	236,169
Restricted for debt services	9,045	-	9,045
Unrestricted (deficits)	(238,281)	52,041	(186,240)
Total net assets	<u>\$ 6,933</u>	<u>\$ 52,041</u>	<u>\$ 58,974</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 Activities

For the Year Ended June 30, 2005 (Expressed in Thousands)

Functions/Programs	Expenses	Program Revenues Charges for Services	Net (Expense) Revenues and Changes in Net Assets		
			Governmental Activities	Business-type Activities	Total
Primary government					
Governmental activities					
General government	\$ 2,051,415	\$ 845,668	\$ (1,205,747)	\$ -	\$ (1,205,747)
Interest	405	-	(405)	-	(405)
Total governmental activities	<u>2,051,820</u>	<u>845,668</u>	<u>(1,206,152)</u>	<u>-</u>	<u>(1,206,152)</u>
Business-type activities					
Insurance programs	379,752	376,730	(3,022)	(3,022)	(3,022)
Total business-type activities	<u>379,752</u>	<u>376,730</u>	<u>(3,022)</u>	<u>(3,022)</u>	<u>(3,022)</u>
Total primary government	<u>\$ 2,431,572</u>	<u>\$ 1,222,398</u>			<u>(1,209,174)</u>
General revenues					
Appropriations from State Resources			1,105,759	-	1,105,759
Lapsed appropriations			(1,326)	-	(1,326)
Receipts collected and transmitted to State Treasury			(5,074)	-	(5,074)
Interest and investment income			1,983	2,056	4,039
Other revenues			6,901	-	6,901
Capital transfers from other State agencies, net of related debt			18,497	-	18,497
Amount of SAMS transfer-in			(15,241)	-	(15,241)
Transfers-in			30,579	-	30,579
Transfers-out			(39,296)	(2,000)	(41,296)
Transfer of State's workers' compensation liability			(87,437)	-	(87,437)
Transfer of administration of funds to other State agencies			(7,634)	-	(7,634)
Total general revenues and transfers			<u>1,007,711</u>	<u>56</u>	<u>1,007,767</u>
Change in net assets			(198,441)	(2,966)	(201,407)
Net assets, July 1, 2004			205,374	55,007	260,381
Net assets, June 30, 2005			<u>\$ 6,933</u>	<u>\$ 52,041</u>	<u>\$ 58,974</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, 2005 (Expressed in Thousands)

	<u>General Fund</u>	<u>Road Fund 0011</u>	<u>Non-major funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Unexpended appropriations	\$ 6,215	\$ (58)	\$ -	\$ 6,157
Cash equity with State Treasurer	2,331	-	3,384	5,715
Cash and cash equivalents	-	-	447	447
Investments	-	-	4,082	4,082
Receivables, net:				
Intergovernmental receivables	-	-	20	20
Other receivables	370	-	33	403
Due from other Department fiduciary funds	-	-	1	1
Due from other Department funds	-	69	2,095	2,164
Due from other State funds	1,322	-	16,342	17,664
Due from State of Illinois component units	-	-	797	797
Total assets	<u>\$ 10,238</u>	<u>\$ 11</u>	<u>\$ 27,201</u>	<u>\$ 37,450</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 5,578	\$ -	\$ 1,623	\$ 7,201
Intergovernmental payables	103	-	-	103
Due to Department fiduciary funds	318	-	-	318
Due to other State fiduciary funds	79	-	-	79
Due to other Department funds	164,683	11	52	164,746
Due to other State funds	1	-	-	1
Due to State of Illinois component units	180	-	1	181
Unavailable revenue	362	-	-	362
Matured portion of long-term obligations	1,024	-	-	1,024
Total liabilities	<u>172,328</u>	<u>11</u>	<u>1,676</u>	<u>174,015</u>
FUND BALANCES (DEFICITS)				
Reserved for encumbrances	71	-	26	97
Unreserved, undesignated:				
General fund	(162,161)	-	-	(162,161)
Special revenue funds	-	-	20,070	20,070
Debt services funds	-	-	5,429	5,429
Total fund balances (deficits)	<u>(162,090)</u>	<u>-</u>	<u>25,525</u>	<u>(136,565)</u>
Total liabilities and fund balances (deficits)	<u>\$ 10,238</u>	<u>\$ 11</u>	<u>\$ 27,201</u>	<u>\$ 37,450</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, 2005
(Expressed in Thousands)

Total fund balances-governmental funds \$ (136,565)

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. 436

Revenues in the Statement of Activities that do not provide
current financial resources are deferred in the funds. 362

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. 319,988

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	(49)	
Certificates of participation	(5,501)	
Compensated absences	(1,866)	
Workers' compensation	(168,306)	
Auto liability claims	(1,566)	
	(177,288)	(177,288)

Net assets of governmental activities \$ 6,933

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, 2005 (Expressed in Thousands)

	General Fund	Road Fund 0011	Non-major funds	Total Governmental Funds
REVENUES				
Licenses and fees	\$ -	\$ -	1	\$ 1
Interest and other investment income	-	-	326	326
Other	4,761	-	2,130	6,891
Other charges for services	1,163	-	327	1,490
Total revenues	<u>5,924</u>	<u>-</u>	<u>2,784</u>	<u>8,708</u>
EXPENDITURES				
General government	1,041,076	121,297	21,716	1,184,089
Debt service - principal	187	-	1,971	2,158
Debt service - interest	-	-	405	405
Capital outlays	91	-	81	172
Total expenditures	<u>1,041,354</u>	<u>121,297</u>	<u>24,173</u>	<u>1,186,824</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,035,430)</u>	<u>(121,297)</u>	<u>(21,389)</u>	<u>(1,178,116)</u>
OTHER SOURCES (USES) OF FINANCIAL RESOURCES				
Appropriations from State resources	984,462	121,297	-	1,105,759
Lapsed appropriations	(1,326)	-	-	(1,326)
Receipts collected and transmitted to State Treasury	(5,074)	-	-	(5,074)
Amount of SAMS transfers-in	(15,241)	-	-	(15,241)
Transfers-in	15,241	-	20,838	36,079
Transfers-out	(9)	-	(18,303)	(18,312)
Transfer of administration of funds to other State agencies	-	-	(7,634)	(7,634)
Net other sources (uses) of financial resources	<u>978,053</u>	<u>121,297</u>	<u>(5,099)</u>	<u>1,094,251</u>
Net change in fund balances	<u>(57,377)</u>	<u>-</u>	<u>(26,488)</u>	<u>(83,865)</u>
Fund balances (deficits), July 1, 2004	<u>(104,713)</u>	<u>-</u>	<u>52,013</u>	<u>(52,700)</u>
FUND BALANCES (DEFICITS), JUNE 30, 2005	<u>\$ (162,090)</u>	<u>\$ -</u>	<u>\$ 25,525</u>	<u>\$ (136,565)</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, 2005
(Expressed in Thousands)

Net change in fund balances	\$ (83,865)
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.	(3)
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.	2,158
Some capital assets were transferred to other State agencies and to other Department internal service funds.	(202,488)
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.	190,525
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This amount represents the increase in unavailable revenue over the prior year.	10
During the fiscal year the Department assumed the administration of the State's workers' compensation liability.	(87,437)
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.	
Decrease in compensated absences obligation	1,313
Increase in workers' compensation obligation	(20,872)
Decrease in auto liability claims	1,559
Decrease in accrued interest	659
	659
Change in net assets of governmental activities	\$ (198,441)

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, 2005 (Expressed in Thousands)

	Business-Type Activities - Enterprise Funds Non-major Proprietary Funds	Governmental Activities - Internal Service Funds
ASSETS		
Cash equity with State Treasurer	\$ 75,877	\$ 109,057
Cash and cash equivalents	10,648	32,056
Receivables, net:		
Intergovernmental	103	507
Other	9,886	8,311
Due from other Department fiduciary funds	-	43
Due from other Department funds	-	168,828
Due from other State funds	272	64,364
Due from State of Illinois component units	-	11,780
Inventories	-	1,767
Prepaid expenses	-	900
Total current assets	<u>96,786</u>	<u>397,613</u>
Capital assets not being depreciated	-	36,693
Capital assets being depreciated, net	-	251,509
Total assets	<u>96,786</u>	<u>685,815</u>
LIABILITIES		
Accounts payable and accrued liabilities	44,619	293,659
Intergovernmental payables	-	1,784
Due to other State fiduciary funds	-	165
Due to other Department funds	15	6,231
Due to other State funds	-	97
Due to State of Illinois component units	-	506
Current portion of long-term obligations	2	6,433
Total current liabilities	<u>44,636</u>	<u>308,875</u>
Noncurrent portion of long-term obligations	109	56,952
Total liabilities	<u>44,745</u>	<u>365,827</u>
NET ASSETS		
Invested in capital assets, net of related debt	-	235,782
Restricted for debt service	-	3,616
Unrestricted	52,041	80,590
Total net assets	<u>\$ 52,041</u>	<u>\$ 319,988</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 Revenues, Expenses and Changes in
Fund Net Assets - Proprietary Funds**

For the Year Ended June 30, 2005 (Expressed in Thousands)

	Business-Type Activities - Enterprise Funds Non-major Proprietary Funds	Governmental Activities - Internal Service Funds
OPERATING REVENUES		
Charges for sales and services	\$ 374,322	\$ 1,958,273
Other	2,408	16,104
Total operating revenues	<u>376,730</u>	<u>1,974,377</u>
OPERATING EXPENSES		
Cost of sales and services	5	354,903
Benefit payments and refunds	376,782	1,549,374
General and administrative	2,965	32,909
Depreciation	-	22,587
Other	-	9,133
Total operating expenses	<u>379,752</u>	<u>1,968,906</u>
Operating income (loss)	(3,022)	5,471
NONOPERATING REVENUES (EXPENSES)		
Interest and investment income	2,056	1,657
Interest expense	-	(3,477)
Other expenses	-	(7,627)
Income (loss) before contributions and transfers	(966)	(3,976)
Capital contributions, net	-	238,537
Transfers-in	-	13,727
Transfers-out	(2,000)	(57,763)
Change in net assets	(2,966)	190,525
Net assets, July 1, 2004	<u>55,007</u>	<u>129,463</u>
NET ASSETS, JUNE 30, 2005	<u>\$ 52,041</u>	<u>\$ 319,988</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 Cash Flows -
Proprietary Funds

For the Year Ended June 30, 2005 (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	\$ 372,724	\$ 249,499
Cash received from transactions with other funds	-	1,660,123
Cash payments to suppliers for goods and services	(377,831)	(1,791,056)
Cash payments to employees for services	(1,897)	(81,835)
Cash receipts from other operating activities	2,392	15,600
Net cash provided (used) by operating activities	<u>(4,612)</u>	<u>52,331</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers-in from other funds	-	14,060
Transfers-out to other funds	(2,000)	(38,144)
Net cash provided (used) by noncapital financing activities	<u>(2,000)</u>	<u>(24,084)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	-	(3,773)
Principal paid on capital debt	-	(4,995)
Interest paid on capital debt	-	(2,310)
Net cash (used) by capital and related financing activities	<u>-</u>	<u>(11,078)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends on investments	1,936	1,583
Net cash provided (used) by investing activities	<u>1,936</u>	<u>1,583</u>
Net increase (decrease) in cash and cash equivalents	(4,676)	18,752
Cash and cash equivalents, July 1, 2004	91,201	122,361
CASH AND CASH EQUIVALENTS, JUNE 30, 2005	<u>\$ 86,525</u>	<u>\$ 141,113</u>
Reconciliation of cash and cash equivalents to the statement of net assets:		
Total cash and cash equivalents per the statement of net assets	\$ 10,648	\$ 32,056
Add: cash equity with State Treasurer	75,877	109,057
CASH AND CASH EQUIVALENTS, JUNE 30, 2005	<u>\$ 86,525</u>	<u>\$ 141,113</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
OPERATING INCOME (LOSS)	<u>\$ (3,022)</u>	<u>\$ 5,471</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	-	22,587
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(527)	(469)
(Increase) decrease in intergovernmental receivables	25	215
(Increase) decrease in due from other funds	-	(36,365)
(Increase) decrease in due from State of Illinois component units	-	(8,538)
(Increase) decrease in inventory	-	(510)
(Increase) decrease in prepaid expenses	-	8
Increase (decrease) in accounts payable and accrued liabilities	(1,087)	65,292
Increase (decrease) in intergovernmental payables	-	(2,654)
Increase (decrease) in due to other State funds	4	1,113
Increase (decrease) in due to State of Illinois component units	(5)	497
Increase (decrease) in other liabilities	-	5,684
Total adjustments	<u>(1,590)</u>	<u>46,860</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (4,612)</u>	<u>\$ 52,331</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Cost of installment purchases	\$ -	\$ 11,922
Loss on sale of equipment	\$ -	\$ (7,627)
Transfer of capital assets, net of related debt, to/from other State funds	\$ -	\$ 220,985
Total noncash investing, capital and financing activities	<u>\$ -</u>	<u>\$ 225,280</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, 2005 (Expressed in Thousands)

	Pension Trust Fund	
	State Employees' Deferred Compensation Plan 0755	Agency Funds
ASSETS		
Cash equity with State Treasurer	\$ 4,408	\$ 12,933
Cash and cash equivalents	2,644	2,213
Investments:		
Equities	1,847,595	-
Fixed income	534,612	-
Other receivables, net	635	30
Due from other Department funds	-	318
Due from other State funds	-	51
Due from State of Illinois component units	-	463
Total assets	2,389,894	16,008
LIABILITIES		
Accounts payable and accrued liabilities	1,037	16,001
Due to other Department funds	44	-
Due to State of Illinois component units	-	7
Other liabilities	108	-
Total liabilities	1,189	\$ 16,008
NET ASSETS		
Held in trust for:		
Deferred compensation benefits	2,388,705	
Total net assets	\$ 2,388,705	

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, 2005 (Expressed in Thousands)

	Pension Trust Fund
	State Employees' Deferred Compensation Plan 0755
Deposits/Contributions:	
Members/participants	\$ 142,431
Other contributions	4,533
Total contributions	146,964
Investment earnings:	
Interest, dividends and other investment income	88,454
Net appreciation of investments	102,342
Interest expense	(1,071)
Net investment income	189,725
Other additions	731
Total additions	337,420
Deductions:	
Benefit payments and refunds	69,685
Participants' withdrawals	57,160
General and administration	1,171
Total deductions	128,016
Net additions (deductions)	209,404
Net assets, July 1, 2004	2,179,301
Net assets, JUNE 30, 2005	\$ 2,388,705

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, 2005

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

Notes to Financial Statements

June 30, 2005

(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, the DPA COP Debt Service Fund, the State Employees' Deferred Compensation Plan, and the Flexible Spending Account.

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

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

Notes to Financial Statements

June 30, 2005

the State of Illinois. The State of Illinois' Comprehensive Annual Financial Report may be 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 the cash flows of only that portion of the governmental and business-type activities, by each major fund of the State of Illinois, and the aggregate remaining fund information of the State of Illinois that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the State of Illinois as of June 30, 2005, 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 net assets presents the assets and liabilities of the Department's governmental and business-type activities with the difference being reported as net assets. The assets and liabilities are presented in order of their relative liquidity by class of asset or liability with liabilities whose average maturities are greater than one year reported in two components - the amount due within one year and the amount due in more than one year.

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

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

Notes to Financial Statements

June 30, 2005

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

General – This is the State’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The services which are administered by the department and accounted for in the general fund include, among others, health and social services.

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.

Additionally, the Department reports the following funds types:

Governmental Fund Types:

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

Debt Service – These funds account for governmental resources obtained and accumulated to pay interest and principal on general long-term debt (other than capital leases, workers’ compensation and unfunded retirement costs).

Proprietary Fund Types:

Enterprise – These funds account for operations where the intent of the Department is that the cost of providing goods or services for health insurance programs on a continuing basis be financed or recovered primarily through user charges.

Internal Service – These funds account for data processing, printing, fleet management, facilities management, professional services, telecommunications and medical and dental benefits for State employees provided to agencies of the State on a reimbursement basis.

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.

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

Notes to Financial Statements

June 30, 2005

(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 donations. Revenue from donations 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, 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. 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 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:

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

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June 30, 2005

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.

Lapsed Appropriations

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

Receipts Collected and Transmitted to State Treasury

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

Amount of SAMS Transfers-In

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

(e) Eliminations

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

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

Notes to Financial Statements

June 30, 2005

(f) Cash and Cash Equivalents

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

(g) 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. Significant inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

(h) Prepaid items

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

(i) Interfund Transactions

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

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

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

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

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

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

Notes to Financial Statements

June 30, 2005

(j) Capital Assets

Capital assets, which consist of equipment, automobiles, and real property, 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

(k) 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 taxes).

Legislation that became effective January 1, 1998 capped the paid sick leave for all State Employees' Retirement System members at December 31, 1997. Employees continue to accrue twelve sick days per year, but will not receive monetary compensation for any additional time earned after December 31, 1997. Sick days earned between 1984 and December 31, 1997 (with a 50% cash value) would only be used after all days with no cash value are depleted. Any sick days earned and unused after December 31, 1997 will be converted to service time for purposes of calculating employee pension benefits.

(l) Fund Balances

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

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

Notes to Financial Statements

June 30, 2005

(m) 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."

(n) Use of Estimates

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

(o) 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 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.

(p) 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

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

Notes to Financial Statements

June 30, 2005

monthly or quarterly basis. Effective January 1, 2001, the annual fee charged to participants was limited to a maximum of \$45.

(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 a carrying amount and bank balance of \$4.622 million at June 30, 2005. The Department does not have a deposit policy for custodial credit risk. Of the total bank balance, \$2.808 million was exposed to custodial credit risk as uninsured with collateral held by pledging financial institution's trust department not in the State's name and \$1.323 million was exposed to custodial credit risk as uninsured and uncollateralized.

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

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

Notes to Financial Statements

June 30, 2005

(b) Investments

The Department's investments consist of amounts held by trustees in accordance with debt covenants, amounts held by third-party health insurance administrators, and amounts held as part of the State's employee retirement savings plan in accordance with Section 457 of the Internal Revenue Code. The investments held by trustees in accordance with debt covenants and held by third-party health insurance administrators are subject to the Public Funds Investment Act (30 ILCS 235). The investments held for the State's Section 457 plan are held in mutual funds which are selected by the Illinois State Board of Investments after satisfactory review of such factors as the investment experience of the underlying manager, the suitability of the investment approach used, and the investment record.

As of June 30, 2005, the Department had the following investments outside of the State Treasury:

	Book Value <u>(Thousands)</u>	Fair Value <u>(Thousands)</u>	Weighted Average Maturity <u>(Days)</u>
<i>Governmental and Business-Type Activities</i>			
Money market mutual funds	\$ 38,110	\$ 38,018	1
Debt mutual funds	<u>419</u>	<u>419</u>	8
Total investments	<u>\$ 38,529</u>	<u>\$ 38,437</u>	
<i>Fiduciary Funds</i>			
Money market mutual funds	\$ 4,857	\$ 5,370	
Debt mutual funds	149,572	149,572	1,814
Annuities	<u>2,193</u>	<u>2,193</u>	N/A
Total investments	<u>\$ 156,622</u>	<u>\$ 157,135</u>	

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

Credit Risk: The Department does not have a formal investment policy that limits investment choices. The Governmental and Business-Type activities mutual funds were rated Aaa by Moody's and the Money Market Mutual Funds were rated AAAM by Standard and Poor's.

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

Notes to Financial Statements

June 30, 2005

(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 (amounts expressed in thousands) follows:

<i>Governmental and Business-Type Activities</i>	<u>Deposits</u>	<u>Investments</u>
Amounts Per Note	\$ 4,622	\$ 38,529
Cash equivalents	38,529	(38,529)
Guaranteed investment contracts	-	4,082
Amounts per Statement of Net Assets	<u><u>\$ 43,151</u></u>	<u><u>\$ 4,082</u></u>
<i>Fiduciary Funds</i>	<u>Deposits</u>	<u>Investments</u>
Amounts Per Note	\$ -	\$ 156,622
Cash equivalents	4,857	(4,857)
Equity mutual funds	-	1,698,023
Guaranteed investment contracts	-	532,419
Amounts per Statement of Fiduciary Net Assets	<u><u>\$ 4,857</u></u>	<u><u>\$ 2,382,207</u></u>

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

Notes to Financial Statements

June 30, 2005

(4) Interfund Balances and Activity

(a) Balances Due to/from Other Funds

The following balances (amounts expressed in thousands) at June 30, 2005 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>	
General	\$ -	\$ 1,322	\$ -	Due from other State funds for reimbursement of expenditures incurred.
Road Fund	69	-	-	Due from other Department funds for reimbursement of internal service fund overpayments.
Nonmajor governmental funds	2,095	16,342	1	Due from other Department funds, other State funds, other Department fiduciary funds pursuant to statutory efficiency initiatives, debt service payments, and purchase of federal surplus property.
Nonmajor proprietary funds	-	272	-	Due from other State funds for program funding.
Internal service funds	168,828	64,364	43	Due from other Department funds, other State funds, other Department fiduciary funds for services provided.
Fiduciary funds	318	51	-	Due from other Department and other State funds for group insurance payments.
	<u>\$ 171,310</u>	<u>\$ 82,351</u>	<u>\$ 44</u>	

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

Notes to Financial Statements

June 30, 2005

The following balances (amounts expressed in thousands) at June 30, 2005 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	\$ 164,683	\$ 1	\$ 318	\$ 79	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.
Road fund	11	-	-	-	Due to other Department funds for internal service fund services received.
Nonmajor governmental funds	52	-	-	-	Due to other Department funds for internal service fund services received.
Nonmajor proprietary funds	15	-	-	-	Due to other Department funds for internal service fund services received.
Internal service funds	6,231	97	-	165	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	44	-	-	-	Due to other Department funds for internal service fund services received.
	<u>\$ 171,036</u>	<u>\$ 98</u>	<u>\$ 318</u>	<u>\$ 244</u>	

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

Notes to Financial Statements

June 30, 2005

(b) Transfers to/from Other Funds

Interfund transfers in (amounts expressed in thousands) for the year ended June 30, 2005, 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	\$ 15,241	\$ -	Transfer from other Department funds for statutory efficiency initiatives.
Nonmajor governmental funds	2,095	18,743	Transfers from other Department funds and other State funds pursuant to statutory efficiency initiatives and from other State funds for debt service requirements.
Internal service funds	1,891	11,836	Transfer from other Department funds and other State funds due to consolidations of administrative activities.
	<u>\$ 19,227</u>	<u>\$ 30,579</u>	

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

Notes to Financial Statements

June 30, 2005

Interfund transfers out (amounts expressed in thousands) for the year ended June 30, 2005, were as follows:

Fund	Transfers out to		Description/Purpose
	Other Department Funds	Other State Funds	
General	\$ 9	\$ -	Transfers to other Department funds pursuant to statutory efficiency initiatives.
Nonmajor governmental funds	17,134	1,169	Transfer to other Department funds pursuant to statutory efficiency initiatives and other State funds due to budget shortfalls.
Nonmajor proprietary funds	-	2,000	Transfer to other State funds due to budget shortfalls.
Internal service funds	19,653	38,127	Transfer to other Department funds pursuant to statutory efficiency initiatives and other State funds pursuant to statute and due to budget shortfalls.
	\$ 36,796	\$ 41,296	

The transfer out to other department funds is greater than the transfers from other Department funds by \$17,569 due to the transfer of capital assets from two Department internal service funds to two other Department internal service funds.

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

Notes to Financial Statements

June 30, 2005

(5) Capital Assets

Capital asset activity (amounts expressed in thousands) for the year ended June 30, 2005 was as follows:

	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Net Transfers</u>	<u>Balance June 30, 2005</u>
Governmental activities:					
Capital assets not being depreciated:					
Land and land improvements	\$ 36,732	\$ -	\$ -	\$ (1)	\$ 36,731
Nondepreciable historical treasures and works of art	974	-	-	(970)	4
Total capital assets not being depreciated	<u>37,706</u>	<u>-</u>	<u>-</u>	<u>(971)</u>	<u>36,735</u>
Capital assets being depreciated:					
Site improvements	701	-	-	3,164	3,865
Buildings and building improvements	372,704	-	17	34,304	406,991
Equipment	121,732	15,867	12,040	38,019	163,578
Depreciable historical treasures and works of art	-	-	-	970	970
Total capital assets being depreciated	<u>495,137</u>	<u>15,867</u>	<u>12,057</u>	<u>76,457</u>	<u>575,404</u>
Less accumulated depreciation:					
Site improvements	406	194	-	1,198	1,798
Buildings and building improvements	170,458	10,960	-	5,677	187,095
Equipment	103,977	11,608	4,430	22,483	133,638
Depreciable historical treasures and works of art	-	-	-	970	970
Total accumulated depreciation	<u>274,841</u>	<u>22,762</u>	<u>4,430</u>	<u>30,328</u>	<u>323,501</u>
Total capital assets being depreciated, net	<u>220,296</u>	<u>(6,895)</u>	<u>7,627</u>	<u>46,129</u>	<u>251,903</u>
Governmental activity capital assets, net	<u>\$ 258,002</u>	<u>\$ (6,895)</u>	<u>\$ 7,627</u>	<u>\$ 45,158</u>	<u>\$ 288,638</u>

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

Notes to Financial Statements

June 30, 2005

(5) Capital Assets (continued)

Depreciation expense for governmental activities (amounts expressed in thousands) for the year ended June 30, 2005 was charges to functions as follows:

General government \$ 22,762

(6) Long-Term Obligations

(a) Changes in Long-Term Obligations

Changes in long-term obligations (amounts expressed in thousands) for the year ended June 30, 2005 were a follows:

	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2005</u>	<u>Amounts Due Within One Year</u>
Governmental activities:					
Compensated Absences	\$ 8,460	\$ 5,490	\$ 1,119	\$ 12,831	\$ 967
Capital lease obligations	200	115	210	105	10
Installment purchase obligations	3,120	12,009	2,853	12,276	3,433
Certificates of participation	23,220	26,459	4,090	45,589	4,335
Workers' compensation claim obligations	63,237	179,027	72,934	169,330	68,603
Auto liability claim obligations	3,125	125	1,684	1,566	1,163
Total governmental activities	<u>\$ 101,362</u>	<u>\$ 223,225</u>	<u>\$ 82,890</u>	<u>\$241,697</u>	<u>\$ 78,511</u>
Business-type activities:					
Compensated Absences	\$ 116	\$ 80	\$ 85	\$ 111	\$ 2
Total business-type activities	<u>\$ 116</u>	<u>\$ 80</u>	<u>\$ 85</u>	<u>\$ 111</u>	<u>\$ 2</u>

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

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June 30, 2005

(b) Capital lease obligations

The Department leases office space with a historical cost and accumulated depreciation of \$52.706 and \$10.124 million, 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, 2005 are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 10	\$ 5	\$ 15
2007	11	5	16
2008	12	4	16
2009	12	4	16
2010	13	3	16
2011-2015	47	4	51
	<u>\$ 105</u>	<u>\$ 25</u>	<u>\$ 130</u>

(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, 2005, are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 3,433	\$ 369	\$ 3,802
2007	2,642	268	2,910
2008	2,536	176	2,712
2009	2,068	98	2,166
2010	1,597	27	1,624
	<u>\$ 12,276</u>	<u>\$ 938</u>	<u>\$ 13,214</u>

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(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, 2005, are as follows:

Year Ending June 30	Principal	Interest	Total
2006	\$ 4,335	\$ 2,547	\$ 6,882
2007	5,835	2,254	8,089
2008	2,395	2,017	4,412
2009	2,525	1,881	4,406
2010	2,670	1,734	4,404
2011-2015	15,860	6,063	21,923
2016-2020	11,969	1,106	13,075
	<u>\$ 45,589</u>	<u>\$ 17,602</u>	<u>\$ 63,191</u>

(7) 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.

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.

The Department uses the Health Insurance Reserve Fund, an internal service fund, to account for employee and retiree health and dental insurance benefit programs of the State, which are partially self-funded. Employees of the State may obtain health care services through participation in the State's group health insurance plan or through membership in one of eight health maintenance organization plans under contract with the State. The State maintains the risk of insurance for employees who participate in the State's group health insurance plan. Expenses and liabilities for claims, which include incurred but not reported or not processed benefit claims, have been recorded

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as liabilities in the amount of \$229.903 million. Payments to the Health Insurance Reserve Fund are based on estimates of amounts needed to pay prior year unprocessed and current year claims.

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 \$1.566 million.

The Department's workers' compensation liability, \$169.330 million, 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 Workers' Compensation Revolving Fund, a subaccount of the General Fund, in the amount of \$1.024. The remaining portion of the liability, \$168.306 million, as of June 30, 2005, is included in the Department-wide financial statements and is expected to be paid from future resources of the Workers' Compensation Revolving Fund.

The following is a reconciliation of the Department's claims liabilities for the years June 30, 2004 and June 30, 2005.

<u>Year Ended June 30</u>	<u>Beginning Balance</u>	<u>Claims Incurred</u>	<u>Decreases</u>	<u>Ending Balance</u>
2004	\$ 323,572	\$ 776,086	\$ 833,463	\$ 266,195
2005	\$ 266,195	\$ 1,117,022	\$ 982,418	\$ 400,799

(8) Pension Plan

Substantially all of the Department's full-time employees who are not eligible for participation in another state-sponsored retirement plan participate in the State Employees' Retirement System (SERS), which is a pension trust fund in the State of Illinois reporting entity. The SERS is a single-employer defined benefit public employee retirement system (PERS) in which State employees participate, except those covered by the State Universities, Teachers', General Assembly, and Judges' Retirement Systems. The financial position and results of operations of the SERS for fiscal year 2005 are included in the State of Illinois' Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2005. The SERS issues a separate CAFR that may be obtained by writing to the SERS, 2101 South Veterans Parkway, Springfield, Illinois, 62794-9255.

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

The Department pays employer retirement contributions based upon an actuarially determined percentage of their payrolls. For fiscal year 2005, the employer contribution rate was 16.107%. Effective for pay periods beginning after December 31, 1991, the State opted to pay the employee

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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 2005 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.

(9) Post-employment Benefits

The State provides health, dental, and life insurance benefits for certain retirees and their dependents. Substantially all State employees become eligible for post-employment benefits if they eventually become annuitants of one of the State sponsored pension plans. Health and dental benefits include basic benefits for annuitants under the State's self-insurance plan and insurance contracts currently in force. Life insurance benefits are limited to \$5,000 per annuitant age 60 and older. The total cost of health, dental, and life insurance benefits of all members, including post-employment health, dental, and life insurance benefits, is recognized as an expenditure 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.

(10) Fund Deficits

The General Fund had a deficit fund balance of \$162.090 million at June 30, 2005. 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.

(11) 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 \$251.079 million for the year ended June 30, 2005.

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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>
2006	\$ 96,877
2007	54,903
2008	41,556
2009	33,278
2010	29,017
2011-2015	<u>45,913</u>
	\$ <u>301,554</u>

(b) 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 2005 could still be questioned as not being an eligible expenditure under the terms of the grants. At June 30, 2005, 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.

(c) 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.

(12) 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, 2005 there were 541 local governmental entities participating with approximately 8,226 employees and 5,428 dependents covered. Each participating local governmental unit is required to enter into a written agreement with

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DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

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June 30, 2005

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 dependents 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, 2005.

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, 2005, 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, 2005 is as follows:

Claims incurred and reported but not paid as of June 30	\$ 3,296
Estimated liability for claims incurred but not reported	4,655
Total estimated liability for future claims	\$ <u>7,951</u>

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Notes to Financial Statements

June 30, 2005

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	\$ 70,469
Less: Liability for unpaid claims, beginning of year	10,333
Subtotal	<u>60,136</u>
Add: Liability for unpaid claims, end of year	7,951
Total benefit claim payments and refunds	<u>\$ 68,087</u>

(13) 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, 2005 there were approximately 47,073 annuitants and 8,979 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 previously contracted with third-party reinsurers for reinsurance coverage. However, no such coverage was in place for the year ended June 30, 2005.

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, 2005, 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, 2005 is as follows:

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June 30, 2005

Claims incurred and reported but not paid as of June 30	\$ 11,560
Estimated liability for claims incurred but not reported	20,909
Total estimated liability for future claims	<u>\$ 32,469</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	\$ 284,269
Less: Liability for unpaid claims, beginning of year	33,428
Subtotal	<u>250,841</u>
Add: Liability for unpaid claims, end of year	32,469
Total benefit claim payments and refunds	<u>\$ 283,310</u>

(14) 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, 2005 there were approximately 3,440 annuitants and 801 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
- 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, 2005.

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June 30, 2005

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, 2005, 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, 2005 is as follows:

Claims incurred and reported but not paid as of June 30	\$ 1,214
Estimated liability for claims incurred but not reported	2,179
Total estimated liability for future claims	\$ <u>3,393</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	\$ 23,768
Less: Liability for unpaid claims, beginning of year	1,776
Subtotal	<u>21,992</u>
Add: Liability for unpaid claims, end of year	3,393
Total benefit claim payments and refunds	\$ <u>25,385</u>

(15) 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 2005 are included in the State's Comprehensive Annual Financial Report for the year ended June 30, 2005. 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.

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

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\$13,000 (\$16,000 for participants age 50 or older) and \$14,000 (\$18,000 for participants age 50 and older) for calendar years 2004 and 2005, 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 \$26,000 and \$28,000 for calendar years 2004 and 2005, 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.

(16) Subsequent Event

Pursuant to Executive Order No.3, the fiscal monitoring and functions associated with State healthcare purchasing administered by the Department for the State on behalf of State employees and retired State employees through the Health Insurance Reserve Fund and members of the Local Government Health Insurance Reserve Fund, the Teacher Health Insurance Security Fund, and the Community College Health Insurance Security Fund were transferred to the Department of Healthcare and Family Services on July 1, 2005.

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

(17) Recharacterization of Funds

The State reclassified activities of several funds during the year as shown below:

	General Fund	Nonmajor Governmental Funds
Fund Balance, July 1, 2004, as previously reported	\$(104,995)	\$ 52,295
Recharacterizations:		
Workers' Compensation Fund	282	(282)
Fund Balance, July 1, 2004, as recharacterized	\$(104,713)	\$ 52,013

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
Schedule of Claims
Local Government Health Insurance Reserve Fund (0193)
For the Ten Years Ended June 30, 2005

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 ten fiscal years ended June 30, 2005 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.

	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Net earned required contribution and investment revenue:										
Earned	\$ 67,876	\$ 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	67,876	72,400	81,854	88,640	86,132	70,435	57,060	43,378	38,380	36,076
Unallocated expenses	2,799	2,796	785	827	751	1,390	489	823	587	627
Estimated incurred claims and expense, end of policy year:										
Incurred	67,559	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	67,559	67,837	71,465	79,534	86,463	81,816	57,778	49,925	40,754	31,750
Paid (cumulative) as of:										
End of policy year	67,053	64,416	58,355	82,262	76,091	63,807	51,981	47,437	38,043	26,655
One year later		67,833	63,399	99,967	87,785	74,517	60,016	53,005	42,015	30,247
Two years later			63,399	99,967	87,785	74,517	60,016	53,027	42,082	30,409
Three years later				99,967	87,785	74,517	60,016	53,027	41,888	30,430
Four years later					87,785	74,517	60,016	53,027	41,888	30,430
Re-estimated ceded losses and expenses	-	-	-	-	1,980	1,522	1,256	82	776	595
Re-estimated incurred claims and expense:										
End of policy year	75,003	74,749	69,914	97,965	97,779	83,618	58,376	53,041	42,444	30,836
One year later		67,833	63,399	99,967	87,785	74,517	60,016	53,005	42,015	30,247
Two years later			63,399	99,967	87,785	74,517	60,016	53,027	42,082	30,409
Three years later				99,967	87,785	74,517	60,016	53,027	41,888	30,430
Four years later					87,785	74,517	60,016	53,027	41,888	30,430
Increase (decrease) in estimated incurred claims and expense from end of policy year	\$ -	\$ (6,916)	\$ (6,515)	\$ 2,002	\$ (9,994)	\$ (9,101)	\$ 1,640	\$ (14)	\$ (556)	\$ (406)

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

Schedule of Claims
Teacher Health Insurance Security Fund (0203)

For the Ten Years Ended June 30, 2005

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 ten fiscal years ended June 30, 2005 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.

	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Net earned required contribution and investment revenue:										
Earned	\$289,575	\$265,947	\$220,189	\$186,120	\$128,177	\$110,312	\$102,430	\$97,044	\$94,623	\$87,660
Ceded	-	-	-	-	-	-	-	-	(314)	-
Net earned revenue	289,575	265,947	220,189	186,120	128,177	110,312	102,430	97,044	94,309	87,660
Unallocated expenses	1,765	7,252	1,608	2,146	1,934	1,735	2,407	2,401	1,083	759
Estimated incurred claims and expense, end of policy year:										
Incurred	281,820	242,211	203,664	172,805	155,601	124,892	103,347	91,564	78,395	71,192
Ceded	-	-	-	-	-	-	-	-	-	-
Net incurred claims	281,820	242,211	203,664	172,805	155,601	124,892	103,347	91,564	78,395	71,192
Paid (cumulative) as of:										
End of policy year	268,913	231,176	187,152	166,198	140,460	104,660	89,918	83,545	75,947	65,363
One year later		246,532	200,519	184,982	155,200	117,117	98,931	93,628	83,317	72,125
Two years later			200,519	184,982	155,200	117,117	98,931	93,205	83,334	72,298
Three years later				184,982	155,200	117,117	98,931	93,205	83,334	72,266
Four years later					155,200	117,117	98,931	93,205	83,334	72,330
Re-estimated ceded losses and expenses	-	-	-	-	-	-	-	59	-	-
Re-estimated incurred claims and expense:										
End of policy year	301,382	264,604	217,698	196,167	167,062	127,460	100,201	89,435	80,668	74,291
One year later		246,532	200,519	184,982	155,200	117,117	98,931	93,628	83,317	72,125
Two years later			200,519	184,982	155,200	117,117	98,931	93,205	83,334	72,298
Three years later				184,982	155,200	117,117	98,931	93,205	83,334	72,266
Four years later					155,200	117,117	98,931	93,205	83,334	72,330
Increase (decrease) in estimated incurred claims and expense from end of policy year	\$ -	\$ (18,072)	\$ (17,179)	\$ (11,185)	\$ (11,862)	\$ (10,343)	\$ (1,270)	\$ 3,770	\$ 2,666	\$ (1,961)

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
Schedule of Claims
Community College Health Insurance Security Fund (0577)
For the Seven Years Ended June 30, 2005

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 seven fiscal years ended June 30, 2005 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.

	2005	2004	2003	2002	2001	2000	1999
Net earned required contribution and investment revenue:							
Earned	\$ 18,927	\$ 16,820	\$ 15,259	\$ 13,704	\$ 12,373	\$ 10,786	\$ 3,850
Ceded	-	-	-	-	-	-	-
Net earned revenue	<u>18,927</u>	<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>406</u>	<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	24,995	15,454	13,248	10,346	8,841	5,025	-
Ceded	-	-	-	-	-	-	-
Net incurred claims	<u>24,995</u>	<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>22,015</u>	<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>17,525</u>	<u>12,636</u>	<u>10,816</u>	<u>7,798</u>	<u>5,101</u>	<u>-</u>
Two years later			<u>12,636</u>	<u>10,816</u>	<u>7,798</u>	<u>5,101</u>	<u>-</u>
Three years later				<u>10,816</u>	<u>7,798</u>	<u>5,101</u>	<u>-</u>
Four years later					<u>7,798</u>	<u>5,101</u>	<u>-</u>
Re-estimated ceded losses and expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Re-estimated incurred claims and expense:							
End of policy year	<u>25,408</u>	<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>17,525</u>	<u>12,636</u>	<u>10,816</u>	<u>7,798</u>	<u>5,101</u>	<u>-</u>
Two years later			<u>12,636</u>	<u>10,816</u>	<u>7,798</u>	<u>5,101</u>	<u>-</u>
Three years later				<u>10,816</u>	<u>7,798</u>	<u>5,539</u>	<u>-</u>
Four years later					<u>7,798</u>	<u>5,539</u>	<u>-</u>
Increase (decrease) in estimated incurred claims and expense from end of policy year	<u>\$ -</u>	<u>\$ (23)</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 Schedule of Accounts

General Fund

June 30, 2005 (Expressed in Thousands)

	General Revenue 0001	Workers' Compensation Revolving 0332	Total
ASSETS			
Unexpended appropriation	\$ 6,215	\$ -	\$ 6,215
Cash equity with State Treasurer	3	2,328	2,331
Other receivables, net	370	-	370
Due from other State funds	-	1,322	1,322
Total assets	\$ 6,588	\$ 3,650	\$ 10,238
LIABILITIES			
Accounts payable and accrued liabilities	\$ 5,570	\$ 8	\$ 5,578
Intergovernmental payables	103	-	103
Due to other Department fiduciary funds	318	-	318
Due to other State fiduciary funds	79	-	79
Due to other Department funds	164,675	8	164,683
Due to other State funds	1	-	1
Due to State of Illinois component units	180	-	180
Unavailable revenue	362	-	362
Matured portion of long-term obligations	-	1,024	1,024
Total liabilities	171,288	1,040	172,328
FUND BALANCES			
Reserved for encumbrances	70	1	71
Unreserved, undesignated	(164,770)	2,609	(162,161)
Total fund balances	(164,700)	2,610	(162,090)
Total liabilities and fund balances	\$ 6,588	\$ 3,650	\$ 10,238

State of Illinois

Department of Central Management Services

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

For the Year Ended June 30, 2005 (Expressed in Thousands)

	General Revenue 0001	Workers' Compensation Revolving 0332	Total
REVENUES			
Other revenues	\$ 4,761	\$ -	\$ 4,761
Other charges for services	302	861	1,163
Total revenues	5,063	861	5,924
EXPENDITURES			
General government	1,042,543	(1,467)	1,041,076
Debt service - principal	187	-	187
Capital outlay	91	-	91
Total expenditures	1,042,821	(1,467)	1,041,354
Excess (deficiency) of revenues over (under) expenditures	(1,037,758)	2,328	(1,035,430)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES			
Appropriations from State resources	984,462	-	984,462
Lapsed appropriations	(1,326)	-	(1,326)
Receipts collected and transmitted to State Treasury	(5,074)	-	(5,074)
Amount of SAMS transfers-in	(15,241)	-	(15,241)
Transfers-in	15,241	-	15,241
Transfers-out	(9)	-	(9)
Net other sources (uses) of financial resources	978,053	-	978,053
Net change in fund balances	(59,705)	2,328	(57,377)
Fund balances, July 1, 2004	(104,995)	282	(104,713)
FUND BALANCES, JUNE 30, 2005	\$ (164,700)	\$ 2,610	\$ (162,090)

**State of Illinois
Department of Central Management Services**

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

June 30, 2005 (Expressed in Thousands)

	Special Revenue							State Surplus Property Revolving 0903
	Facilities Management 0314	Efficiency Initiatives Revolving 0315	Senior Citizens and Disabled Persons Program 0316	Minority and Female Business Enterprise 0352	Wireless Carrier Reimbursement 0613			
ASSETS								
Cash equity with State Treasurer	\$ -	\$ 2,656	\$ 283	\$ 11	\$ -	\$ -	\$ 427	
Cash and cash equivalents	-	-	-	-	-	-	-	
Investments	-	-	-	-	-	-	-	
Receivables, net:								
Intergovernmental	-	-	-	-	-	-	20	
Other	-	-	5	-	-	-	15	
Due from other Department fiduciary funds	-	1	-	-	-	-	-	
Due from other Department funds	-	2,095	-	-	-	-	-	
Due from other State funds	-	16,203	-	-	-	-	34	
Due from State of Illinois component units	-	-	-	-	-	-	2	
Total assets	\$ -	\$ 20,955	\$ 288	\$ 11	\$ -	\$ -	\$ 498	
LIABILITIES								
Accounts payable and accrued liabilities	\$ -	\$ 1,503	\$ 11	\$ -	\$ -	\$ -	\$ 109	
Due to other Department funds	-	4	-	-	-	-	48	
Due to State of Illinois component units	-	-	-	-	-	-	1	
Total liabilities	-	1,507	11	-	-	-	158	
FUND BALANCES								
Reserved for encumbrances	-	-	11	-	-	-	15	
Unreserved, undesignated	-	19,448	266	11	-	-	325	
Total fund balances	-	19,448	277	11	-	-	340	
Total liabilities and fund balances	\$ -	\$ 20,955	\$ 288	\$ 11	\$ -	\$ -	\$ 498	

State of Illinois
Department of Central Management Services
Combining Balance Sheet -
Non-major Governmental Funds

June 30, 2005 (Expressed in Thousands)

	Special Revenue		Debt Service		
	Special Events Revolving 0989	ESCO COP Debt Service 1255	DPA COP Debt Service 1328	Total	
ASSETS					
Cash equity with State Treasurer	7	-	-	-	3,384
Cash and cash equivalents	-	447	-	-	447
Investments	-	4,082	-	-	4,082
Receivables, net:					
Intergovernmental	-	-	-	-	20
Other	13	-	-	-	33
Due from other Department fiduciary funds	-	-	-	-	1
Due from other Department funds	-	-	-	-	2,095
Due from other State funds	-	105	-	-	16,342
Due from State of Illinois component units	-	795	-	-	797
Total assets	20	\$ 5,429	\$ -	\$ -	27,201
LIABILITIES					
Accounts payable and accrued liabilities	-	-	-	-	1,623
Due to other Department funds	-	-	-	-	52
Due to State of Illinois component units	-	-	-	-	1
Total liabilities	-	-	-	-	1,676
FUND BALANCES					
Reserved for encumbrances	-	-	-	-	26
Unreserved, undesignated	20	5,429	-	-	25,499
Total fund balances	20	5,429	-	-	25,525
Total liabilities and fund balances	20	\$ 5,429	\$ -	\$ -	27,201

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, 2005 (Expressed in Thousands)

	Special Revenue							State Surplus Property Revolving 0903
	Facilities Management 0314	Efficiency Initiatives Revolving 0315	Senior Citizens and Disabled Persons Program 0316	Minority and Female Business Enterprise 0352	Wireless Carrier Reimbursement 0613			
REVENUES								
License and fees	-	\$ -	\$ -	\$ 1	\$ -	\$ -		
Interest and other investment income	-	-	-	-	-	-		
Other revenues	-	90	89	-	-	-	1,951	
Other charges for services	-	-	-	-	-	-	274	
Total revenues	-	90	89	1	-	-	2,225	
EXPENDITURES								
General government	-	19,543	42	-	-	-	2,040	
Debt service - principal	-	-	-	-	-	-	16	
Debt service - interest	-	-	-	-	-	-	5	
Capital outlay	-	42	-	-	-	-	39	
Total expenditures	-	19,585	42	-	-	-	2,100	
Excess (deficiency) of revenues over (under) expenditures	-	(19,495)	47	1	-	-	125	
OTHER SOURCES (USES) OF FINANCIAL RESOURCES								
Transfers-in	-	19,649	-	-	-	-	-	
Transfers-out	(86)	(15,250)	-	-	-	-	(1,161)	
Transfer of administration of funds to other State agencies	-	-	-	-	-	(7,634)	-	
Net other sources (uses) of financial resources	(86)	4,399	-	-	-	(7,634)	(1,161)	
Net change in fund balances	(86)	(15,096)	47	1	-	(7,634)	(1,036)	
Fund balances, July 1, 2004	86	34,544	230	10	7,634		1,376	
FUND BALANCES, JUNE 30, 2005	\$ -	\$ 19,448	\$ 277	\$ 11	\$ -	\$ -	\$ 340	

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, 2005 (Expressed in Thousands)

	Special Revenue	Debt Service		
	Special Events Revolving 0989	ESCO COP Debt Service 1255	DPA COP Debt Service 1328	Total
REVENUES				
License and fees	-	-	-	1
Interest and other investment income	-	326	-	326
Other revenues	-	-	-	2,130
Other charges for services	53	-	-	327
Total revenues	53	326	-	2,784
EXPENDITURES				
General government	87	4	-	21,716
Debt service - principal	-	1,955	-	1,971
Debt service - interest	-	400	-	405
Capital outlay	-	-	-	81
Total expenditures	87	2,359	-	24,173
Excess (deficiency) of revenues over (under) expenditures	(34)	(2,033)	-	(21,389)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES				
Transfers-in	-	1,189	-	20,838
Transfers-out	(1)	-	(1,805)	(18,303)
Transfer of administration of funds to other State agencies	-	-	-	(7,634)
Net other sources (uses) of financial resources	(1)	1,189	(1,805)	(5,099)
Net change in fund balances	(35)	(844)	(1,805)	(26,488)
Fund balances, July 1, 2004	55	6,273	1,805	52,013
FUND BALANCES, JUNE 30, 2005	\$ 20	\$ 5,429	\$ -	\$ 25,525

State of Illinois

Department of Central Management Services

Combining Statement of Net Assets

Enterprise Funds - Non-major Proprietary Funds

June 30, 2005 (Expressed in Thousands)

	Local Government Health Insurance Reserve 0193	Teacher Health Insurance Security 0203	Community College Health Insurance Security 0577	Total
ASSETS				
Cash equity with State Treasurer	\$ 7,658	\$ 55,329	\$ 12,890	\$ 75,877
Cash and cash equivalents	2,679	7,424	545	10,648
Receivables, net:				
Intergovernmental	103	-	-	103
Other	316	9,086	484	9,886
Due from other State funds	-	-	272	272
Total current assets	10,756	71,839	14,191	96,786
LIABILITIES				
Accounts payable and accrued liabilities	8,669	32,543	3,407	44,619
Due to other Department funds	15	-	-	15
Current portion of long-term obligations	1	1	-	2
Total current liabilities	8,685	32,544	3,407	44,636
Noncurrent portion of long-term obligations	36	54	19	109
Total liabilities	8,721	32,598	3,426	44,745
NET ASSETS				
Unrestricted	2,035	39,241	10,765	52,041
Total net assets	\$ 2,035	\$ 39,241	\$ 10,765	\$ 52,041

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, 2005 (Expressed in Thousands)

	Local Government Health Insurance Reserve 0193	Teacher Health Insurance Security 0203	Community College Health Insurance Security 0577	Total
OPERATING REVENUES				
Charges for sales and services	\$ 67,602	\$ 288,155	\$ 18,565	\$ 374,322
Other	528	1,490	390	2,408
Total operating revenues	68,130	289,645	18,955	376,730
OPERATING EXPENSES				
Cost of sales and service	5	-	-	5
Benefit payments and refunds	68,087	283,310	25,385	376,782
General and administrative	794	1,765	406	2,965
Total operating expenses	68,886	285,075	25,791	379,752
Operating income (loss)	(756)	4,570	(6,836)	(3,022)
NONOPERATING REVENUES (EXPENSES)				
Interest and other investment income	274	1,420	362	2,056
Income before transfers	(482)	5,990	(6,474)	(966)
Transfers-out	(2,000)	-	-	(2,000)
Change in net assets	(2,482)	5,990	(6,474)	(2,966)
Net assets, July 1, 2004	4,517	33,251	17,239	55,007
NET ASSETS, JUNE 30, 2005	\$ 2,035	\$ 39,241	\$ 10,765	\$ 52,041

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, 2005 (Expressed in Thousands)

	Local Government Health Insurance Reserve 0193	Teacher Health Insurance Security 0203	Community College Health Insurance Security 0577	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from sales and services	\$ 67,598	\$ 286,861	\$ 18,265	\$ 372,724
Cash payments to suppliers for goods and services	(69,893)	(284,013)	(23,925)	(377,831)
Cash payments to employees for services	(673)	(892)	(332)	(1,897)
Cash receipts from other operating activities	441	1,530	421	2,392
Net cash provided (used) by operating activities	<u>(2,527)</u>	<u>3,486</u>	<u>(5,571)</u>	<u>(4,612)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers-out to other funds	(2,000)	-	-	(2,000)
Net cash provided (used) by noncapital financing activities	<u>(2,000)</u>	<u>-</u>	<u>-</u>	<u>(2,000)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends on investments	263	1,330	343	1,936
Net cash provided (used) by investing activities	<u>263</u>	<u>1,330</u>	<u>343</u>	<u>1,936</u>
Net increase (decrease) in cash and cash equivalents	(4,264)	4,816	(5,228)	(4,676)
Cash and cash equivalents, July 1, 2004	14,601	57,937	18,663	91,201
CASH AND CASH EQUIVALENTS, JUNE 30, 2005	<u>\$ 10,337</u>	<u>\$ 62,753</u>	<u>\$ 13,435</u>	<u>\$ 86,525</u>
Reconciliation of cash and cash equivalents to the statement of net assets:				
Total cash and cash equivalents per the statement of net assets	\$ 2,679	\$ 7,424	\$ 545	\$ 10,648
Add: cash equity with State Treasurer	7,658	55,329	12,890	75,877
CASH AND CASH EQUIVALENTS, JUNE 30, 2005	<u>\$ 10,337</u>	<u>\$ 62,753</u>	<u>\$ 13,435</u>	<u>\$ 86,525</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
OPERATING INCOME (LOSS)	\$ (756)	\$ 4,570	\$ (6,836)	\$ (3,022)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(109)	(150)	(268)	(527)
(Increase) decrease in intergovernmental receivables	25	-	-	25
Increase (decrease) in accounts payable and accrued liabilities	(1,692)	(932)	1,537	(1,087)
Increase (decrease) in due to other funds	8	(2)	(2)	4
Increase (decrease) in other liabilities	(3)	-	(2)	(5)
Total adjustments	(1,771)	(1,084)	1,265	(1,590)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (2,527)</u>	<u>\$ 3,486</u>	<u>\$ (5,571)</u>	<u>\$ (4,612)</u>

State of Illinois
Department of Central Management Services
Combining Statement of Net Assets

Internal Service Funds

June 30, 2005 (Expressed in Thousands)

	State Garage Revolving 0303	Statistical Services Revolving 0304	Paper and Printing Revolving 0308	Communications Revolving 0312	Facilities Management Fund 0314	Professional Services Fund 0317	Health Insurance Reserve 0907	Total
ASSETS								
Cash equity with State Treasurer	\$ 1,843	\$ 24,184	\$ 131	\$ 42,835	\$ 15,820	\$ 1,876	\$ 22,368	\$ 109,057
Cash and cash equivalents	-	-	-	-	3,616	-	28,440	32,056
Receivables, net:								
Intergovernmental	25	-	-	482	-	-	-	507
Other	8	-	-	59	-	-	8,244	8,311
Due from other Department fiduciary funds	-	15	-	4	-	21	3	43
Due from other Department funds	71	3,469	15	559	-	-	164,714	168,828
Due from other State funds	6,091	27,090	215	17,763	11,851	373	981	64,364
Due from State of Illinois component units	3	31	1	493	-	140	11,112	11,780
Inventories	1,548	42	177	-	-	-	-	1,767
Prepaid expenses	-	900	-	-	-	-	-	900
Total current assets	9,589	55,731	539	62,195	31,287	2,410	235,862	397,613
Capital assets not being depreciated	-	-	-	-	36,693	-	-	36,693
Capital assets being depreciated, net	40	7,094	-	23,062	221,313	-	-	251,509
Total assets	9,629	62,825	539	85,257	289,293	2,410	235,862	685,815
LIABILITIES								
Accounts payable and accrued liabilities	5,103	9,791	100	16,875	27,365	210	234,215	293,659
Intergovernmental payables	1	45	-	3	1,725	-	10	1,784
Due to other State fiduciary funds	2	28	-	6	128	-	1	165
Due to other Department funds	358	330	143	2,958	507	562	1,373	6,231
Due to other State funds	13	17	-	43	23	-	1	97
Due to State of Illinois component units	11	-	-	2	493	-	-	506
Current portion of long-term obligations	105	1,912	-	1,995	2,324	62	35	6,433
Total current liabilities	5,593	12,123	243	21,882	32,565	834	235,635	308,875
Noncurrent portion of long-term obligations	1,360	6,393	19	8,365	39,999	589	227	56,952
Total liabilities	6,953	18,516	262	30,247	72,564	1,423	235,862	365,827
NET ASSETS								
Invested in capital assets, net of related debt	34	4,378	-	13,557	217,813	-	-	235,782
Restricted for debt services	-	-	-	-	3,616	-	-	3,616
Unrestricted	2,642	39,931	277	41,453	(4,700)	987	-	80,590
Total net assets	\$ 2,676	\$ 44,309	\$ 277	\$ 55,010	\$ 216,729	\$ 987	\$ -	\$ 319,988

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, 2005 (Expressed in Thousands)

	State Garage Revolving 0303	Statistical Services Revolving 0304	Paper and Printing Revolving 0308	Communications Revolving 0312	Facilities Management Fund 0314	Professional Services Fund 0317	Health Insurance Reserve 0907	Total
OPERATING REVENUES								
Charges for sales and services	\$ 34,050	\$ 90,858	\$ 981	\$ 114,819	\$ 140,255	\$ 10,704	\$ 1,566,606	\$ 1,958,273
Other	96	-	1	-	-	-	16,007	16,104
Total operating revenues	34,146	90,858	982	114,819	140,255	10,704	1,582,613	1,974,377
OPERATING EXPENSES								
Cost of sales and services	25,130	85,698	694	98,628	137,179	7,574	-	354,903
Benefit payments and refunds	-	-	-	-	-	-	1,549,374	1,549,374
General and administrative	7,790	1,974	247	7,597	2,981	1,618	10,702	32,909
Depreciation	215	4,244	-	7,009	11,119	-	-	22,587
Other	422	-	-	8,711	-	-	-	9,133
Total operating expenses	33,557	91,916	941	121,945	151,279	9,192	1,560,076	1,968,906
Operating income (loss)	589	(1,058)	41	(7,126)	(11,024)	1,512	22,537	5,471
NONOPERATING REVENUES								
(EXPENSES)								
Interest and investment income	-	-	-	-	7	-	1,650	1,657
Interest expense	(6)	(73)	-	(86)	(3,312)	-	-	(3,477)
Other expenses	-	(28)	-	(7,599)	-	-	-	(7,627)
Income before contributions and transfers	583	(1,159)	41	(14,811)	(14,329)	1,512	24,187	(3,976)
Capital contributions, net	-	-	-	11,844	226,693	-	-	238,537
Transfers-in	-	-	-	9,181	4,546	-	-	13,727
Transfers-out	(6,960)	(10,609)	(135)	(15,166)	(181)	(525)	(24,187)	(57,763)
Change in net assets	(6,377)	(11,768)	(94)	(8,952)	216,729	987	-	190,525
Net assets, July 1, 2004	9,053	56,077	371	63,962	-	-	-	129,463
NET ASSETS, JUNE 30, 2005	\$ 2,676	\$ 44,309	\$ 277	\$ 55,010	\$ 216,729	\$ 987	\$ -	\$ 319,988

State of Illinois
Department of Central Management Services
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2005 (Expressed in Thousands)

	State Garage Revolving 0303	Statistical Services Revolving 0304	Paper and Printing Revolving 0308	Communications Revolving 0312	Facilities Management Fund 0314	Professional Services Fund 0317	Health Insurance Reserve 0907	Total
CASH FLOWS FROM OPERATING ACTIVITIES								
Cash received from sales and services	\$ 621	\$ 6,839	\$ -	\$ 15,791	\$ 459	\$ -	\$ 225,789	\$ 249,499
Cash received from transactions with other funds	31,926	72,583	981	100,299	127,978	10,170	1,316,186	1,660,123
Cash payments to suppliers for goods and services	(19,572)	(44,173)	(903)	(98,324)	(95,892)	(1,115)	(1,531,077)	(1,791,056)
Cash payments to employees for services	(13,098)	(32,747)	(237)	(12,135)	(13,278)	(7,179)	(3,161)	(81,835)
Cash receipts from other operating activities	96	-	1	-	-	-	15,503	15,600
Net cash provided (used) by operating activities	(27)	2,502	(158)	5,631	19,267	1,876	23,240	52,331
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES								
Transfers-in from other funds	-	-	-	9,514	4,546	-	-	14,060
Transfers-out to other funds	(3)	(14)	-	(13,940)	-	-	(24,187)	(38,144)
Net cash provided (used) by noncapital financing activities	(3)	(14)	-	(4,426)	4,546	-	(24,187)	(24,084)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES								
Acquisition and construction of capital assets	-	(1,995)	-	(1,771)	(7)	-	-	(3,773)
Principal paid on capital debt	(417)	(1,816)	-	(530)	(2,232)	-	-	(4,995)
Interest paid on capital debt	(6)	(73)	-	(86)	(2,145)	-	-	(2,310)
Net cash (used) by capital and related financing activities	(423)	(3,884)	-	(2,387)	(4,384)	-	-	(11,078)
CASH FLOWS FROM INVESTING ACTIVITIES								
Interest and dividends on investments	-	-	-	-	7	-	1,576	1,583
Net cash provided by investing activities	-	-	-	-	7	-	1,576	1,583
Net increase (decrease) in cash and cash equivalents	(453)	(1,396)	(158)	(1,182)	19,436	1,876	629	18,752
Cash and cash equivalents, July 1, 2004	2,296	25,580	289	44,017	-	-	50,179	122,361
CASH AND CASH EQUIVALENTS, JUNE 30, 2005	\$ 1,843	\$ 24,184	\$ 131	\$ 42,835	\$ 19,436	\$ 1,876	\$ 50,808	\$ 141,113
Reconciliation of cash and cash equivalents to the statement of net assets:								
Total cash and cash equivalents per the statement of net assets	\$ -	\$ -	\$ -	\$ -	\$ 3,616	\$ -	\$ 28,440	\$ 32,056
Add: cash equity with State Treasurer	1,843	24,184	131	42,835	15,820	1,876	22,368	109,057
CASH AND CASH EQUIVALENTS, JUNE 30, 2005	\$ 1,843	\$ 24,184	\$ 131	\$ 42,835	\$ 19,436	\$ 1,876	\$ 50,808	\$ 141,113
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:								
OPERATING INCOME (LOSS)	\$ 589	\$ (1,058)	\$ 41	\$ (7,126)	\$ (11,024)	\$ 1,512	\$ 22,537	\$ 5,471
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:								
Depreciation	215	4,244	-	7,009	11,119	-	-	22,587
Changes in assets and liabilities:								
(Increase) decrease in accounts receivable	(2)	-	-	28	-	-	(495)	(469)
(Increase) decrease in intergovernmental receivables	17	-	-	198	-	-	-	215
(Increase) decrease in due from other funds	(1,534)	(10,347)	(76)	3,970	(11,851)	(394)	(16,133)	(36,365)
(Increase) decrease in due from component units	16	(9)	9	83	-	(140)	(8,497)	(8,538)
(Increase) decrease in inventories	(431)	6	(85)	-	-	-	-	(510)
(Increase) decrease in prepaid expenses	-	8	-	-	-	-	-	8
Increase (decrease) in accounts payable and accrued liabilities	1,462	8,516	(40)	3,343	26,198	210	25,603	65,292
Increase (decrease) in intergovernmental payables	(2)	(1,382)	-	(3,005)	1,725	-	10	(2,654)
Increase (decrease) in due to other funds	(219)	(491)	8	1,044	477	37	257	1,113
Increase (decrease) in due to component units	2	-	-	2	493	-	-	497
Increase (decrease) in other liabilities	(140)	3,015	(15)	85	2,130	651	(42)	5,684
Total adjustments	(616)	3,560	(199)	12,757	30,291	364	703	46,860
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (27)	\$ 2,502	\$ (158)	\$ 5,631	\$ 19,267	\$ 1,876	\$ 23,240	\$ 52,331
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES								
Cost of installment purchases	\$ -	\$ 2,000	\$ -	\$ 9,922	\$ -	\$ -	\$ -	\$ 11,922
Gain (loss) on sale of property and equipment	-	(28)	-	(7,599)	-	-	-	(7,627)
Transfer of capital assets, net of related debt, to/from other State funds	(6,957)	(10,595)	-	11,844	226,693	-	-	220,985
Total noncash investing, capital and financing activities	(6,957)	(8,623)	-	14,167	226,693	-	-	225,280

State of Illinois

Department of Central Management Services

Combining Statement of Fiduciary Net Assets

Agency Funds

June 30, 2005 (Expressed in Thousands)

	Flexible Spending Account 0202	Group Insurance Premium 0457	Total
ASSETS			
Cash equity with State Treasurer	\$ 2,109	\$ 10,824	\$ 12,933
Cash and cash equivalents	2,213	-	2,213
Other receivables, net	-	30	30
Due from other Department funds	-	318	318
Due from other State funds	-	51	51
Due from State of Illinois component units	-	463	463
Total assets	\$ 4,322	\$ 11,686	\$ 16,008
LIABILITIES			
Accounts payable and accrued liabilities	\$ 4,315	\$ 11,686	\$ 16,001
Due to State of Illinois component units	7	-	7
Total liabilities	\$ 4,322	\$ 11,686	\$ 16,008

State of Illinois

Department of Central Management Services

Combining Statement of Changes in Assets and Liabilities

Agency Funds

For the Year Ended June 30, 2005 (Expressed in Thousands)

	Balance at June 30, 2004	Additions	Deletions	Balance at June 30, 2005
Flexible Spending Account Fund (0202):				
ASSETS				
Cash equity with State Treasurer	\$ 4,200	\$ 16,982	\$ 19,073	\$ 2,109
Cash and cash equivalents	-	2,213	-	2,213
Total assets	\$ 4,200	\$ 19,195	\$ 19,073	\$ 4,322
LIABILITIES				
Accounts payable and accrued liabilities	\$ 4,200	\$ 19,188	\$ 19,073	\$ 4,315
Due to component units	-	7	-	7
Total liabilities	\$ 4,200	\$ 19,195	\$ 19,073	\$ 4,322
Group Insurance Premium Fund (0457):				
ASSETS				
Cash equity with State Treasurer	\$ 6,626	\$ 72,904	\$ 68,706	\$ 10,824
Other receivables, net	5	30	5	30
Due from other Department funds	4,281	318	4,281	318
Due from other State funds	6	51	6	51
Due from State of Illinois component units	109	463	109	463
Total assets	\$ 11,027	\$ 73,766	\$ 73,107	\$ 11,686
LIABILITIES				
Accounts payable and accrued liabilities	\$ 11,027	\$ 11,686	\$ 11,027	\$ 11,686
Total liabilities	\$ 11,027	\$ 11,686	\$ 11,027	\$ 11,686
Total				
ASSETS				
Cash equity with State Treasurer	\$ 10,826	\$ 89,886	\$ 87,779	\$ 12,933
Cash and cash equivalents	-	2,213	-	2,213
Other receivables, net	5	30	5	30
Due from other Department funds	4,281	318	4,281	318
Due from other State funds	6	51	6	51
Due from State of Illinois component units	109	463	109	463
Total assets	\$ 15,227	\$ 92,961	\$ 92,180	\$ 16,008
LIABILITIES				
Accounts payable and accrued liabilities	\$ 15,227	\$ 30,874	\$ 30,100	\$ 16,001
Due to component units	-	7	-	7
Total liabilities	\$ 15,227	\$ 30,881	\$ 30,100	\$ 16,008