

**STATE OF ILLINOIS
DEPARTMENT OF REVENUE**

COMPLIANCE EXAMINATION

For the Two Years Ended June 30, 2012

AND FINANCIAL AUDIT

For the Year Ended June 30, 2012

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

STATE OF ILLINOIS
DEPARTMENT OF REVENUE

COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2012

AND FINANCIAL AUDIT
For the Year Ended June 30, 2012

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STATE OF ILLINOIS
DEPARTMENT OF REVENUE

AGENCY OFFICIALS

Director	Brian A. Hamer
Assistant Director	Vacant
Associate Director	Julie O'Brien (effective 6/16/12) Vacant (2/1/12 – 6/15/12) Jodie Winnett (7/1/10 – 1/31/12)
Chief of Staff	Lainie Krozel
Chief Budget Officer	Cory Staley (effective 6/1/12)
Chief Fiscal Officer*	David Hunt (through 5/31/12)
Liquor Control Commission	Gloria Materre (effective 3/21/11) Lainie Krozel (7/1/10 – 3/20/11)
Program Administrators:	
Administrative Services	Angela Oxley
Account Processing	O. Wayne Richie
Information Technology	Matthew Bell, Acting (effective 10/6/12) Elizabeth Malloy (1/15/12- 10/5/12) Vacant (1/1/12 – 1/14/12) Rebecca Moore (through 12/31/11)
Tax Enforcement	John Chambers
Audit	Dan Hall
Policy and Communications Officer	Carol Knowles (effective 1/16/13) Vacant (6/1/12 – 1/15/13) Michael Klemens (through 5/31/12)
Chief Information Security Officer	Brad Boroff (effective 3/1/12) (position established 3/1/12)
General Counsel	Gail Niemann (effective 11/14/11) Agostino Lorenzini, Acting (7/1/11 – 11/13/11) John McCaffrey (through 6/30/11)

STATE OF ILLINOIS
DEPARTMENT OF REVENUE

AGENCY OFFICIALS – Continued

Chief Internal Auditor	Douglas Hathorn (effective 8/2/2010) Vacant (through 8/1/2010)
Managers:	
Financial Control Bureau	Matthew Couturiaux (through 11/15/12) Vacant (9/1/10 – 8/15/11) Larry Lascody, Jr. (7/1/10 – 8/31/10)
Returns and Deposit	Patti Walbaum
Administrative and Regulatory Shared Services Center:	
Director	Vacant
Chief Fiscal Officer	Vacant (effective 6/16/13) Melinda Westwater (5/16/11 – 6/15/13) Dave Hunt, Acting (2/16/11 – 5/15/11) Marvin Becker (7/1/10 – 2/15/11)
Customer Service Liaison	Dave Klintworth
Human Resources Director	Matthew Bilinsky, Acting (effective 12/1/11) Jeanine Hamm (7/1/10 – 11/30/11)
Administrative Director	Vacant
Liquor Control Board Members (as of June 30, 2012)	Stephen Schnorf Sam Esteban Amy Kurson Michael F. McMahon Donald G. O'Connell James Pandolfi Charles Scholz

* This position is no longer utilized by the Department. The Program Administrator of Administrative Services is responsible for all financial reporting of the Department.

Agency offices are located at:

Springfield, Illinois

Willard Ice Building
101 W. Jefferson Street
Springfield, Illinois 62702

Des Plaines, Illinois

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

Marion, Illinois

2309 W. Main Street, Suite 114
Marion, Illinois 62959

Paramus, New Jersey

45 Eisenhower Drive, Suite 2
Paramus, New Jersey 07652

Chicago, Illinois

James R Thompson Center
100 W. Randolph Street
Chicago, IL 60601

Fairview Heights, Illinois

15 Executive Drives, Suite 2
Fairview Heights, Illinois 62208

Rockford, Illinois

200 S. Wyman Street
Rockford, Illinois 61101



STATE OF ILLINOIS
DEPARTMENT OF REVENUE
101 WEST JEFFERSON STREET
SPRINGFIELD, ILLINOIS 62702
Springfield Office: 217 785-7570
Chicago Office: 312 814-3190

BRIAN HAMER
Director

PAT QUINN
Executive

STATE COMPLIANCE EXAMINATION

MANAGEMENT ASSERTION LETTER

Sikich LLP
3201 W. White Oaks Drive, Suite 102
Springfield, IL 62704

June 26, 2013

Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the State of Illinois, Department of Revenue (Department). We are responsible for and we have established and maintained an effective system of, internal controls over compliance requirements. We have performed an evaluation of the Department's compliance with the following assertions during the two-year period ended June 30, 2012. Based on this evaluation, we assert that during the year(s) ended June 30, 2011 and June 30, 2012, the Department has materially complied with the assertions below.

- A. The Department has obligated, expended, received and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Department has obligated, expended, received and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The Department has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

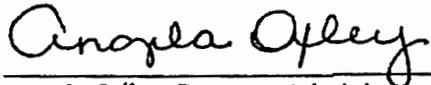
- D. State revenues and receipts collected by the Department are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.
- E. Money or negotiable securities or similar assets handled by the Department on behalf of the State or held in trust by the Department have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

Yours very truly,

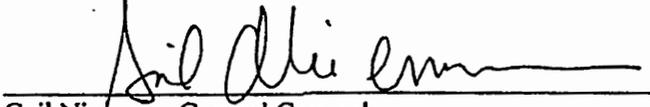
Illinois Department of Revenue



Brian Hamer, Director



Angela Oxley, Program Administrator of Admin Services



Gail Niemann, General Counsel

STATE OF ILLINOIS
DEPARTMENT OF REVENUE

COMPLIANCE REPORT

SUMMARY

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

INTRODUCTION

Our scope as special assistant auditors to the Auditor General for the compliance examination consists of State compliance testing of the Department for the two years ended June 30, 2012.

ACCOUNTANTS' REPORT

The Independent Accountants' Report on State Compliance and on Internal Control Over Compliance does not contain scope limitations or disclaimers, but does contain report qualifications for compliance and internal control.

SUMMARY OF FINDINGS

<u>Number of</u>	<u>Current Report</u>	<u>Prior Report</u>
Findings	21	37
Repeated findings	10	10
Prior recommendations implemented or not repeated	21*	11

Details of findings are presented in the separate section of this report.

- * Six findings reported in the prior compliance report, for the two years ended June 30, 2010, were determined to be not repeated during testing associated with the Department's June 30, 2011 financial statement audit, which was presented in a separate report.

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS (GOVERNMENT AUDITING STANDARDS)			
12-01	17	Weaknesses in the Department's financial reporting process	Material Weakness
12-02	23	Sustained high levels of unprocessed taxpayer information	Material Weakness
12-03	27	Independent internal control reviews of externally controlled service providers not obtained	Significant Deficiency
12-04	29	Weaknesses in the processes over Sales and Use Tax Fund allocations	Significant Deficiency
12-05	33	Weaknesses in processing taxpayer information	Significant Deficiency
12-06	35	Conflict in provisions of the Illinois Income Tax Act and State Revenue Sharing Act	Significant Deficiency
12-07	39	Weaknesses in controls over deposit of Sales and Use Tax receipts	Significant Deficiency
12-08	43	Year-end cash balances not properly recorded	Significant Deficiency
12-09	45	Lost taxpayer audit files	Significant Deficiency

FINDINGS (STATE COMPLIANCE)

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
12-10	50	Project management weaknesses in the development of GenTax	Significant Deficiency and Noncompliance
12-11	53	Inadequate security over GenTax	Significant Deficiency and Noncompliance
12-12	55	Weaknesses over the change management process	Significant Deficiency and Noncompliance

FINDINGS (STATE COMPLIANCE) – Continued

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
12-13	57	Lack of disaster contingency planning or testing	Significant Deficiency and Noncompliance
12-14	59	Noncompliance with the Fiscal Control and Internal Auditing Act	Significant Deficiency and Noncompliance
12-15	61	Policies and procedures regarding operation of State vehicles not followed	Significant Deficiency and Noncompliance
12-16	65	Weaknesses in internal controls noted in cash accounts	Significant Deficiency and Noncompliance
12-17	67	Exceptions in testing payroll and timekeeping	Significant Deficiency and Noncompliance
12-18	71	Noncompliance with specific provisions of the Hotel Operators' Occupation Tax Act	Significant Deficiency and Noncompliance
12-19	73	Noncompliance with statutory transfer limitations	Significant Deficiency and Noncompliance
12-20	74	Weaknesses in controls over the tire user fee	Significant Deficiency and Noncompliance
12-21	77	Information not provided to auditors	Significant Deficiency and Noncompliance

In addition, the following findings which are reported as current findings and relating to *Government Auditing Standards* also meet the reporting requirements for State Compliance or internal control over State Compliance.

12-01	17	Weaknesses in the Department's financial reporting process	Material Weakness and Material Noncompliance
12-02	23	Sustained high levels of unprocessed taxpayer information	Material Weakness and Material Noncompliance
12-03	27	Independent internal control reviews of externally controlled service providers not obtained	Significant Deficiency and Noncompliance
12-04	29	Weaknesses in the processes over Sales and Use Tax Fund allocations	Significant Deficiency and Noncompliance

FINDINGS (STATE COMPLIANCE) – Continued

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
12-05	33	Weaknesses in processing taxpayer information	Significant Deficiency and Noncompliance
12-06	35	Conflict in provisions of the Illinois Income Tax Act and State Revenue Sharing Act	Significant Deficiency and Noncompliance
12-07	39	Weaknesses in controls over deposit of Sales and Use Tax receipts	Significant Deficiency and Noncompliance
12-08	43	Year-end cash balances not properly recorded	Significant Deficiency and Noncompliance
12-09	45	Lost taxpayer audit files	Significant Deficiency and Noncompliance

PRIOR FINDINGS NOT REPEATED

A	80	Fund balance deficit exceeding \$1.6 billion	
B	80	Reconciliation of Hotel Operators' Occupation Tax allocations not performed	
C	80	Inadequate control over Illinois Sports Facilities Authority funds	
D	81	Exceptions in income tax refunds payable balances at year-end	
E	81	Weaknesses in internal controls over taxpayer accounts	
F	81	Illinois Lottery Private Manager Procurement*	
G	81	Lack of contract monitoring	
H	82	Inadequate controls over confidential information	
I	82	Failure to pay Personal Property Replacement Tax refunds created a statutory excess	
J	82	Noncompliance with statutory expenditure limitations	
K	82	Inadequate controls over liquor retailer licenses	
L	83	Improper fiscal year expenditures	
M	83	Inadequate control over distributions of Hotel Operators' Occupation Tax	

PRIOR FINDINGS NOT REPEATED – Continued

N	83	Distributions to counties in violation of the Tennessee Valley Authority Payment Act
O	84	Inadequate control over contractual, interagency and grant agreements
P	84	Untimely distribution of local government tax collections
Q	84	Payments to County officials

* The prior report of the Department identified eight findings associated with the Illinois Lottery Private Manager Procurement. In accordance with Public Act 97-0464, effective October 15, 2011, the Department of Revenue transferred all functions performed for the Illinois Lottery and all associated powers, rights, duties and responsibilities to the newly created Illinois Department of the Lottery. These eight compliance findings will be followed up on in the compliance examination of the Illinois Department of the Lottery for the two years ended June 30, 2013. Based upon this, these findings will not be repeated in the Department report for this engagement period.

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Department personnel at exit conferences on April 10, 2013 and June 19, 2013. Attending were:

Department of Revenue

Brian A. Hamer	Director
Julie O'Brien (via videoconference)	Associate Director
Douglas Hathhorn	Chief Internal Auditor
Carol Knowles	Policy and Communications Officer
Dan Hall	Audit
O. Wayne Richie	Account Processing
Angela Oxley	Administrative Services
Melinda Westwater*	CFO Administrative & Regulatory Shared Services Center
Jose Borjon*	Audit Liaison

Office of the Auditor General

Paul Usherwood	Audit Manager
Janis Van Durme	Audit Manager
Kathy Lovejoy**	Audit Manager
Megan Green**	Audit Supervisor

Sikich LLP

Gary Neubauer**	Partner
Amy L. Sherwood	Partner
Megan Cochran	Manager
Tracy Spoonmore	Supervisor

*April 10, 2013 Conference only

**June 19, 2013 Conference only

Responses to the recommendations were provided by Doug Hathhorn, Chief Internal Auditor, in correspondence dated April 23, 2013 and June 20, 21, 24, and 26, 2013. In addition, on June 21, 2013, Melinda Westwater, Chief Internal Auditor with the Illinois Department of the Lottery (Lottery) provided a response for the Lottery to Finding No. 12-21.

INDEPENDENT ACCOUNTANTS' REPORT ON STATE COMPLIANCE
AND ON INTERNAL CONTROL OVER COMPLIANCE

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

As Special Assistant Auditors for the Auditor General, we have examined the State of Illinois, Department of Revenue's (Department) compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the two years ended June 30, 2012. The management of the Department is responsible for compliance with these requirements. Our responsibility is to express an opinion on the Department's compliance based on our examination.

- A. The Department has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Department has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The Department has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. State revenues and receipts collected by the Department are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.
- E. Money or negotiable securities or similar assets handled by the Department on behalf of the State or held in trust by the Department have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

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

As described in findings 12-01 and 12-02 in the accompanying Schedule of Findings, the Department did not comply with requirements regarding the applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations. Compliance with such requirements is necessary, in our opinion, for the Department to comply with the requirements listed in the first paragraph of this report.

In our opinion, except for the noncompliance described in the preceding paragraph, the Department complied, in all material respects, with the compliance requirements listed in the first paragraph of this report during the two years ended June 30, 2012. However, the results of our procedures disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying Schedule of Findings as items 12-03 through 12-21.

Internal Control

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in an entity's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the

requirements listed in the first paragraph of this report on a timely basis. A *material weakness in an entity's internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that a material noncompliance with a requirement listed in the first paragraph of this report will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance as described in the accompanying Schedule of Findings as items 12-01 and 12-02 to be material weaknesses.

A *significant deficiency in an entity's internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings as items 12-03 through 12-21 to be significant deficiencies.

As required by the Audit Guide, immaterial findings excluded from this report have been reported in a separate letter to your office.

The Department's responses to the findings identified in our examination are described in the accompanying Schedule of Findings. We did not examine the Department's responses and, accordingly, we express no opinion on them.

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



Springfield, Illinois
June 26, 2013

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the State of Illinois, Department of Revenue (Department) as of and for the year ended June 30, 2012, which collectively comprise the Department's basic financial statements and have issued our report thereon dated May 29, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Department is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Department's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Department's financial statements will not be

prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings as items 12-01 and 12-02 to be material weaknesses.

A *significant deficiency* is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings as items 12-03 through 12-09 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Department's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Department's responses and, accordingly, we express no opinion on the responses.

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



Springfield, Illinois
May 29, 2013

STATE OF ILLINOIS
DEPARTMENT OF REVENUE

SCHEDULE OF FINDINGS

CURRENT FINDINGS
(GOVERNMENT AUDITING STANDARDS)

12-01 FINDING: (Weaknesses in the Department's financial reporting process)

The Department of Revenue's (Department) year-end financial reporting in accordance with generally accepted accounting principles (GAAP) to the Illinois Office of the Comptroller contained inaccuracies. The issues associated with the inaccuracies, if not detected and corrected, could materially misstate the Department's financial statements and impact the Statewide financial statements prepared by the Illinois Office of the Comptroller.

During the audit of the Department's June 30, 2012 financial statements, the auditors noted the following errors:

- Auditors noted a number was typed incorrectly on the spreadsheet utilized to record the statutory transfer between the County and Mass Transit Fund (Fund 0188) and RTA Sales Tax Fund (Fund 0812) in the Department's financial statements. As a result, the Due to Other Funds in Fund 0188 and the Due From Other Funds in Fund 0812 were understated by \$9.4 million. The error was not caught in the Department's internal review procedures prior to the completion of the Department's GAAP packages and financial statements. The misstatement was not considered material by the Department and was not corrected as of June 30, 2012.
- A formula error was discovered by the auditors in the spreadsheet utilized by the Department to calculate the estimated future refunds payable for the individual and business income taxes relating to the current fiscal year. The error excluded one cell from the formula, which caused the percentages utilized in the calculation to be incorrect. As a result, the refunds payable balance in the Income Tax Refund Fund (Fund 0278) was overstated by \$70.4 million in the Department's GAAP packages. The Department notified the Illinois Office of the Comptroller and requested a journal entry be made to correct the Department's closed GAAP Reporting packages. The Department's financial statements as of June 30, 2012 were submitted correctly to the Illinois Office of the Comptroller.
- During audit testing of deferred revenue, the Department determined its original calculation for deferred revenue related to taxpayer refunds carried forward for credit on future returns contained errors. The program to generate the data the Department utilized to calculate the deferred revenue for its financial statements contained errors. Upon reanalyzing the data, the Department determined deferred revenue was understated by \$19.4 million. The misstatement was not considered material by the Department and was not corrected as of June 30, 2012.

In addition, according to the Department's Credit Carry Forward Accounting Policy, the Department does not include any account with a Credit Carry Forward of less than \$500 for Individual Income Tax and \$1,000 for Business Income Tax, as the total was considered immaterial. Until requested by the auditors during fieldwork, the Department had not performed an analysis as to the financial statement impact at June 30, 2012 of the application of this accounting policy to verify if the accounts below these thresholds were, indeed, immaterial to the financial statements as a whole. The Department determined the accounts which were not considered in the Department's calculation of deferred revenue totaled \$7.9 million. The elimination of these accounts was not considered material by the Department and no adjustment was made to the Department's financial statements as of June 30, 2012.

Department personnel stated that the Financial Control Bureau (FCB) modified a GenTax credit carry forward (CCF) datamart, adding a date field to improve the analysis of CCF data and more accurately reported deferred revenue. This change inadvertently caused the datamart to not calculate fields correctly. Department personnel noted the credit carry forward calculation is not an exact number but rather an average of three years of data and the accounts excluded are known to be immaterial and voluminous and therefore are not included in the estimation process by procedure because of the time constraints for GAAP reporting.

- Auditors noted the report utilized by the Department to determine the total refunds and credit memoranda amount to be included in the accounts payable balances for the following funds was calculated as of July 9, 2012 rather than June 30, 2012. In addition, the detail information for the refunds and credit memoranda totals included in the report was not produced and saved as of June 30, 2012 and could not be reproduced for the revenue sources in those funds. The funds and related revenue sources affected include:

Fund	Revenue Source
General Revenue Fund (0001 Fund)	01-Sales Tax 03-Cigarette Tax 04-Cigarette Use Tax 05-Liquor Tax 06-Public Utility Tax 07-Hotel Motel Tax 10-Coin Operated Amusement Tax 11-Private Vehicle Use Tax
Common School Special Account Fund (0005 Fund)	01-Sales Tax
Motor Fuel Tax Fund (0012 Fund)	02-Motor Fuel Tax
Municipal Telecommunications Fund (0719 Fund)	06-Public Utility Tax
Personal Property Tax Replacement Fund (0802 Fund)	06-Public Utility Tax
Build Illinois Fund (0960 Fund)	07-Hotel Motel Tax 11-Private Vehicle Use Tax

The dollar effect of this error was undeterminable by the Department or the auditors.

Department personnel stated this was an oversight of running the report and maintaining supporting documentation as of June 30, 2012. The report erroneously ran on July 9, 2012. Department management does not believe the difference in timing of the report would be material to the financial statements.

- Auditors identified an error while testing disbursement of taxpayer overpayments. In order to test the accuracy and existence of the Department's June 30, 2012 refund expenditures, the auditors selected a sample of 20 Business Income Tax Refunds, totaling \$524,601 and 31 Individual Income Tax Refunds, totaling \$9,294. The auditor's testing noted one Business Income Tax Refund appeared to have an error in the interest calculation.

Upon additional testing it was noted the interest calculation due to the taxpayer for their refund had been manually recomputed after being questioned by the taxpayer and the error of \$15,667 was the result of human error in the manual computation. The Department had applied an incorrect date in the manual computation to begin the interest calculation and the recomputation was not communicated to the Audit Bureau for their review to ensure it was correct. As the error above was associated with a manual process which is only performed on a limited number of returns, it was not determined applicable to project the error to the entire Business Income Tax Refunds Paid population.

Department management stated the complexity of this one account and lack of communication between divisions, including the manual recomputation of the interest, led to the error.

- During testing of the Department's accounts receivable from income tax accounts, Business, Withholding, and Individual, auditors noted exceptions with certain Business Income Tax and Individual Income Tax accounts. Auditors identified a number of exceptions related to accounts receivable from income tax accounts. A summary of some of the exceptions identified are as follows:
 - Three Business Income Tax accounts tested had information "in-house" at June 30, 2012 that was not processed by the fiscal year end, resulting in potential unadjusted receivables, totaling \$1,012,054 being reported.
 - Eighteen Business Income Tax accounts, one Withholding Tax account, and twelve Individual Income Tax accounts tested had incorrect interest, totaling \$4,621 being applied at June 30, 2012 due to interest: a) not being applied through June 30; b) short term interest and long term interest not being applied appropriately; or c) the basis on which interest was to be applied was not correct.
 - One Business Income Tax account tested had improper late estimated payment penalty applied on the same day the Department issued a refund, which resulted in accounts receivable being overstated by \$1,952,729.

The errors noted above and other errors associated with this testing were projected to the entire billed income tax receivable populations, and the projected estimated overstatement for the populations as a whole is \$6.2 million. The adjustment was deemed immaterial and no adjustment was considered necessary to the financial statements.

Department personnel stated most of the errors noted by the auditors are not errors in the taxpayer accounts, but are merely timing differences for accrual accounting purposes. The true errors that have occurred are the result of human errors due to entering data into the system and manual calculations being performed by Department personnel. Department personnel noted they continually strive for perfection, but a certain amount of errors will always be inherent in such a complex operating environment.

- The Department reports transfers from the Illinois Department of the Lottery (Lottery) in the Common School Fund and Capital Projects Fund. Historically the Lottery had made cash transfers to the Common School Fund in excess of their net income. These excess transfers were reported as Due to Other State Funds in the Department's financial statements. During the current financial audit of the Lottery it was determined the amount Due from Other State Funds associated with the Common School Fund did not meet the criteria for being reported / recorded as a receivable. Subsequently, the Lottery, in conjunction with the Illinois Office of the Comptroller, concluded the balance should be eliminated and considered a prior period transfer. As a result of the adjustment by the Lottery, the corresponding amount in the Department's financial statements needed to be eliminated. This was initially reported in the Department's financial statements, based on information provided by the Lottery, at approximately \$160.7 million. The final amount adjusted was \$69.9 million, which was reduced from the original amount as a result of adjustments made during the Lottery audit.

The initial amount reported to the auditors only recorded Due to Other State Funds for the Lottery in the Common School Fund. In addition, \$18 million should have been reported in the Capital Projects Fund as Due from Other State Funds and was adjusted by the Department to appropriately report that amount.

The Comptroller requires State agencies to prepare GAAP Reporting Packages for each of their funds to assist in the annual preparation of the Statewide financial statements and the Department financial statements. GAAP Reporting Package instructions are specified in the Comptroller's Statewide Accounting Management System (SAMS) Manual, Chapter 27.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system of internal fiscal control to provide assurance that revenues, expenditures and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of reliable financial reports.

The Department's Publication 103, Penalties and Interest for Illinois Taxes, states, "Unless an overpayment is refunded or a credit is approved within 90 days after the return due date, interest will be paid to you from the due date of the original return, the date a processable return is filed, or the date of overpayment whichever is latest."

In accordance with GASB Statement No. 33, Paragraph 16, *Accounting and Financial Reporting for Nonexchange Transactions*, governments should recognize assets from derived tax revenue transactions in periods when the exchange transaction on which the tax is imposed occurs or when the resources are received, whichever, occurs first. Resources received in advance should be reported as deferred revenues (liabilities) until the period of the exchange. In accordance with this guidance, the amount of any tax assessment and accrued penalties and interest should be recorded by the Department as a receivable, net of an allowance for uncollectable amounts. Further, there is no provision in the standard to delay recognition of these types of transactions until the accounts are fully processed.

As a result of the exceptions noted, the initial GAAP Reporting Packages submitted to the Office of the Comptroller were misstated. In addition, the exceptions noted have the potential to materially misstate the Department's financial statements. Accurate preparation of the Department's financial information for GAAP and financial reporting purposes is important due to the impact adjustments have on the Statewide financial statements. (Finding Code No. 12-01)

RECOMMENDATION:

We recommend the Department take steps to improve the review process of the underlying data that helps compile the financial statements. We also recommend the Department perform a reasonableness test, as part of its financial statement preparation process, on the application of its accounting policy to eliminate certain accounts from its Credit Carry Forward calculation. We also recommend the Department take action to improve timeliness in processing taxpayer information to ensure taxpayer's records and financial statement information reflect accurate information. In addition, we recommend the Department ensure all information necessary for the preparation of its financial statements be produced as of June 30 of each fiscal year end and retained to support the balances included therein.

DEPARTMENT RESPONSE:

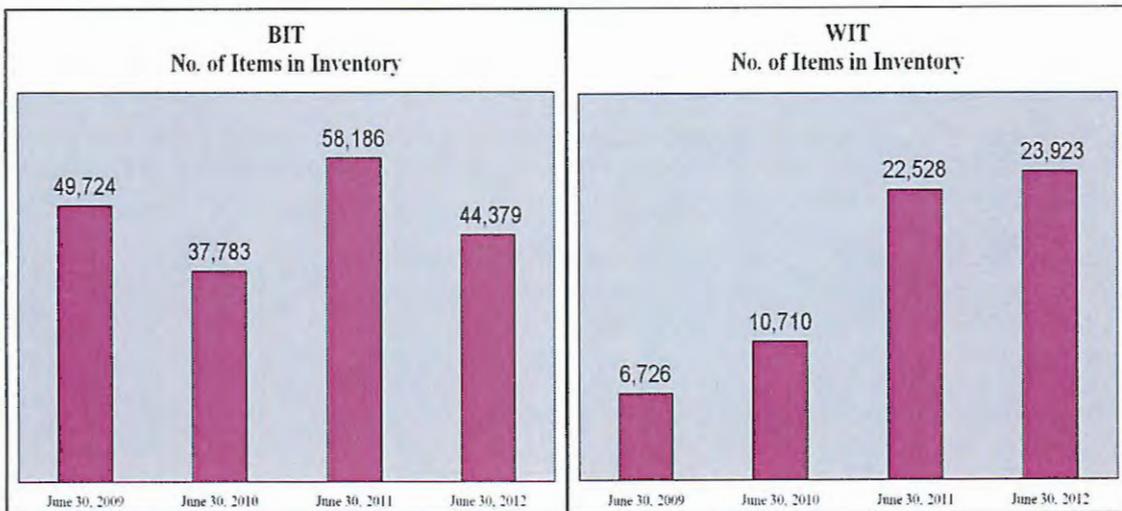
The Department agrees that given appropriate resources, it can improve its processes regarding financial reporting and take into consideration the issues noted by the auditors. The Department takes great pride in the high level of system testing, reviews, and year-end financial reporting work that it performs in order to produce materially correct financial statements for GAAP reporting purposes in a short window of time. As the auditors noted, none of the issues were material to the financial statements.

The Department's financial reporting is very complicated with 94 funds, outdated and manual accounting systems, and lack of appropriate resources for the time constraints allowed for GAAP/Fiscal Year End reporting. The Department acknowledges that there may be minor errors found because of the manual processes required to convert from cash to accrual at fiscal year end; however, none of the errors impact the materiality of the financial statements, otherwise they would be caught in the analytical and supervisory review process performed. The Department would welcome a modern statewide accounting system to assist in the compilation of monthly, quarterly, and annual accrual based financial information and statements.

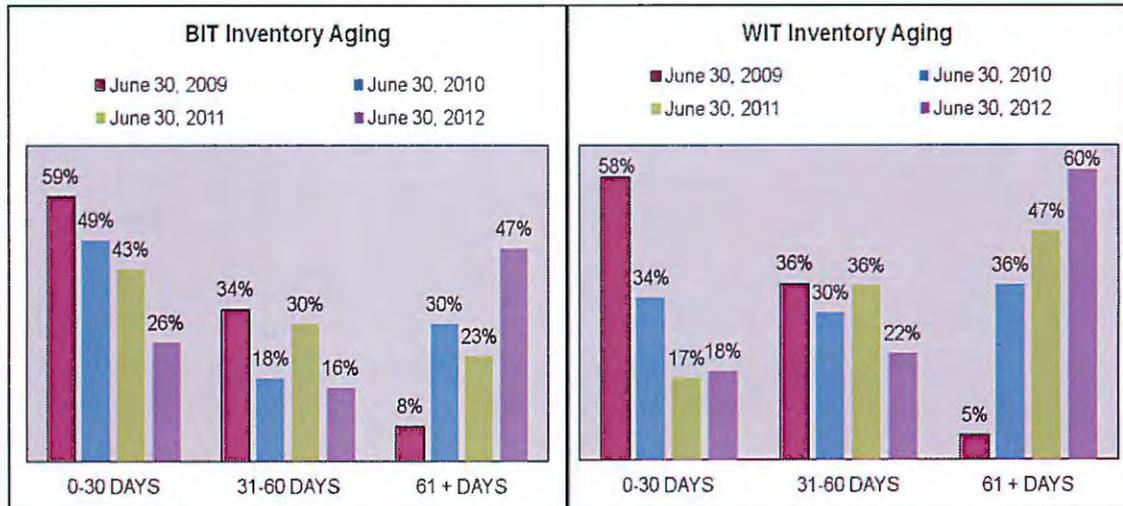
12-02 FINDING: (Sustained high levels of unprocessed taxpayer information)

During testing, auditors noted the Department of Revenue (Department) has sustained a significant level of inventory of Business Income Tax (BIT) and Withholding Income Tax (WIT) taxpayer information to be processed and finalized.

Taxpayer information to be processed and finalized consists of returns that are data entered but need further manual review and taxpayer correspondence that has been received but yet to be processed. Because of the statutory filing dates of the various required tax returns, the Department will always have a certain level of taxpayer information that is in inventory awaiting processing. With increased levels of taxpayer information at year-end, the final disposition (i.e. payment due to the Department (account receivable), payment due to the taxpayer (refund) or no balance) of this unworked taxpayer information cannot be determined, which increases the need for the Department to rely more on the use of estimates in their financial statement preparation process as opposed to actual finalized information. Auditors noted the inventory of taxpayer information to be processed and finalized at June 30, 2012 remained at sustained high levels as noted in the following charts:



In addition, auditors also noted taxpayer information continued to take longer to be completed. Auditors found the length of time BIT and WIT taxpayer information had been in various inventories increased, particularly for the information that had been in inventory 61 days and longer, as noted in the following charts:



One segment of the Department’s inventory consists of original tax returns to be processed and finalized. When taxpayer information is entered into the Department’s tax processing system (GenTax), certain returns are automatically flagged by GenTax that require additional manual processing to finalize, which creates this category of inventory. These flags are attached for various reasons including mathematical errors, missing tax forms, etc. This segment has increased significantly over the past few years and is predominantly business income tax returns.

It is the Department’s policy to exclude the indicated balances due on these returns from the financial statements, because the true balances are unknown until the returns are manually worked by the Department’s tax specialists.

At June 30, 2012, the Department identified \$5.5 billion of items related to taxpayer information to be processed and finalized (representing 217,822 returns). Although it is generally agreed the vast majority of the \$5.5 billion is invalid and will be reduced upon the tax information being finalized, there is no reasonable methodology or process for estimating the valid receivable amount of these partially processed returns. The number and amount of these returns has been increasing steadily, as follows:

Year Ended	No. of Original Returns to be Processed and Finalized (All Tax Types)	GenTax Value of Original Returns to be Processed and Finalized (Billions)
June 30, 2009	41,517	\$0.1
June 30, 2010	55,766	\$0.2
June 30, 2011	68,862	\$4.7
June 30, 2012	* 217,822	\$5.5

* Includes 192,566 of Individual Income Tax (IIT) returns. Department indicated amount is higher due to individual income tax (IIT) calendar year 2012 system changes for tax year 2011 being implemented 3 weeks later than normal causing the Department to begin processing returns 3 weeks later than normal. In addition, the Department indicated they had less staff available to work the IIT returns.

In accordance with Generally Accepted Accounting Principles (GAAP) and as noted in GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, governments should recognize assets from derived tax revenue transactions in the period when the exchange transaction on which the tax is imposed occurs (this occurs as individuals and corporations earn income) or when the resources are received, whichever comes first. There is no provision in the standard to delay recognition of these types of transactions until the accounts are fully processed. However, recognition of nonexchange transactions in the financial statements is not required if the transactions are not measurable (reasonable estimable) or are not probable of collection. Transactions that are not recognizable because they are not measurable should be disclosed.

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

In response to this finding from the prior audit, the Department stated it would seek additional resources to help resolve the issue. The high levels of unprocessed taxpayer information continued for the year ended June 30, 2012. Department personnel stated the increase in taxpayer information to be processed and finalized was due to less staff available to process returns and other assigned tasks required of the processing staff such as performing "tests" of GenTax updates and revisions including the implementation of new tax laws.

Failure to process and finalize the taxpayer information and determine the final disposition to taxpayers in a timely fashion increases the risk the Department will be unable to recover the full amount owed and delays the recognition of receivables, deferred revenue, and tax revenue in the financial statements. (Finding Code No. 12-02, 11-01)

RECOMMENDATION:

We recommend the Department seek sufficient resources to process taxpayer information in a timely manner to ensure taxpayer records and financial statement information reflect appropriate information and expedite the ability of the Department to collect all taxes due to the State.

DEPARTMENT RESPONSE:

We agree with the auditors that the Department should seek sufficient resources to process taxpayer information in a timely manner and that effort continues.

It should be noted that the establishment of edit checks, which creates the inventories, is a critical part of the operations of the Department and is critical to combating fraud. The inventories represent the accounts on which the Department is performing additional due

diligence in order to ensure the taxpayer is in compliance with tax laws and to validate refunds due or amounts owed are accurate. June 30 inventory levels will always be the highest of the year, due to the tax filing deadline of April 15.

To put the inventories in perspective, the Department received 7,788,404 million original individual income tax, business income tax and withholding income tax returns covering the 2011 tax period. On June 30, 2012, 267,384 of these returns remained in inventory, which amounts to only 3.4% of the returns received.

The Department has reduced the inventory level in the past year. The BIT inventory levels at December 31, 2012 were at the lowest level in the past 20 months. The Department has filled 36 positions in BIT processing during the past year and, subject to sufficient resources, will continue to acquire staff to process tax returns in an expeditious manner.

12-03 FINDING: (Independent internal control reviews of externally controlled service providers not obtained)

The Department of Revenue (Department) did not obtain independent internal control reviews of externally controlled service providers used to data enter tax returns.

The Department uses two external service providers to provide data entry services for many sales tax and business, individual and withholding income tax returns. The Department utilizes two other vendors to process mail for the Department. The Department performs periodic site visits of the service providers to monitor certain compliance requirements. The Department did not obtain Service Organization Internal Control (SOC) Reports or independent internal control reviews from any of these service providers. The Department also did not perform independent internal control reviews of these service providers. Of the total returns received by the Department, 11% of the volume is processed and 32% of the mail is handled by these four external service providers.

In response to this finding in the prior year, the Department stated its Internal Audit division would perform reviews of the data entry vendors starting in fiscal year 2012 as part of the two-year audit plan to get appropriate coverage for these contracted services. The Department's Internal Audit division would also review the Department's procedures for oversight of the data entry vendors. Auditors noted the Department's Internal Audit division was not able to accomplish these objectives during fiscal year 2012 because the projects had to be performed in two separate audits due to the time it took to complete the reviews. Department personnel stated they continuously monitor the data entered returns from the vendors in the same manner as returns that go through data entry internally in the Department. In addition, there is no procurement or other statutory requirement for the vendors to have SOC Reports completed.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls, which shall provide assurance that revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources. Strong management controls, due diligence and fiduciary responsibility require adequate supervision of externally controlled service providers to provide assurance that taxpayer and financial information is properly recorded and accounted for.

Independent reviews provide a method of evaluating the systems in place at each service provider and help the Department develop processes that would best complement those at each service provider. SOC Reports performed in accordance with the applicable standards are a mechanism by which the Department can expect to receive uniformity within evaluations performed.

Without having performed or obtained and reviewed a SOC Report or another form of independent internal control review, the Department does not have assurance the external service providers' internal controls are adequate to ensure the taxpayer account balances and revenue recorded from such returns are accurate and reliable. (Finding Code No. 12-03, 11-03, 10-06, 09-13)

RECOMMENDATION:

We recommend the Department obtain or perform an independent internal control review of its externally controlled service providers. These independent internal control reviews can be performed by the Department's Internal Audit division or a qualified external firm. If the Department's Internal Audit division does not perform the independent review, we recommend the Department obtain and review copies of independent reviews performed by external firms.

The internal control reviews should address all applicable policies, practices, controls, and safeguards utilized or needed by the service providers to safeguard the taxpayer data entered into the tax returns. Areas to include in the reviews should be identified based upon the specific services provided by the vendor and its environment.

User controls delineated within the reports should be implemented and monitored by the Department. Corrective action should be taken promptly on findings and other weaknesses noted as a result of the independent reviews. Any SOC reports, reviews, and corrective action taken by the Department should be documented and maintained for review by the external auditors.

DEPARTMENT RESPONSE:

The Department has in place systematic monitoring processes for reviewing the work of data entry vendors. That process has detected and prevented problems.

It was determined in July 2011 that there would not be funding to contract for independent review services due to budget constraints and it was decided that Internal Audit would perform a review of the largest data entry vendor in FY2012 as part of the Two-Year Audit Plan to get appropriate coverage for these services. Internal Audit began conducting independent audits of these organizations in FY2012 and will continue going forward.

12-04 FINDING: (Weaknesses in the processes over Sales and Use Tax Fund allocations)

The auditors noted weaknesses in the Department of Revenue's controls over the fund allocation process for sales and use taxes (ROT).

The Department of Revenue (Department) is mandated by various State laws to collect and allocate ROT receipts to various State and local government funds based upon amounts or percentages designated by State statute. During fiscal year 2012, the Department deposited approximately \$12.5 billion in ROT receipts into the State Treasury. As cash is collected daily, the Department allocates 98% of receipts to various State and local government funds based upon a biannual estimate. For the remaining 2% of receipts, the Department sets aside these collections (2% reserve) in order to have sufficient funds to "true-up" the various local government funds once the ROT returns are perfected and the correct/final local government allocations are known. The process is necessary due to a delay in typically two months to both "perfect" (process and approve) the ROT returns and present vouchers to the State Comptroller for distribution of ROT collections from the date a return is received by the Department.

Each month, the Department distributes ROT collections to local governments based upon data from batches of taxpayer information "perfected" during the previous month. These batches include new returns, cash receipts from previously perfected returns (collections on accounts receivable), taxpayer audits finalized by the Department, and other miscellaneous items. These perfected batches consist predominately, but not exclusively, of ROT receipts and returns received by the Department two months ago. ROT amounts for batches not perfected are not distributed to the local governments until after the perfection process, regardless of when the cash was collected by the Department. As such, there are always differences between cash collected in the month prior to the measurement period when compared to the perfected returns.

The monthly cash information associated with the perfected returns is used by the Department to determine the amount of ROT receipts to distribute to local governments. This distribution is compared to the 98% deposits made in the second preceding month. Any shortage is allocated from the 2% reserve, which the Department set aside for this purpose. Any overage is retained in the local government fund and is added to the next month's receipt collections for consideration as part of the "true-up" process in the subsequent month. Any amounts remaining after this "true-up" are then allocated to the various State funds.

At the conclusion of this process, the Department has deposited and recorded all cash receipts received during the second preceding month; however, the "true-up" process does not ensure an adequate amount of cash receipts is retained in each local government fund for cash receipts associated with returns awaiting "perfection" by the Department.

Further, for financial reporting purposes, the Department reports each fund's cash balance in the Department's financial statements based upon the results of the process described above at June 30; however, these balances may not be individually representative of cash for "unperfected" returns. Due to this limitation, the auditors noted the following weaknesses:

- For local government funds showing a cash overage during the "true-up" process, the cash overage retained within the fund does not reflect an estimation by the Department for unperfected cash receipts due to that local government fund.
- While the local government funds showing a cash shortage during the "true-up" process receive additional deposits from the 2% reserve, the ending cash overages do not reflect an estimation by the Department for unperfected cash receipts due to that local government fund.
- The deposit of the remaining cash from the 2% reserve after performing the "true-up" process into State ROT funds does not reflect an estimation by the Department for cash receipts due to the State for unperfected cash receipts due to the State funds.

At the conclusion of each month, the cash balance for ROT receipts deposited into each local government fund and the State's ROT funds as a whole should reflect:

- The total amount of 98% daily deposits paid into the fund during the previous month and current month;
- Interest deposited by the State Treasurer during the current month; and,
- The total amount of cash receipts estimated by the Department to reflect unperfected ROT batches due to the fund collected during any month preceding the previous month.

In addition, the auditors noted other issues involving ROT allocations reported in Finding 12-07.

As a result of these limitations, the cash receipts and revenue associated with the unperfected returns from the 2% reserve are generally recorded in the State's General Fund. Upon perfecting the returns, cash allocations to other governmental and fiduciary funds will be required and are expected to be material. Further, due to the current cash allocation process limiting the accuracy of each individual fund's cash balance at a point in time, it also limits the State Treasurer's ability to accurately allocate interest due to various local government funds.

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

In response to this finding from the previous audit, the Department stated it would review its estimation methodology to determine if there were areas where improvements could be made in future preliminary receipt allocations. The Department responded that it would research the feasibility and cost/benefit of further enhancements to GenTax, a rewrite of the current Consolidated Accounting System and the development of a general ledger system for reconciling detail return information with deposit information. The Department acknowledged that without significant investments into system upgrades, it lacks the appropriate system capabilities to allow for precisely allocating the receipts when initially received. Using historical averages and a monthly true-up process is the Department's internal work-around process.

Department personnel stated that on June 30, with respect to unperfected returns, it lacks the information and appropriate system capabilities to accurately allocate cash receipts into the proper local government and State funds until those returns are "perfected." Unperfected returns mean that the Department is unable to finalize processing due to various reasons, most usually errors by the taxpayer in providing appropriate distribution information. The Department's current estimation process ensures that each fund is allocated at least as much receipts (percentage wise) as the previous fiscal year actual receipts. Department personnel indicated the true up of funds is merely a timing issue and is deemed immaterial.

Failure to develop a process to allocate unperfected ROT receipts into various State and local government funds within the State Treasury leads to preparing financial reports without considering all information available to the Department and limits the State Treasurer's ability to accurately deposit interest receipts to local government funds. (Finding Code No. 12-04, 11-05, 10-08)

RECOMMENDATION:

We recommend the Department review the current ROT cash allocation process and develop a process to account for unperfected cash receipts due to various State and local government funds.

DEPARTMENT RESPONSE:

The Department is reviewing its estimation methodologies to determine if there are areas where improvements can be made in future preliminary receipt allocations.

The Department deposits all cash receipts into the various funds based upon percentages determined from averages of perfected receipts over the prior two years. Without significant investments into system upgrades, the Department lacks the information and system capabilities to allow for precisely allocating all receipts when they are initially received. Using historical averages and the monthly true-up process described in this finding is the best available means to allocate receipts until returns are perfected. It is important to note that this longstanding methodology has resulted in accurate distributions to local governments as returns are perfected and the needed cash being available in all funds to support these distributions.

The Department will continue to research the feasibility and cost/benefit of further enhancements to GenTax, rewriting the Consolidated Accounting System, and developing a general ledger system for reconciling detail return information with deposit information. While significant progress has been made to date, it is undetermined when this project will be completed since substantial financial and personnel resources will be needed.

12-05 FINDING: (Weaknesses in processing taxpayer information)

The Department of Revenue (Department) has not completely implemented controls and safeguards over processing taxpayer information. During fiscal year 2012, the Department processed 11.8 million tax receipt documents throughout its facilities, totaling \$34.6 billion.

The Department receives and uses federal tax information (FTI) to verify information contained on various State tax returns; therefore, under the Internal Revenue Service's definition of comingling, the information on the Department's tax processing system (GenTax) related to Business Income Tax (BIT) and Individual Income Tax (IIT) is considered FTI and should be handled as such. FTI includes any return, Revenue Agent's Report, transcript, or any information received on diskette and/or any other electronic transmission of data received from the Internal Revenue Service (IRS). This includes all of the IRS extract files received by the Department. Any detailed information printed or copied or used in any manner, including screen prints and/or detailed reports, with specific taxpayer information from GenTax that includes BIT and/or IIT information should be handled as FTI.

During testing auditors noted the Department's internal controls and physical safeguards to protect taxpayer information contained weaknesses. Weaknesses were specifically noted in the following areas:

- The Department has not implemented sufficient physical safeguards to control access to the tax processing areas throughout the Department from contractors, vendors and other State employees utilized by the Department.
- Auditors noted tax payer files were stored on open shelving units throughout the Department. This information is not secure from potential unauthorized access.

The Department is responsible for ensuring the confidentiality of tax information within its possession. The Department maintains data that is covered by both State and Federal requirements. The State's disclosure statutes are within the Retailers' Occupation Tax Act (35 ILCS 120/11) and the Illinois Income Tax Act (35 ILCS 5/917). The Internal Revenue Code (26 U.S. Code §6103(a)) requires returns and return information shall be confidential and no State officer or employee shall disclose return information for unofficial purposes. Further, the Code defines "return information" as "a taxpayer's identity, the nature, source, or amount of his income, payments, receipts, deductions, exemptions, credits, assets, liabilities, net worth, tax liability, tax withheld, deficiencies, overassessments, or tax payments...". To address data received from the IRS, the Department developed a definition of what information is considered FTI, which was approved by the Project Manager of the IRS Office of Safeguards. In addition, the Department is required to ensure all tax information is protected in accordance with the Internal Revenue Service's Publication 1075, *Tax Information Security Guidelines for Federal, State, and Local Agencies, Safeguards for Protecting Federal Tax Returns and Return Information*.

State statute and IRS Publication 1075 require the Department ensure it safeguards federal tax information from unauthorized disclosure. Specifically, section 4.1 of IRS Publication 1075 states, "Security may be provided for a document, an item, or an area in a number of ways. These include, but are not limited to, locked containers of various types, vaults, locked rooms, locked rooms that have reinforced perimeters, locked buildings, guards, [and] electronic security systems."

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies to establish a system of fiscal and administrative controls to provide assurance that "funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation."

Department personnel stated they have made significant improvements over the area of protection of taxpayer records. Further, Department personnel stated this is a continuing effort and they are continually making improvements as recommendations from their Security Consultant are completed and funding is available to enact the recommendations.

The Department has the responsibility to ensure only authorized individuals have access to taxpayer information and taxpayer payments. Failure to establish adequate security controls could result in taxpayer identity theft or unintended use and the misappropriation of taxpayer payments. (Finding Code 12-05, 11-06, 10-9)

RECOMMENDATION:

We recommend the Department ensure taxpayer information is adequately protected during both business and non-business hours from potential unauthorized access as mandated by State statute and IRS Publication 1075.

DEPARTMENT RESPONSE:

The Department agrees with this recommendation and considers the safeguarding of confidential taxpayer information to be a critical function of the Department, and continually acts to assure this information remains secure. The IRS certified our most recent Safeguard Procedures Report on November 29, 2012 stating "We are accepting this report as certification that the confidentiality of Federal tax information (FTI) is adequately protected." The Department is one of the few states that has received verification of improvement in safeguarding procedures from the IRS.

As new threats to security emerge, the effort to make improvements evolves to meet them. We receive recommendations from our own internal reviews, third-party security consultants and the IRS, and we implement these recommendations as quickly as practicable. It should be noted that no State meets all of the requirements of Publication 1075. The IRS expects to see continuous improvements and the Department has ongoing discussions with the IRS to ensure that we are meeting its expectations regarding safeguarding data.

The Department was allocated \$1 million in FY2013 by the Capital Development Board for security initiatives and has requested an additional \$5 million in FY2014.

12-06 FINDING: (Conflict in provisions of the Illinois Income Tax Act and State Revenue Sharing Act)

The Department of Revenue (Department) could not resolve conflicts with provisions of the State Revenue Sharing Act (30 ILCS 115) and the Illinois Income Tax Act (35 ILCS 5/901), as both of these Acts were impacted by the passage of Public Act 096-1496, the Taxpayer Accountability and Budget Stabilization Act.

During fiscal year 2011, the General Assembly passed and the Governor signed Public Act 096-1496, which increased the State income rates on individuals, trusts, estates, and corporations and contained amendatory provisions to update existing State law.

During testing, auditors noted the following:

- The Illinois Income Tax Act (35 ILCS 5/901(c)) was not amended by Public Act 096-1496 to authorize deposits of a portion of income tax receipts by the Department into the Income Tax Refund Fund. During fiscal year 2012, the Department deposited approximately \$2.2 billion into the Income Tax Refund Fund from income tax collections, with an unknown portion of these receipts representing taxes collected from the new tax rates. Auditors noted these deposits represented all income tax receipts.
- Prior to Public Act 096-1496, the Illinois Income Tax Act (35 ILCS 5/901(b)) and the State Revenue Sharing Act (30 ILCS 115/1) were harmonious statutes directing the Department to transfer 10% of the prior month's income tax receipts deposited into both the General Revenue Fund and the Education Assistance Fund from the General Revenue Fund to the Local Government Distributive Fund. Public Act 096-1496 amended the Illinois Income Tax Act to change the transfer percentage to 6.86% for receipts from corporate tax collections and 6% for receipts from individual, estate, and trust collections; however the State Revenue Sharing Act was not amended. From a review of the statutes, it does not appear a supremacy clause or other language directs which statute controls in this situation. Auditors noted the Department transferred funds into the Local Government Distributive Fund in accordance with the Illinois Income Tax Act (35 ILCS 5/901(b)), during fiscal year 2012, which means it was not complying with the State Revenue Sharing Act (30 ILCS 115/1) and transferring 10% of receipts. As a result of the conflicting provisions between the two statutes if the Department had followed the State Revenue Sharing Act they would have transferred an additional \$759 million to the Local Government Distributive Fund during fiscal year 2012.

Further, the auditors noted the Department's receipt deposit codes and receipt processing system do not provide sufficient information for the Department to allocate receipts among the various State funds or calculate statutory transfers pursuant to State law. Specifically, auditors identified the following:

- The auditors noted the Department's methodology for calculating the transfer from the General Revenue Fund to the Local Government Distributive Fund requires the Department's receipt source codes within the State Comptroller's Statewide Accounting Management System (SAMS) to contain sufficient detail to facilitate the proper transfer calculation. In reviewing the Department's receipt codes, the auditors noted the Department splits income tax receipts between account codes for individual income tax receipts and for corporate income tax receipts. Upon discussion with Department personnel, it was determined the deposits for estates, trusts, and certain individual income taxes are coded as corporate income tax receipts and transferred at 6.86%; however, the Illinois Income Tax Act transfer calculation includes estates, trusts, and individual income taxes under the 6% transfer calculation for individual income tax receipts. The Department determined the transfers from the General Revenue Fund to the Local Government Distributive Fund may have been overstated by as much as \$257,639.
- In addition to the receipt coding issue affecting transfers, the Illinois Income Tax Act (35 ILCS 5/901(c)) specifies deposits into the Income Tax Refund Fund between corporate receipts and individual income tax receipts, including receipts from estates and trusts. As noted above, estates, trusts, and certain individual income taxes are coded as corporate income tax receipts. The Department determined the deposits into the Income Tax Refund Fund during fiscal year 2012 may be overstated by as much as \$12.2 million, the General Revenue Fund may be understated by as much as \$11.3 million, and the Education Assistance Fund may be understated by as much as \$.9 million.

Department personnel stated that they believed they followed the intent of the General Assembly and that an oversight in Public Act 096-1496 created a conflict between statutes. It is the Department's legal opinion that the most recent Act of the General Assembly supersedes the older Act with which it conflicts; therefore, deposits into the Income Tax Refund Fund were properly made.

In response to this finding from the previous audit, the Department stated it would seek legislative changes to the Illinois Income Tax Act (35 ILCS 5/901(c)) and the State Revenue Sharing Act to reflect the new percentages established by Public Act 096-1496 amending the Illinois Income Tax Act (35 ILCS 5/901(b)). The Department stated, in its response to that finding, the corrective language had been written and it continued to work to get the legislation enacted. However, the desired legislative language changes were not obtained during the audit period. The Department also stated it would develop strategies to distinguish between corporate and non-corporate tax collections associated with trust and estate returns to more accurately calculate transfers and deposits of these particular tax receipts. The Department's efforts in that regard were ongoing during the current audit period, but auditors noted the Department was unable to resolve this issue, as noted above.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that resources are used in compliance with applicable law and that revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources. Further, SAMS, Procedures 25.20.30, requires the Department submit the Chart of Accounts Maintenance and Inquiry Form (Form C-45) to the Office of the State Comptroller to request additions or deletions to the State's Chart of Accounts.

Functioning with inconsistent State laws results in the Department performing functions not specifically directed by the General Assembly and could subject the Department to legal risks. Further, failure to have a receipt processing system with sufficient receipt deposit codes resulted in inaccurate fund deposits, incorrect statutory transfers, and reduces the reliability of Statewide financial reporting. (Finding Code No. 12-06, 11-09)

RECOMMENDATION:

We recommend the Department:

- continue to seek legislative remedy to the conflicting provisions of the State Revenue Sharing Act (30 ILCS 115) and the Illinois Income Tax Act (35 ILCS 5/901);
- implement systems and controls to capture sufficient information to properly allocate tax receipts among State funds and calculate statutory transfers; and,
- work with the Office of the State Comptroller to review and update the Department's receipt codes to ensure the receipt code information reported by the State Comptroller is accurate and fairly presented regarding the type of receipt collected by the Department.

DEPARTMENT RESPONSE:

The Department is seeking changes to Section 901 (c) of the Illinois Income Tax Act to authorize deposits of a portion of income tax receipts into the Income Tax Refund Fund and to the State Revenue Sharing Act (30 ILCS 115/1) to reflect the new percentages established by Public Act 096-1496 amending the Section 901 (b) of the Income Tax Act. The corrective language has been written and the Department is working to get the legislation enacted.

In addition, to correct the receipt allocation and statutory transfer discrepancies caused by tax returns that cover multiple entity types that are neither individuals nor corporations (trusts, estates, partnerships), the Department will do the following:

- With respect to individual and other non-corporate income tax receipts reported on the “mixed returns” that were originally deposited into the Refund Fund at the higher business income tax percentage, submit receipt transfers to the Illinois Office of the Comptroller annually or semi-annually to correct the over deposits into the Refund Fund (#0278) and under deposits into the General Revenue Fund (#0001) and Education Assistance Fund (#0007)
- With respect to individual and other non-corporate income tax receipts reported on the “mixed returns” that should be transferred at the 6% rate (rather than the 6.86% rate), correct the statutory fund transfer from the General Revenue Fund (#0001) and the Education Assistance Fund (#0007) to the Local Government Distributive Fund (#515) (LGDF) either annually or semi-annually to address any over transfer that was made to LGDF.

12-07 FINDING: (Weaknesses in controls over the deposit of Sales and Use Tax receipts)

Auditors noted weaknesses in the Department of Revenue's (Department) internal control structure over the deposit, allocation, and distribution of receipts from sales and use taxes (ROT). The auditors also identified noncompliance within the Department's "true-up" calculations (see Finding 12-04 for more information), and noncompliance with State laws in managing certain local government funds.

The auditors noted the following weakness within the Department's internal control structure over ROT deposits:

- The Department's receipt allocation process is a manual paper process involving data amassed from several sources with complex calculations on multiple spreadsheets. It relies on interaction between various areas within the Department that are responsible for portions of the ROT tax deposit and allocation process. The source data needed for the process is partially obtained by two different divisions within the Department and from records from the Office of the State Comptroller. The structure creates additional risk of error and miscommunication.

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

Department personnel stated the current estimation process ensures that each fund is allocated at least as much receipts (percentage wise) as the previous fiscal year actual receipts. Without significant investments into system upgrades, the Department lacks the information and system capabilities to allow for precisely allocating all receipts when they are initially received.

The auditors noted noncompliance with the Department's administration of local government ROT funds, as noted below:

- During the testing of distributions from the County Option Motor Fuel Tax Fund (Fund 190), the auditors noted distributions to county governments were for 98% of current perfected returns processed during the previous month, with the remaining 2% reserved in the fund for the Department's expenditures.

The Counties Code (55 ILCS 5/5-1035.1) requires the Department to distribute 100% of the amount collected from returns processed during the previous month, less the amount expended during the second preceding month pursuant to an appropriation from the General Assembly. The Department is prohibited from expending more than 2% of the receipts deposited into the County Option Motor Fuel Tax Fund during the preceding year in the current year.

Department personnel indicated the GenTax system calculates the allowable 2% Administrative Fee at the time the distributions are disbursed as an automated process for all sales and use taxes. In order to operate in the most efficient and effective manner, the Department follows this standardized process knowing there are minor statutory language differences among some tax statutes, which have a de minimis or no impact on allocations.

- During testing of distributions from the Home Rule Municipal Retailers' Occupation Tax Fund (Fund 138), the auditors noted distributions to municipal governments were not reduced by an administration fee equal to the appropriated expenditures from Fund 138 during the second preceding month.

The Illinois Municipal Code (65 ILCS 5/8-11-6) requires the Department to distribute 100% of the amount collected from returns processed during the previous month, less the amount expended during the second preceding month pursuant to an appropriation from the General Assembly. The appropriation is limited to 2% of the estimated receipts for the Home Rule Municipal Retailers' Occupation Tax Fund during the fiscal year.

Department personnel noted the GenTax system calculates the allowable 2% Administrative Fee at the time the distributions are disbursed as an automated process for all sales and use taxes; rather than manually looking up the actual expenditure amount from the second preceding month as stated in this statute. In order to operate in the most efficient and effective manner, the Department follows this standardized process knowing there are minor statutory language differences among some tax statutes, which have a de minimis or no impact on allocations.

- During the review of the ROT receipt deposits, the auditors noted the following errors in the allocation of State ROT receipts into various State funds:
 - The Department treated receipts paid into the McCormick Place Expansion Project Fund as a 100% reduction in receipts from the General Revenue Fund, rather than splitting the reduction between the General Revenue Fund and Special Account for the Common School Fund. As a result, the Department should have deposited an additional \$8.8 million into the General Revenue Fund, with a corresponding reduction in receipts for the Special Account for the Common School Fund.
 - The Department does not have a system in place to split remaining receipts from the Use Tax Act and Retailers' Occupation Tax Act and receipts from the Service Use Tax Act and Service Occupation Tax Act. As a result, the Department is unable to properly allocate receipts between the General Revenue Fund and Special Account for the Common School Fund.

The Use Tax Act (35 ILCS 105/9), Service Use Tax Act (35 ILCS 110/9), Service Occupation Tax Act (35 ILCS 115/9), and the Retailers' Occupation Tax Act (35 ILCS 120/3) require the Department allocate State ROT receipts pursuant to the following methodology:

- Net Revenues Realized from State Sales Tax Collections
 - Department's Estimation of Increased Tax Receipts from the Tax Increase on Soda, Candy, and Grooming Products to the Capital Projects Fund
 - Less: 5.55% of the Total Remaining Receipts to the Build Illinois Fund
 - 0.27% of Net Revenues Realized to the Illinois Tax Increment Fund
 - Specified Monthly Installment (determined by the State Treasurer), up to a yearly maximum of \$153 million, to the McCormick Place Expansion Project Fund

- For Receipts Remaining after the Previous Allocations
 - For Receipts from the Use Tax Act and Retailers' Occupation Tax Act
 - 25% to the Special Account for the Common School Fund
 - 75% to the General Revenue Fund
 - For Receipts from the Service Use Tax Act and Service Occupation Tax Act
 - 100% to the General Revenue Fund

In response to this finding from the prior audit, the Department stated it did not have an electronic receipt processing system that could automatically calculate and allocate deposits to funds upon initial receipt for all form types collected for 73 different taxes using over 100 different calculations for fund splits into 94 different funds. As a result, the Department developed and relies on a manual deposit estimation and true up process that accounts for the necessary fund allocations and deposits after the returns are processed and perfected, until the State can invest in a general ledger and receipt processing system. Department personnel stated they would continue to research the feasibility and cost/benefit of further enhancements to GenTax, a rewrite of the current Consolidated Accounting System, and development of a general ledger system for reconciling detail return information with deposit information.

Specific to the exceptions noted in the current audit, Department personnel stated receipts from Retailers' Occupation and Use Tax and Service Occupation and Use Tax receipts are collected from taxpayers on the same tax form and the same line. The Department does not have information sufficient to deposit Retailers' Occupation and Use Tax and Service Occupation and Use Tax separately from ROT or Use Tax. The Department has deposited these taxes in this manner since Sales Tax reform in 1990.

Failure to exercise adequate control over the deposit and allocation of receipts from sales and use taxes is noncompliance with State law, resulted in Deposit errors in the State Treasury, and reduces the reliability of Statewide information. (Finding Code No. 12-07, 11-10)

RECOMMENDATION:

We recommend the Department implement controls to ensure the deposit, allocation, and distribution of receipts from sales and use taxes are performed in accordance with State law or seek modification to statutory language as needed.

DEPARTMENT RESPONSE:

The Department will continue to research the feasibility and cost/benefit of further enhancements to GenTax, a rewrite of the current Consolidated Accounting System, and development of a general ledger system for reconciling detail return information with deposit information. However, the Department believes that the controls in place adequately insure that deposits and distributions are made in the most accurate, timely, efficient and cost effective method based on other required statutory deposit and distribution timelines and the volume of transactions and distributions that are required by the Department. The Department is seeking legislative language to codify current practice as it has evolved with technology and other procedural changes.

12-08 FINDING: (Year-end cash balances not properly recorded)

The Department of Revenue (Department) misstated cash during the year-end reporting process.

During testing of cash balances recorded in the Office of the State Comptroller's GAAP reporting packages, the auditors noted the following:

- The amounts the Department allocated from each tax unit to the GAAP reporting packages did not agree with the balances reported on the bank reconciliations for the same tax units. In total, the Department maintains 19 tax units, for which 13 (68%) contained discrepancies in the amount allocated to the funds per the GAAP reporting packages versus the amounts allocated in the bank reconciliations. In aggregate, the errors led to a misclassification of \$6.5 million between cash and accounts receivable on the GAAP reporting packages. Due to the accrual process developed by the Department, it records 7 days of July hotel operators' occupation tax receipts in cash instead of accounts receivable. The amount was deemed immaterial and did not require the Department to make any adjustments to its financial statements.
- The Department did not properly record \$2.8 million of cash from remittance clearing accounts leading to cash being understated as of June 30, 2012. The Department maintains 10 remittance clearing accounts in 8 remittance clearing tax units totaling approximately \$21.3 million at year end. In the current year, the Department did not record \$2.8 million (13%) in the GAAP reporting packages. This amount was deemed immaterial and did not require the Department to make any adjustment to their financial statements.

In accordance with generally accepted accounting principles (GAAP), all assets, liabilities, revenues, and expenses should be accurately measured and recorded. Also, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls, which provide assurance that revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

Department personnel stated that the cash over (under) statements were included in suspense clearing accounts at June 30, 2012 pending final deposit to the appropriate tax units and were not included in the GAAP reporting packages since they were not deemed material. The majority of the cash over (under) statements is the result of consistently applying procedures that pick up certain cash receipts for a few days in July each year.

Inaccurate Office of the State Comptroller GAAP reporting packages result in inaccuracies in the Department's financial statements as well as the State's Comprehensive Annual Financial Report (CAFR).

By failing to properly and accurately record all cash amounts, the Department has misstated its cash balance in the Office of the State Comptroller's GAAP reporting packages, Department financial statements and the Statewide CAFR. (Finding Code No. 12-08, 11-11)

RECOMMENDATION:

We recommend the Department implement procedures to ensure the amount allocated from each tax unit to the GAAP reporting packages are included and properly classified in the Department's financial statements.

DEPARTMENT RESPONSE:

The Department agrees with the recommendation and will change its current procedures to recognize these receipts as revenues and accounts receivable at year end. As noted throughout the audit findings, the Department has recorded and reported materially correct GAAP packages and financial statements for GAAP reporting purposes. The Department will continue to research the feasibility and cost/benefit of further enhancements to GenTax, a rewrite of the current Consolidated Accounting System, and development of a general ledger system to allow faster, more complete GAAP packages for the 94 funds administered by the Department.

12-09 FINDING: (Lost taxpayer audit files)

The Department of Revenue (Department) did not have a detailed process to follow up on lost files and failed to timely disclose information related to the lost files to the auditors.

In August 2012, as part of performing testing associated with the financial statement audit, the auditors requested certain account information for one taxpayer to support amounts being reported by the Department. The information requested for this taxpayer was related to six Business Income Tax (BIT) accounts. The information to support the amounts was determined through audits conducted by the Department. The auditors requested that the taxpayer audit files be made available for them to test the amounts being reported by the Department.

From September 2012 through November 2012, Department management continued to represent to the auditors the requested taxpayer information was unavailable as it had been assigned to the Department's Legal Services Office in Chicago in order to finalize a settlement with the taxpayer. On November 13, 2012, the auditors made arrangements with the Department to test the requested taxpayer information in the Department's Chicago office. During testing, the auditors noted the documentation provided for the six audit files was lacking documents to support the Department's audit conclusions and some of the documents contained inaccuracies. During a meeting with Department officials on November 15, 2012, the Department disclosed the audit files, which had been in two banker boxes, had been lost in transit between the Department's Chicago and Springfield offices in May 2011, fourteen months prior to the Department receiving the auditors' request for these audit files. What the auditors had been provided to test were recreations from the Department's Continuing Audit File (CAF) system, which lacked the supporting information the auditors would use to agree to the amounts in the Department's audit reports.

Upon the auditors being made aware of the lost files they inquired of Department management as to the procedures the Department undertook in May 2011 upon discovering the taxpayer audit files were missing. Department officials indicated they took the following actions:

- 1) Department officials stated the Department of Central Management Services (CMS), the State agency transporting the files between Chicago and Springfield via State inter-agency messenger service, was contacted to determine what stops the truck had made in order to determine if the files were accidentally dropped off at a different location. According to the Department, CMS was unable to report where the truck carrying the shipment had stopped on the day in question.
- 2) Department officials stated the Audit Bureau sent an internal e-mail to other divisions within the Department inquiring if the taxpayer's files had accidentally been received within their areas. According to the Department, the various division managers responded the taxpayer files had not been received within their areas.

Based on above, the auditors noted the following deficiencies:

- Though the Department indicated they had transported audit files via the State inter-agency messenger service for years without incidence, the Department did not have a documented policy ensuring taxpayer information is packaged for shipping that would identify it as confidential information. As noted earlier, the lost audit files pertained to a business income tax audit; these files at a minimum contained State income tax information. Auditors could not determine if any of the lost files contained Federal Tax Information (FTI).

The Department is responsible for ensuring the confidentiality of all tax information, including both Federal and State tax information, within its possession. The Illinois Income Tax Act (35 ILCS 5/917) requires “all information received by the Department from returns filed under this Act, or from any investigation conducted under the provisions of this Act, shall be confidential, except for official purposes within the Department.”

Further, the Internal Revenue Code (Code) (26 U.S. Code § 6103(a)) requires returns and return information shall be confidential and no State officer or employee shall disclose return information for unofficial purposes. Further, the Code defines “return information” as “a taxpayer’s identity, the nature, source, or amount of his income, payments, receipts, deductions, exemptions, credits, assets, liabilities, net worth, tax liability, tax withheld, deficiencies, overassessments, or tax payments...” The Internal Revenue Service (IRS) requires the Department to follow IRS Publication 1075, *Tax Information Security Guidelines for Federal, State, and Local Agencies, Safeguards for Protecting Federal Tax Returns and Return Information*.

IRS Publication 1075, Section 4.5, states:

Handling FTI must be such that the documents do not become misplaced or available to unauthorized personnel.

Any time FTI is transported from one location to another, care must be taken to provide safeguards. ... All shipments of FTI (including electronic media and microfilm) must be documented on a transmittal form and monitored to ensure that each shipment is properly and timely received and acknowledged. All FTI transported through the mail or courier/messenger service must be doublesealed; that is one envelope within another envelope. The inner envelope should be marked confidential with some indication that only the designated official or delegate is authorized to open it. Using sealed boxes serves the same purpose as double sealing and prevents anyone from viewing the contents thereof.

- Prior to this instance of audit files being lost the Department lacked detailed policies and procedures to address the protocol in searching for undelivered/lost/mislaidd files which contain taxpayer information as well as the timely notification of the Department’s Director, Internal Audit Division, and Internal Affairs Division. Further, the Department did not have procedures to timely determine the contents of lost or mislaidd

files in the event they contained FTI for notification to the appropriate federal authorities as required by IRS Publication 1075. IRS Publication 1075, Section 10.4, provides notification shall occur “immediately, but no later than 24-hours after identification of a possible issue involving FTI.”

In addition, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department establish and maintain a system, or systems, of internal administrative controls to provide assurance that assets and resources are safeguarded against loss and unauthorized use. Good internal controls require the communication of significant events impacting Department operations between management and the Department’s various operating divisions.

- During testing of financial information the Department failed to timely inform the auditors the original audit files, to support amounts being tested, were lost. The auditors had delayed testing of the particular files pending the Department’s Legal Services Office in Chicago finalizing a settlement with the taxpayer. Auditors were not made aware the original audit files were lost until three months after the information was first requested by the auditors, which was when the auditors went to Chicago to perform their testing. Had the lost audit files been disclosed to the auditors upon the initial request they would have been able to take that into consideration in their testing plan as opposed to being informed the original files were lost when they went to test them.

The Illinois State Auditing Act (30 ILCS 5/3-12) states, “All State agencies and their officers and employees shall promptly comply with, and aid and assist the Auditor General in the exercise of his or her powers and duties under this Act and the regulations adopted pursuant to this Act. At the request of the Auditor General, each State agency shall, without delay, make available to the Auditor General or his or her designated representative any record or information requested....”

Department personnel stated the tax audit files were lost in transport by the CMS Messenger service. The Audit Bureau recreated the audit files from internal records and these were relied upon by Legal Counsel and the taxpayer to reach a final legal settlement. Department personnel indicated the Audit Bureau creates over 70,000 audit cases a year and this is the only known instance of a lost tax audit file in the past 5 years. Department personnel noted it was never the Department’s intention to withhold information from the auditors.

The lack of detailed policies and procedures at the time failed to set forth a documented protocol of what is to be done as well as who within the Department is to be notified. The Department indicated taxpayer information that is shipped from various Department locations is packaged and marked in accordance with IRS Publication 1075 criteria to protect taxpayer information, but Department policies and procedures to document this could not be provided. The lost taxpayer audit files exposes the Department to unauthorized disclosure of taxpayer information and noncompliance with the Illinois Income Tax Act, potentially subjecting the State to legal risks and sanctions and penalties imposed by the IRS if the files contained FTI. Failure to timely provide pertinent information related to the original files being lost resulted in delays in completing the Department’s financial audit and compliance examination. The Department’s failure to timely disclose the lost taxpayer audit

files to the auditors heightened their professional skepticism related to all other procedures being performed during the engagement thus requiring the auditors the reevaluate their testing. (Finding Code No. 12-09)

RECOMMENDATION:

We recommend the Department:

- Expand their existing policies and procedures to address instances when taxpayer information is identified as being undelivered/lost/mislaid, including notify the proper State and Federal authorities, as applicable, regarding any potential disclosure of taxpayer information.
- Formally document and communicate policies and procedures associated with transporting taxpayer information between locations such that taxpayer information is packaged in a manner that if lost it would readily be identifiable as confidential information.
- The Department Director communicate to Department employees that all auditor requests be timely complied with and any instances related to unlocatable/undelivered/lost/mislaid taxpayer information be identified to the auditors in a timely fashion.

DEPARTMENT RESPONSE:

The Department will continue to improve existing policies and procedures to protect all taxpayer records and data. There were policies and procedures in place at the time of the lost files and the new Audit Manual Update will further define the policies and procedures, including notifying the Director of Revenue and Internal Affairs of any lost or missing tax records.

The manner in which to secure and transport taxpayer records is specifically addressed in the Department's Annual Safeguard Training to all employees. Department staff, working with multiple personnel from within and outside the Department, spent 4 weeks trying to locate these lost records, and every possible scenario was explored to search for the records. In addition, six months later a follow-up review was performed to see if the tax audit files could be located.

To clarify, both Section 6103 and Publication 1075 requirements relate only to data received directly from the IRS and does not address federal data received from the taxpayer. From all available Department records, there is no indication that these tax audit files contained any FTI.

The use of the CMS messenger is an efficient means of transferring all types of Department files and other materials. However, the Department is reassessing the use of the CMS Messenger services for transporting confidential taxpayer records since CMS thus far has refused to institute a package tracking mechanism. Regardless of the shipper, whether in the hands of CMS, the United Postal Service or private shipping company; while in the shipper's hands the Department has no ability to control the movement or handling of the package. The Department follows the IRS rules on shipping of documents and had the records double sealed in banker boxes, clearly labeled the inner packages that these were confidential tax records and then the boxes were shrink-wrapped.

The tax audit files provided to the OAG, created from Continuing Audit File (CAF) information, matched exactly to the outstanding Accounts Receivable balance on GenTax as of 6/30/2011 and 6/30/2012. The CAF was built from the original tax audit files by the tax auditor at the time he or she completed the audit work. Further, all of the tax audit files provided to the OAG were the same files that the taxpayer agreed upon and which served as the basis for the settlement of the periods in litigation.

The Department's Tax Audit Bureau wants to express that there was no intent to withhold information or delay the OAG review. Internal Audit, which coordinates the OAG audit process, was not aware about the tax audit files provided were not the original files. We view this as a miscommunication between the parties involved internally to the Department. However, should any similar matter arise in the future, the Department will communicate the facts to the OAG immediately to ensure transparency.

STATE OF ILLINOIS
DEPARTMENT OF REVENUE

SCHEDULE OF FINDINGS

CURRENT FINDINGS
(STATE COMPLIANCE)

12-10 FINDING: (Project management weaknesses in the development of GenTax)

The Department of Revenue (Department) continued to have problems with the controls over the development and project management of the multi-million dollar enterprise-wide tax system (GenTax).

Since October 2006, the Department has expended over \$49 million in Department resources and contracted vendor assistance for the development of GenTax. GenTax, a multi-phase development, is an enterprise-wide tax system which replaced over 70 legacy tax systems.

As first reported in fiscal year 2008, auditors identified problems with the controls over the functions, development, and project management of GenTax. In the current audit problems were identified with project management that contributed to:

- A lack of high-level documentation supporting the review, evaluation, resolution, and approval of significant milestones and contractual requirements.
- Internal control deficiencies which included incomplete reconciliation of data.
- A lack of compliance with the vendor supplied development methodology. Auditors found that 11 of 23 (48%) artifacts required to be delivered by the vendor during this phase had not been developed or lacked compliance with the methodology.
- Required deliverables were not provided by the vendor. The contract outlined 14 deliverables to be provided by the vendor; however, auditors noted two deliverables had not been provided and one other deliverable (Operations Manual) was in "Draft" form.

In addition, Department staff conducted the development of the module related to Real Estate, Rental and Single Trip Permit Taxes. Per Department staff, they intended to follow the GenTax Implementation Methodology; however, the Methodology was not followed. As a result, the Department was unable to provide certain documentation related to the development, user testing, conversion, reconciliation of converted data, and training.

Department personnel stated that throughout the development process efforts were made to ensure that all required documentation and deliverables were provided. However, the primary focus of the Department's efforts was on ensuring that the system functioned as required to support Departmental operational processes.

Generally Accepted Information Technology (IT) guidance requires systems to have adequate written system documentation and adequate input, processing and output controls. IT general and application controls are necessary to preserve the integrity of the system, to provide reliance on the results produced by the system and to ensure that the processing of transactions is performed in accordance with laws and regulations and with management's design and intent.

The lack of an effective and controlled development process may lead to excessive expenditures, over-reliance on contractors, and a system which does not meet the goals or needs of the Department. In addition, an inadequate development process increases the risk that the system will not have the required accuracy, integrity, availability, and security. During fiscal year 2012, the Department processed over 11.7 million tax returns and \$34.5 billion in payments from Illinois taxpayers. In fiscal year 2011, the Department processed over 11.4 million tax returns and \$26.2 billion in payments from Illinois taxpayers. (Finding Code No. 12-10, 10-22, 09-7, 08-8)

RECOMMENDATION:

The Department should ensure the development process is adequately controlled and documented. Specifically, the Department should:

- Ensure a high-level management review, evaluation, resolution, and approval of significant milestones is performed and documented.
- Ensure all required documentation and critical deliverables are developed, reviewed, and approved by the Department prior to system implementation and final vendor payment.
- Ensure all artifacts outlined in the development methodology are developed, reviewed and approved prior to implementation of each phase.
- Ensure all system testing is properly documented, reviewed and approved and data reconciliations are properly completed.

In addition, the Department should ensure all major upgrades are properly documented and tested prior to implementation.

The Department should ensure all developments conducted by their staff adhere to development standards and documentation requirements.

DEPARTMENT RESPONSE:

The Department agrees that the development process should be adequately controlled and documented, and believes that, in the case of its tax system replacement project (GenTax), this standard has been met. The Department acknowledges that the prescribed GenTax Implementation Methodologies have not always been followed in the past, but this does not mean the development was not adequately managed. Since the project began in 2006, numerous outdated legacy systems (over 60) have been replaced with one modern integrated tax system. This endeavor has streamlined processes, improving the Department's ability to quickly and accurately respond to taxpayer requests, including registrations, return processing, issuing notices, collecting payments, and issuing refunds.

By every measure, this complex, far-reaching technology implementation project has been a success. Each phase has been delivered on-time and on-budget. Since this process began in 2006, there have been many changes to the tax laws (i.e. Tax Amnesty Program), IT technology, and information security requirements by the IRS, which led to the Department and the vendor to make necessary changes to the development methodology. The vendor has gone above and beyond its contract to accommodate the Department's needs, including implementing the FY2011 tax amnesty program at no additional cost.

There are over 13 million individuals registered in the new system and over 2.5 million business tax accounts. The system is processing millions of transactions, representing billions of dollars in tax payments, credits and refunds – almost without incident. Not to say that there have not been problems and mistakes, as there would be with any complex process and as there was in the legacy systems, but the transparency of the data and the level of reporting and system monitoring, allows the Department to identify and respond to issues quickly.

Throughout the project, the Department has worked to improve development, testing and documentation processes. Project management convenes a daily production meeting to discuss any production issues, a weekly meeting to discuss and address any outstanding issues and review key deliverables. Any issues that cannot be resolved in these meetings are elevated to Senior Management and/or the Steering Committee, which meets on a bi-weekly basis. Department staff has the expertise to develop system functionality within the GenTax system, which is a testament to the knowledge gained by Department staff.

12-11 FINDING: (Inadequate security over GenTax)

The Department of Revenue (Department) continued to have inadequate security controls over the GenTax (enterprise wide tax system) system and data.

The Department carries out its daily operations through the use of Information Technology. The Department is significantly reliant on GenTax in order to support the Department's mission as "chief tax collector for the State of Illinois." GenTax maintains confidential and sensitive information on all individuals who pay taxes to the State of Illinois.

During the auditors review, some of the issues noted were as follows:

- The Department did not have a documented process for the administration of access rights to GenTax.
- The deactivation of 3 of 36 separated employees' accounts ranged from 15 to 33 days after separation.
- 7 of 15 (47%) Department of Central Management Services (DCMS) employees with administrative access right to servers with Department data did not have documentation to support that required background checks had been performed.
- The Department had a process in place for the review of access rights to GenTax; however, a review had not been completed during the audit period.

Department personnel stated a process is in place for the administration of access rights and the process for reviewing access rights on a periodic basis began during the audit period.

The Internal Revenue Service's Publication 1075, Tax Information Security Guidelines for Federal, State, and Local Agencies and Entities, Safeguards for Protecting Federal Tax Returns and Return Information, states "Access control policy and procedures must be developed, documented, disseminated, and updated, as necessary, to facilitate implementing access control security controls." Additionally, "Agencies must manage information system user accounts, including establishing, activating, changing, reviewing, disabling, and removing user accounts." The Publication also states personnel with access to Federal Tax Information (FTI) shall have a completed background investigation. Department policies require background checks on all individuals that have access to Department related data.

The Department has the responsibility to ensure only authorized individuals have access to taxpayer information. Failure to establish adequate security controls could result in taxpayer identity theft or unintended use. (Finding Code No. 12-11, 10-23)

RECOMMENDATION:

The Department should establish a documented process over the administration of GenTax access rights. Additionally, the Department should adhere to its process and periodically review the access rights of GenTax users, document such reviews, and timely deactivate separated employee accounts.

In addition, the Department should ensure required background checks are properly and timely completed, and documentation maintained, including those for applicable DCMS employees. The Department should consider developing a formal process to ensure all current and future DCMS employees with administrative access rights to servers with Department data have required background checks.

DEPARTMENT RESPONSE:

The Department agrees with the recommendations and has taken steps to improve our information security. We established and hired a Chief Information Security Officer (CISO) in March 2012 and established the Information Security Office. This Office is in the process of implementing a comprehensive Information Security Policy, which will include supporting standards and procedures for the Agency's computing environment and will specifically address Access Control.

In addition, the CISO has been working with the IRS Safeguards Program to address open issues as required by Publication 1075. The IRS certified our most recent Safeguard Procedures Report on November 29, 2012 stating "We are accepting this report as certification that the confidentiality of Federal tax information (FTI) is adequately protected." The Department is one of only a few states that have received verification of improvement in safeguarding procedures from the IRS.

The following addresses the bullets presented by the auditors:

- Bullet 1 – Although the process was not contained in a formal written document, the Department has had a process for administering access rights to the network and systems. The auditors presented no evidence of unauthorized access to the tax system.
- Bullet 3 – The Department's practice is to perform background checks on all IDOR employees and only DCMS employees who have access rights to the servers. The issue noted in this bullet point concerns long-term employees (over 7 years of state service) where the paperwork documenting the background checks had been destroyed in accordance with the record retention policy of Internal Affairs. Internal Affairs' policy is to destroy documentation on all background checks after 7 years and there is no statutory requirement to permanently keep these documents, as they contain highly personal confidential information.
- Bullet 4 - The Department completed the initial GenTax access review. The process was begun during the audit period and this periodic review will be done on at least an annual basis going forward.

12-12 FINDING: (Weaknesses over the change management process)

The Department of Revenue (Department) continued to lack adequate controls over the change management process.

During the audit, the auditors noted the Department had developed standards, processes and procedures to control the change process for the enterprise wide tax system (GenTax); however, standards were not consistently followed and did not address requirements for testing, post implementation reviews, or emergency changes.

During the auditor's detailed review of 30 completed GenTax change requests, it was noted:

- Documentation required by the established standards, processes, and procedures had not been developed or maintained;
- Meeting minutes of the weekly SQR meetings were not maintained from October 2011 to September 2012.

In addition, the auditors noted the Department had not developed a formal change management process to control modifications to the Consolidated Accounting System. In the event a change was required, an email would be sent to the applicable programmer requesting the change to be made. The programmer would complete the change; however, documentation was not always maintained.

Additionally, due to the limitations of Consolidated Accounting System programmers had access to the production environment and implemented changes.

Department personnel stated that internal processes have changed to improve change management; however the final written procedures were not completed during the audit period.

Generally Accepted Information Technology guidance, including the Internal Revenue Service's Publication 1075, Tax Information Security Guidelines for Federal, State, and Local Agencies and Entities endorse the implementation of suitable change management procedures to control changes to computer systems. These procedures include requiring modifications (changes) to existing systems to be properly approved, thoroughly tested, effectively controlled, and adequately documented. These procedures also include restricting programmers/analysts from making a change and moving it into production to ensure all changes have been independently authorized and moved to production.

Without an effective change management process, poorly designed and tested developments and/or unauthorized changes could be implemented. As a result, data integrity, availability and security could be compromised. During fiscal year 2012, the Department processed over 11.7 million tax returns and \$34.5 billion in payments from Illinois taxpayers. In fiscal year 2011, the Department processed over 11.4 million tax returns and \$26.2 billion in payments from Illinois taxpayers. (Finding Code No. 12-12, 10-24, 09-8, 08-8)

RECOMMENDATION:

The Department should ensure the change management process is effectively controlled and documented. In particular, the Department should ensure all changes adhere to the Department's established standards, processes and procedures. In addition, the Department should restrict programmer access to production programs and data.

DEPARTMENT RESPONSE:

The Department has been improving the change management processes; however during the audit period the final written procedures had not been completed. Even though the revised processes were not in written form, they were followed by personnel. The Department has completed and published the new change control procedures as of June 6, 2013 to ensure that all changes are properly documented, tested and approved. The new procedures have been communicated to the appropriate staff and posted on the Department's Intranet.

The Department holds weekly meetings to discuss the status of SQRs and their potential impact on operations. Minutes from these meetings are maintained by the GenTax Business Lead and distributed to participants. IT Supervisors and Developers also hold meetings with various business areas to prioritize their SQRs and to ensure solutions are created in a timely manner.

In addition, while the Department has a pre-migration review process already in place, it is being strengthened to ensure that all required information is present prior to any changes being migrated to the production environment. This will include the development of a checklist of all requirements which must be met before the migration is approved.

12-13 FINDING: (Lack of disaster contingency planning or testing)

The Department of Revenue (Department) had not provided adequate planning or testing for the recovery of its applications or data.

The Department carries out its mission as the “chief tax collector” for the State of Illinois through the use of Information Technology. The Department is reliant upon approximately 106 applications in order to support their mission.

The Department’s disaster contingency plans had not been updated and had not been tested to ensure timely recovery of applications and data.

In 2006, the Department contracted with a vendor for the development of the enterprise wide tax system (GenTax). As part of the contract, the vendor was to develop a disaster contingency plan to coincide with GenTax. However, such a plan has not been developed. During fiscal year 2012, \$34.5 billion of taxpayer payments had been processed through GenTax.

Department personnel stated that after several years of working with the Department of Central Management Services (CMS) on a disaster recovery solution, the Department opened a formal implementation charter with CMS in December 2011. Since 2011, Department personnel indicated they have continued to reach out to CMS, as the Department’s infrastructure service provider, to obtain the necessary recovery capabilities to establish the disaster recovery plan.

Information technology guidance (including the National Institute of Standards and Technology and the Government Accountability Office) endorse the formal development and testing of disaster recovery plans. Tests of disaster recovery plans (and the associated documentation of the test results) verify that the plan, procedures, and resources provide the capability to recover critical systems within the required timeframe.

The lack of an adequate and tested disaster contingency plan leaves the Department exposed to the possibility of major disruptions of services. A comprehensive test of the plan across all platforms utilized will assist management in identifying weaknesses to ensure recovery procedures are adequate in the event of a disaster. Continuous reviews and tests of plans would help management ensure the plans are appropriately modified, as the Department’s computing environment and disaster recovery needs change. (Finding Code No. 12-13, 10-34, 09-15, 08-10, 07-4, 06-2)

RECOMMENDATION:

The Department should upgrade the contingency plans to address the current environment, including the enterprise wide tax system (GenTax). The Department should also ensure the contingency plans include details specific to the recovery applications and data. In addition, the contingency plans should be tested on an annual basis and continually updated to reflect environmental changes and improvements identified from tests.

DEPARTMENT RESPONSE:

The Department agrees with the recommendation and continues to support the re-engineering of the Business Continuity Plan in specific Disaster Recovery Plans for critical applications. The Department opened a formal charter in December 2011 with CMS, the agency that handles infrastructure (including operational software), communications, and managed services such as backup and file or server restoration.

The Department has defined our critical applications and data to CMS. However, to date CMS has not provided infrastructure recovery capabilities and the needed support in order for the Department to complete recovery plans.

It should be noted that the Department has a detailed COOP (Continuity of Operations Plan) that would allow the Department to commence and continue operations following a prolonged impairment to our systems. Although the Department might not be able to record transactions until the systems are restored, many of the revenue generating operations that support the State financially could be continued. For example, operational tasks such as accepting payments and depositing funds would continue.

12-14 FINDING: (Noncompliance with the Fiscal Control and Internal Auditing Act)

The Department of Revenue’s (Department) Office of Internal Audit did not comply with the Fiscal Control and Internal Auditing Act.

The Office of Internal Audit (OIA) at the Department was re-established effective July 1, 2010 by Public Act 96-0795. During fiscal years 2011 and 2012, OIA could not demonstrate that internal audits of all major systems were being planned or completed once every two years of all the Department’s major systems of internal accounting and administrative control. Auditors noted:

- The OIA audit plan in effect for fiscal year 2011, according to the annual report issued by OIA, did not include a risk assessment which defined all auditable entities within the Department due to the recent re-establishment of OIA within the Department.
- The initial OIA audit plan for fiscal year 2012 identified 13 high risk audits to be performed during the fiscal year. Three additional internal audits were added to the plan during the year for a total of 16. OIA postponed 6 and cancelled 2 of the 16 high risk internal audits scheduled to be performed during fiscal year 2012. OIA spent a significant number of hours coordinating external audits and reviews, Office of the Auditor General (OAG) finding follow up, and special requests within the Department.

The following table summarized from the OIA fiscal year 2012 annual report, shows the results of the OIA effort for fiscal year 2012 compared to the internal audit plan.

	Number	Percent
Audits completed	5	31%
Audit follow-up completed	1	6%
Audits in progress at June 30, 2012	2	13%
Audits postponed to fiscal year 2012-2013	6	38%
Audits cancelled	2	12%
Total	16	100%

Three internal audits associated with the fiscal year 2012 audit plan were issued and completed subsequent to June 30, 2012.

- OIA’s risk assessment policy was designed to comply with *International Standards for the Professional Practice of Internal Auditing* promulgated by the *Institute of Internal Auditors* (IIA Standards). Internal audits performed were completed within the guidelines above; however, the extent of testing performed did not provide coverage commensurate with assessed risk on a Department-wide basis. The Chief Internal Auditor indicated the decision to perform internal audits within various areas of the Department is influenced, in part, to avoid duplicating efforts when those areas are subject to testing by the external audit performed by the OAG.

The Fiscal Control and Internal Auditing Act (Act) (30 ILCS 10/2003) requires the internal auditing program include audits of major systems of internal accounting and administrative control be conducted on a periodic basis so that all major systems are reviewed *at least once* (emphasis added) every two years.

Department personnel stated that some internal audits were not conducted due to extenuating circumstances such as management's judgment, and the allocation of scarce resources. A major factor in fiscal year 2012 was the development and implementation of the Taxpayer Access Portal (TAP). OIA devoted substantial resources to this project as it was deemed high risk and of high importance by Department management.

Department personnel noted the OIA is also responsible for carrying out many of the tasks associated with administering external audits and the related follow up. The original staffing plan for OIA included 8 positions, however during the majority of the audit period, only 4 positions were filled.

Incomplete auditing of all major systems of internal accounting and administrative control increases the risk that significant internal control weaknesses will exist and errors and irregularities may go undetected. (Finding Code No. 12-14)

RECOMMENDATION:

We recommend:

- The Department devote sufficient resources to develop an effective internal audit program such that all planned audits are performed within the designated time period in accordance with the Act.
- OIA reevaluate their risk assessment program to document the risks identified and the planned responses to those risks as well as all additional risks which could have a greater impact on the transaction/event cycles as a whole.
- OIA document any change in the risk assessment process as well on a change form.

DEPARTMENT RESPONSE:

The Department agrees with this recommendation and understands the importance of the Internal Audit function and compliance with the Fiscal Control and Internal Auditing Act. The Department established the Office of Internal Audit on July 1, 2010 and the Department will allocate additional resources to the Office of Internal Audit as such resources are available.

12-15 FINDING: (Policies and procedures regarding operation of State vehicles not followed)

The Department of Revenue (Department) had several weaknesses regarding the reporting of vehicle accidents, vehicle maintenance, and personal use of State vehicles and annual certifications of license and vehicle liability coverage.

Auditors noted that accidents involving State/Department vehicles were not reported in a timely manner, and the Department was not ensuring personally assigned and pool vehicles were adequately maintained. In addition, exceptions were noted concerning the dated signature on the annual certification of license and insurance form.

- During the audit period, Department employees were involved in 25 motor vehicle accidents while driving a State owned or leased vehicle. Auditors noted exceptions concerning the reporting of 17 of the 25 (68%) accidents during their testing, with some of the accidents having multiple exceptions cited, as follows:
 - Four of 25 (16%) accidents were not communicated to the Department of Central Management Services (DCMS) by the Department within 7 calendar days. The accidents were reported from 13 to 25 days late, after the 7 calendar day reporting period. The DCMS Vehicle Guide states, “The SR-1 along with the Uniform Cover Letter is to be submitted to Risk Management no later than seven calendar days following the accident...As outlined by the State’s insurance plan, the driver risks the forfeiture of coverage for failure to properly and timely report a motor vehicle accident within seven days”. In order to assist in communicating accidents with DCMS within 7 calendar days, the Department has a policy within its Vehicle Policy Manual which requires drivers involved with an accident to complete and submit forms to the Administrative Services of Operational Special Services (OPSS) within 48 hours of the accident, not including weekends and holidays. Auditors noted 8 of 25 (32%) accidents were not reported to the Department by the employee in accordance with its policy. The accidents were reported to the Department 1 to 13 days after the first 48 hours of the accident, not including weekends and holidays.
 - Six of 25 (24%) accidents were not communicated to the Department of Transportation (IDOT) by the employee. The DCMS Vehicle Guide states, “The completed SR-1 should be distributed as follows...Original: Department of Transportation.”

According to 44 Ill. Adm. Code 5040.520, “A driver of a state-owned or leased vehicle which is involved in an accident of any type shall report such accident to the appropriate law enforcement agency and to DCMS by completing the “Motorist’s Report of Illinois Vehicle Accident” form (SR-1)...The Form SR-1 is to be completed, as nearly as possible, in its entirety including a clear description of the accident and the conditions surrounding the accident...Original to the Illinois

Department of Transportation...In no case is this report to be completed later than three (3) days following an accident. If the State driver is incapable of completing the report because of death or disability, the driver's supervisor should complete this form." The Department's Vehicle Policy Manual states, "Vehicle operators must familiarize themselves and comply with the policies in this manual, any procedures in support thereof, and vehicle directives of the DCMS, Division of Vehicles. OPSS will distribute DCMS directives to IDOR drivers as necessary." When accidents are not reported to DCMS or IDOT in a timely manner or at all, the State's ability to settle or defend itself against claims could be impaired.

- During fiscal years 2011 and 2012, auditors examined maintenance records for 25 vehicles, 12 for fiscal year 2011 and 13 for fiscal year 2012. Auditors utilized the January 22, 2010 Maintenance and Oil Change Intervals Policy for Passenger Vehicles for fiscal year 2011 testing, which states, "The standard for the passenger fleet vehicles has been 3 months/3,000 miles based on vehicle manufacturers, the recommended interval policy for passenger fleet vehicles, model years 2004 and newer, is now up to 5 months/5,000 miles whichever comes first...It is also recommended that the tires are rotated every 2nd oil change, between 6,000 and 10,000 miles, depending on the year of the vehicle. Model year 2003 and older the tires should be rotated at 6,000 miles, and model year 2004 and newer tires should be rotated at 10,000 miles." An update provided to this policy dated July 27, 2011 stated, "The standard lube, oil and filter change interval for passenger fleet vehicles 2002 and older is now 3,000 miles or 6 months, whichever comes first. The recommended interval policy for passenger fleet vehicles, model years 2003 and newer, is now 5,000 miles or 6 months, whichever comes first...Tire rotation is also recommended every 2nd oil change." The memorandum update was utilized by the auditors for fiscal year 2012 testing.

Based on Department documentation auditors noted 3 vehicles did not receive adequate oil changes and 4 vehicles did not receive adequate tire rotations during the period being tested. In addition, for 11 vehicles tested, neither adequate oil changes nor tire rotations were received. The range of miles of oil change past due was 1,046 to 11,973. The range of miles of tire rotation past due was 1,076 to 22,161.

While performing this testing, auditors also noted 17 of 25 (68%) charge tickets for maintenance were not properly completed. For example, the charge tickets were not signed by the employee requesting service for the vehicle.

According to 44 Ill. Adm. Code 5040.400, "All state-owned...or leased vehicles which fall under this Part shall undergo regular service and/or repair in order to maintain the vehicles in road worthy, safe, operating condition and appropriate cosmetic condition. Driver should check oil, coolant, and battery water levels (if possible) regularly, such as at each refueling." Further, the Department's Vehicle Policy Manual states, "The driver of a State vehicle must ensure its proper upkeep and maintenance." Good business practice dictates that vehicles be maintained to prevent excessive repair costs in the future. Failure to adequately maintain vehicles can cost the State significant amounts in future years through additional repair bills and shortened useful lives for vehicles.

- The Department utilizes Certification of License and Auto Liability Coverage for Assigned State Vehicles form to allow employees to annually certify their license and insurance coverage for their personally assigned vehicles. The Illinois Vehicle Code (625 ILCS 5/7-601) states, “Every employee of a State agency...who is assigned a specific vehicle owned or leased by the State on an ongoing basis shall provide the certification described in this Section annually to the director or chief executive officer of his or her agency. ...The certification shall be provided during the period July 1 through July 31 of each calendar year, or within 30 days of any new assignment of a vehicle on an ongoing basis, whichever is later.” Auditors noted 5 of 39 (13%) of the forms tested did not include a dated signature, thus it was not possible to determine if the forms were submitted timely. Complete and accurate information is critical to effectively manage the Department’s fleet of vehicles. Good business practices requires the Department have a system in place to provide the vehicle coordinator with the proper information needed to monitor the Department’s vehicles ensuring the vehicle fleet is properly maintained. Failure to obtain dated certification of license and vehicles liability covered is a violation of a State statute because the certifications are not complete.

Department personnel stated they stress to all drivers that maintaining the vehicles in the fleet is a priority and is the responsibility of the driver. (Finding Code No. 12-15)

RECOMMENDATION:

We recommend the Department:

- Send a formal notice to those employees whose jobs involve travel to remind them of the requirement and importance of filing accident reports in a timely manner.
- Monitor the submission of accident reports to ensure the requirements are being met as required by the DCMS and Department policy.
- Enforce vehicle maintenance schedules to reduce future year expenditures for repairs and to extend the useful lives of vehicles.
- Monitor personnel in charge of receiving the required annual Certification of License and Auto Liability Coverage to ensure signatures are dated.

DEPARTMENT RESPONSE:

The Department agrees with the recommendations and Fleet Management regularly communicates guidelines to employees who are assigned vehicles. The following addresses each issue noted by the auditors:

- Fleet Management Section strives to ensure all necessary accident forms are received and submitted to CMS within the established timeframes. Fleet Management requires all Individually Assigned Fleet Drivers to sign an acknowledgement that they have read and understand the Vehicle Policy Manual,

which includes the Accident Procedures. The Vehicle Policy Manual is housed on the Department's Intranet for easy access and review of policies and procedures. The Vehicle Accident Questionnaire form that is required by Fleet Management, along with a copy of the SR-1 form, includes instructions for submitting the SR-1 form to IDOT. Fleet Management is not in a position to know when a SR1 form is not submitted to IDOT in a timely manner. Fleet Management will continue to inform drivers of the reporting obligations under the applicable procedures.

- The Department agrees that the policies regarding vehicle maintenance should be followed by the assigned drivers. It should be noted that these are recommendations of DCMS and not requirements. The assigned drivers in general follow these recommendations and rely on the mechanics performing the oil changes and diagnostics during maintenance and annual inspections to make them aware if the tires may need rotated or other maintenance issues. The Department's Fleet management stresses to all drivers that maintaining the vehicles is a priority.
- Fleet management has added a reminder on the monthly Automotive Cost Reports (ACR) to help drivers maintain a better maintenance schedule. Fleet management now notifies the driver when the paperwork has not been completed.
- At the end of each fiscal year, these Certification forms are sent out to the drivers for signature in the last week of June and must be returned by the end of July. Although some Certifications were not dated, every form was signed by the employee and returned to Fleet Management in a timely manner. The Department knows that all Certifications were returned as indicated on the master check-off list which is maintained by Fleet Management.

12-16 FINDING: (Weaknesses in internal controls noted in cash accounts)

Internal controls used to administer two Department of Revenue's (Department) cash accounts were inadequate. These included the following:

Evidence Fund (1369)

During testing of this locally held fund, auditors noted the following exceptions:

- The custodian of the locally held fund had incompatible responsibilities including recordkeeping, depositing, and disbursing funds. This lack of segregation of duties compromises the security of the funds.
- The fiscal year 2011 beginning balance had an unreconciled difference of \$265 between the bank and book balance which was carried throughout the remainder of the audit period and a \$116 deposit was recorded on the bank statement but was not reflected in the book balance during the audit period.
- In fiscal year 2012, a bank fee was assessed on the bank statement but was not reflected on the books during the audit period. In addition, a duplicate deposit of \$12 was recorded on the books and was not corrected in the audit period.

The Evidence Fund had a bank balance of \$3,525 and \$4,799 at June 30, 2011 and June 30, 2012, respectively.

Clearing Account – Tax Unit 14

Auditors noted during a review of fiscal year 2011 Tax Unit 14 clearing account reconciliations, the reconciliation included documentation of the individual preparing the reconciliation, but did not include the documentation of the supervisor's review. For fiscal year 2012, auditors noted the reconciliations did not include documentation of the individual preparing the reconciliation or documentation of the supervisor's review. The monthly reconciliations appeared to be otherwise accurate. Tax Unit 14 clearing account had a balance per the cash journal of \$134,096,391 at June 30, 2012.

Department personnel stated the Evidence Fund was not accurately reconciled to the bank statement due to employee oversight along with the other issues noted by the auditors. Department personnel also noted the Tax Unit 14 clearing account reconciliations were accurate and the supervisor stated he performed the review, the lack of documentation of the supervisor's review was due to employee oversight.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies establish and maintain a system, or systems, of fiscal and administrative controls to provide assurance that revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability

over the State's resources. The Department's Treasurer's Clearing Account Reconciliations policy requires the supervisor to review and sign off on the clearing account reconciliations.

Good business practice and internal control procedures provide for the establishment of effective controls to safeguard assets and provide accountability. Failure to establish an effective internal control system could result in loss from fraud or theft or in errors and discrepancies going undetected and result in financial reports containing inaccurate results. (Finding Code No. 12-16)

RECOMMENDATION:

We recommend the Department take the following actions to improve the administration of its cash accounts:

- Implement adequate segregation of duties in the Evidence Fund.
- Investigate and correct unreconciled differences.
- Ensure all transactions are accounted for and recorded on the book to ensure completeness of the Evidence Fund.
- Once the above three implementations are implemented, ensure the Form C-17 is properly completed.
- Implement a policy for preparer and supervisor sign-offs for bank reconciliations in cash clearing accounts.

DEPARTMENT RESPONSE:

The Department agrees that there should be adequate internal controls, proper reconciliations and segregation of duties over the Evidence Fund. The Department is assessing the control structure over the Evidence Fund and will be implementing appropriate controls. Internal Audit is conducting a detailed review of the Evidence Fund to ensure that the assets were appropriately accounted for.

In addition, the Tax Unit 14 clearing account reconciliations will maintain the appropriate documentation of the supervisor's review.

12-17 **FINDING:** (Exceptions in testing payroll and timekeeping)

The Department of Revenue (Department) did not ensure all required processes were followed and that required forms and documents were completed and/or retained in the administration of their payroll and timekeeping functions.

During testing, auditors noted:

- The Department did not perform employee performance evaluations as required.

Auditors tested the evaluations required for 50 employees during the audit period. For these employees, 1 evaluation was required to be performed each fiscal year, 100 evaluations in total. Of the 100 evaluations tested, the auditors noted:

- Thirty-eight of 100 (38%) evaluations tested were not completed within 30 days. The delinquencies ranged from 35 to 829 days late.
- Eight of 100 (8%) evaluations selected for testing were not on file and available for review.

The Department's Employee Handbook (Handbook) states certified employees shall be evaluated annually. In addition, good business practices require employee evaluations to be performed to communicate the employees' strengths and weaknesses in meeting their job responsibilities.

- Department personnel did not complete required overtime approval forms correctly.

The Department's Overtime Approval Policy states an Overtime Approval form (RPS-43) should be completed and signed by both employee and supervisor prior to working overtime. The actual hours should be completed and signed by supervisor and employee after being worked.

During testing of 25 RPS-43 forms, auditors noted exceptions pertaining to 15 of 25 (60%) forms tested, with multiple exceptions noted regarding some forms. The following exceptions were noted:

Exception Noted	Number	% of 25
Form did not include the estimated hours for the overtime approved	3	12%
Form selected for testing could not be located by the Department	2	8%
Form was signed by the employee certifying the actual overtime hours as worked before they occurred	1	4%
Employee did not receive prior written authorization for the overtime worked	9	36%

Exception Noted (continued)	Number	% of 25
Timesheet could not be located for the auditors to compare to the overtime worked by the employees	4	16%
Form did not have a supervisor signature authorizing the estimated and approving the actual overtime worked by the employee	1	4%
Forms did not have dates associated with the supervisor signatures	2	8%
Total	22	

- Auditors noted exceptions in testing the Department's timekeeping records, exceptions were noted with 12 of 25 (48%) employees tested, with multiple exceptions noted regarding some employees. The following exceptions were noted:

Exception Noted	Number	% of 25
Central Time and Attendance System Employee Usage and Earnings of Time reports (CTAS report) were signed late by the Division Manager and/or timekeeper	6	24%
CTAS report did not have a date associated with a Division manager signature	1	4%
CTAS report showed leave taken on the wrong date(s) according to the timesheets and Request for Leave Forms	2	8%
Request for Leave form was signed by the employee after the leave was taken	1	4%
Request for Leave form did not have a date associated with the employee signature	2	8%
Request for Leave form was missing both the signature and the date of the supervisor and/or the employee	2	8%
Request for Leave form selected for testing could not be located by the Department	1	4%
Employee did not make up time during the week it was taken	1	4%
Total	16	

The Department's Time and Attendance Policy, within the Employee Handbook, states that a Request For Leave form should be completed and signed by both employee and supervisor within 2 days of the leave being taken. The Timekeeping Policy also states that make-up time should be made-up in the week it is taken. The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all state agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls which shall provide assurance that: resources are utilized efficiently, effectively, and in compliance with applicable law. Ensuring that the CTAS reports are reviewed and signed by the end of the next month establishes a proper system of internal control in order to insure that resources are being utilized efficiently.

In response to this finding from the previous audit, the Department stated it agreed that timely completion of evaluations, up-to-date personnel files, and accurate timesheets and leave records are important. The Department stated it had a notification process in place that informs managers and supervisors of evaluations due. The Department stated it would remind timekeepers, employees, and managers that all CTAS reports were to be signed, as required by timekeeping policy.

Department personnel stated the evaluations that were not on file and available to test were due to employees transitioning to other jobs resulting in the evaluations not being performed and/or unable to locate. The Department also stated the lack of required signatures was due to employee oversight.

Performance evaluations are a systematic and uniform approach used for the development of employees and communication of performance expectations to employees. Performance evaluations should serve as a foundation for salary adjustments, promotions, demotions, discharges, layoffs, recalls, and reinstatement decisions. Failure to ensure overtime requests are properly documented and approved in advance undermines accountability controls and may result in unnecessary personal service expenditures. Failure to properly record benefit time in CTAS and allowing employees paid leave without proper documentation could result in payments to individuals not entitled to the benefit and is noncompliance with State policy. (Finding Code No. 12-17, 10-36, 09-18, 08-13, 07-07)

RECOMMENDATION:

We recommend the Department:

- Ensure employee performance evaluations are performed in a timely manner.
- Maintain accurate and approved overtime records for all employees.
- Maintain accurate and approved leave records for all employees.

DEPARTMENT RESPONSE:

The Department agrees that timely completion of evaluations, accurate leave records and overtime records are important. The Department will continue to inform managers and supervisors of evaluations due.

The Department requires all employees to maintain time sheets in compliance with the State Officials and Employees Ethics Act and maintain accurate accumulated leave records for all employees. The Department will remind timekeepers, employees, and managers that all CTAS reports must be signed, as required by timekeeping policy.

The overtime requests were at a minimum verbally pre-approved by supervisors and all but one (1 of 25) of the requests had documented final approval by a supervisor. The real control is the final approval of overtime by management and the controls in place are adequate. The issues noted by the auditors are more form over substance.

In fiscal year 2013, the Department transitioned to a paperless system (Etime) for submitting and approving leave and overtime requests. The new system should mitigate the issues noted by the auditors as the records for leave requests and overtime are paperless and the system is integrated into the CTAS system and all records are now electronically maintained. Thus, all the leave records are now maintained by the system instead of each timekeeper having to manually maintain the overtime and leave requests.

12-18 FINDING: (Noncompliance with specific provisions of the Hotel Operators' Occupation Tax Act)

The Department of Revenue (Department) did not comply with specific provisions of the Hotel Operators' Occupation Tax Act (35 ILCS 145/6).

During testing, auditors noted the Department did not deposit the entire statutorily required "Advance Amount" into the Illinois Sports Facilities Fund from the State's share of Hotel Operators' Occupation Tax receipts. During fiscal year 2012, the Department deposited \$33,100,000; however, the Department should have deposited \$38,307,000. The Hotel Operators' Occupation Tax Act (35 ILCS 145/6) requires the Department to deposit the annual "Advance Amount" from FY02 through FY32 pursuant to a statutory formula from the State's share of Hotel Operators' Occupation Tax. This statutory noncompliance did not require the Department to make any adjustment to its financial statements.

Department personnel stated they have worked with the Illinois Sports Facility Authority (ISFA) for years to ensure that the Department deposited the advance payment based on the "certified amount" received from the ISFA's Chief Financial Officer and then required repayment to the General Revenue Fund throughout the fiscal year until the advance payment was satisfied. The "certified amount" is equal to the amount appropriated to the ISFA for the advance amount. The Department received confirmation from the ISFA documenting their agreement with the Department's process and handling of the advance payment.

In response to this finding which was repeated from previous audits, the Department stated it believed it had implemented the law as it was intended and how all parties agreed it should be implemented. The Department indicated it would continue to work with the General Assembly and the ISFA to clarify the language of the statute. Additionally, the Department intended to automate the process over the Illinois Sports Facilities Authority Fund and the Sports Facilities Tax Trust Fund during fiscal year 2012, which it believed would eliminate the manual errors which occurred in the past.

In the previous audit, auditors noted the Department did not make required transfers from the Illinois Sports Facilities Fund to the General Revenue Fund, and identified errors related to the Illinois Sports Facilities Fund in the Department's financial statements based upon amounts computed by the auditors. Additionally, during the previous audit, distribution errors of receipt collections were noted from the Hotel Operators' Occupation Tax imposed by the ISFA that were deposited into the Sports Facilities Tax Trust Fund. Those errors were not noted by auditors during the current audit.

Failure to deposit the entire statutorily required "Advance Amount" into the Illinois Sports Facilities Fund from the State's share of Hotel Operators' Occupation Tax receipts results in statutory noncompliance. (Finding Code No. 12-18, 11-07, 10-11)

RECOMMENDATION:

We recommend the Department seek legislative change to the Hotel Operators' Occupation Tax Act so it reflects that the Department make the advance payment based on the statutorily approved appropriation.

DEPARTMENT RESPONSE:

The General Assembly has not passed legislation to address this issue. As a result, going forward, the Department will make the "Advance Amount" deposit and then will receive any excess payments back from ISFA later in the year.

12-19 FINDING: (Noncompliance with statutory transfer limitations)

The Department of Revenue (Department) exceeded statutory limitations for transfers into the Tourism Promotion Fund (0763).

The Illinois Promotion Act (20 ILCS 665/4a(3)) states, upon certification of the Department, the amount to be transferred from the General Revenue Fund to the Tourism Promotion Fund was not to exceed \$26,300,000 for fiscal year 2012. Auditors noted the Department transferred \$30,394,645 in fiscal year 2012, thus exceeding the statutory limitation for fiscal year 2012 by \$4,094,645.

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

Department personnel stated this was an employee oversight, which resulted in a duplicate transfer.

Failure to comply with statutory transfer limits represents statutory noncompliance, and prevents funds from being utilized for other purposes. (Finding Code No. 12-19)

RECOMMENDATION:

We recommend the Department implement internal controls to ensure the Department complies with statutory transfer limitations.

DEPARTMENT RESPONSE:

The Department agrees with this recommendation and has implemented a procedure to review the fund transfer report on a monthly basis.

12-20 FINDING: (Weaknesses in controls over the tire user fee)

The Department of Revenue (Department) failed to comply with the requirements of the Environmental Protection Act (Act) regarding the tire user fee, resulting in errors on taxpayer accounts and inaccurate fund deposits and statutory transfers, and related financial reporting.

Auditor testing noted the following noncompliance:

- In 17 out of 25 (68%) returns tested, the Department’s GenTax system did not correctly calculate the discount allowed on tires that were timely paid by the taxpayer which also timely filed their return. The differences between the correct discount and GenTax calculated discount were from \$0.10 to \$1.40.

The Act (415 ILCS 5/55.8(a)) grants tire retailers a discount of \$0.10 per tire sold to the amount that is timely paid with a timely return.

- The Department did not exercise adequate controls over allocating tire user fee receipts. The Department’s daily deposit process assumed all taxpayers filed returns and paid moneys due to the State in a timely manner. Then, after the end of the fiscal year, the Department calculated a transfer to account for untimely returns that had been received during the fiscal year. These transfers were not performed timely, as the transfer for fiscal year 2011 was performed in April 2012, and the transfer for fiscal year 2012 was performed in December 2012.

The Act (415 ILCS 5/55.8(a)) requires the following allocation process for tires paid with a timely return:

For tires timely paid with a timely return		
Fund	Cash Allocation	Percentage Allocation
Used Tire Management Fund	\$1.90	79.17%
Emergency Public Health Fund	\$0.50	20.83%

Further, the Act (415 ILCS 5/55.8(a)) requires the following allocation process for all other tires:

For all other tires		
Fund	Cash Allocation	Percentage Allocation
Used Tire Management Fund	\$2.00	80.00%
Emergency Public Health Fund	\$0.50	20.00%

- The Department's statutory transfers of \$0.10 per tire sold from the Used Tire Management Fund (Fund 0294) to the General Revenue Fund (0001) does not appear reasonable and resulted in an excess transfer of \$1,020,313 for fiscal year 2012 and \$880,864 for fiscal year 2011. The Department's transfer process assumed all taxpayers filed returns and paid all moneys due to the State in a timely manner.

The Act (415 ILCS 5/55.8(a)) requires the Department to transfer from the Used Tire Management Fund to the General Revenue Fund \$0.10 per tire for the Department to use in administering and enforcing the fee.

In addition, the auditors noted the following internal control deficiencies during testing:

- In 5 out of 5 (100%) final returns tested, the Department's GenTax system did not require a taxpayer filing a final return to file the return within one month of the cease date of the business. Further, the instructions for the Department's Form ST-8, *Tire User Fee*, does not notify taxpayers of this requirement.

The Act (415 ILCS 5/55.10(b)) requires retailers who cease to engage in the retail sale of tires file a final return one month after discontinuing the business.

In response to this finding from the previous audit, the Department implemented several changes to GenTax. One of the changes was to correct the issue for retailers reporting an odd number of tire sales which caused GenTax to round the total tire fees due to the next dollar. This system change was effective with the returns due on October 20, 2011, which was during the first quarter of fiscal year 2012 and during current audit period. The Department also implemented additional system changes to GenTax after June 30, 2012 which were after the auditors' testing period. Specific to the exceptions noted during the current audit period, Department personnel stated that form changes and system changes were implemented into GenTax as resources were available.

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

Weaknesses in controls over the tire user fee affects the integrity of processing taxpayer information, financial data, and financial reporting and results in noncompliance with State law. (Finding Code No. 12-20, 10-29)

RECOMMENDATION:

We recommend the Department implement internal controls to ensure:

- All system corrections implemented since June 30, 2012 are tested to verify their accuracy and compliance with the Act;
- GenTax correctly grants tire retailers a discount of \$0.10 per tire sold to the amount that is timely paid with a timely return;
- Taxpayers are required to file a final return within one month of ceasing to sell tires; and,
- Receipts collected are properly allocated among the Used Tire Management Fund and Emergency Public Health Fund.

DEPARTMENT RESPONSE:

The Department agrees with the recommendations and has implemented all of the system changes relating to the Tire User Fee.

The following are specific responses to each bullet point noted in the finding:

- Bullet 1 – Department resolved this issue with a system change implemented on August 31, 2012.
- Bullet 2 - Department resolved this issue with a system change implemented in February 2012. The end-of-year transfer true-ups were made by the Department when time allowed for this to be completed, considering competing priorities. The transfers were immaterial amounts and amounted to less than 1% of the total collections.
- Bullet 3 – Department resolved this issue by generating a report of actual tires reported on the ST-8 return in order to make the required transfer to General Revenue Fund of \$0.10 per tire.
- Bullet 4 - Department has changed the ST-8 instructions to reiterate the statutory requirement that a taxpayer filing a final return to file the return within one month of the cease date of the business.

12-21 FINDING: (Information not provided to auditors)

The Department of Revenue's (Department) former Division of the Lottery, now the Illinois Department of the Lottery, could not provide all fiscal year 2011 information requested by the auditors.

Effective October 15, 2011, the Division of the Lottery under the Department became a separate Department. As a result of the Department of the Lottery still being a Division within the Department during fiscal year 2011, certain compliance testing associated with its operations were performed while it was a Division of the Department. Auditors requested reconciliations pertaining to the payment of winning prize payments valued at less than \$600 through retailers. The auditors were told the requested information could not be provided because it could not be located.

Department personnel stated they could not provide the requested documents because the Department has no authority or responsibility for the Department of Lottery operations or records and the documents requested by the auditors are clearly the records of the Department of Lottery.

The State Records Act (5 ILCS 160/8) requires the Department to make and preserve records containing adequate and proper documentation of the functions and procedures of the Department designed to furnish information to protect the legal and financial rights of the State and of persons directly affected by the Department's activities.

Failure to preserve financial information in order to provide requested information to the auditors impedes the audit process and results in statutory noncompliance. (Finding Code No. 12-21)

RECOMMENDATION:

We recommend procedures be strengthened to ensure all records necessary to document transactions are preserved.

RESPONSES:

DEPARTMENT OF REVENUE:

The Department has no authority or responsibility for the Lottery or their operations as of October 15, 2011. As stated in 20 ILCS 1605/29:

(b) The Division of the Lottery within the Department of Revenue is hereby abolished and the Department of the Lottery is created as an independent department. On the effective date of this amendatory Act of the 97th General Assembly, all powers, duties, rights, and responsibilities of the Division of the Lottery within the Department of Revenue shall be transferred to the Department of the Lottery.

(d) All books, records, papers, documents, property (real and personal), contracts, causes of action, and pending business pertaining to the powers, duties, rights, and responsibilities transferred by this amendatory Act of the 97th General Assembly from the Division of the Lottery within the Department of Revenue to the Department of the Lottery, including, but not limited to, material in electronic or magnetic format and necessary computer hardware and software, shall be transferred to the Department of the Lottery.

The stated “records” requested by the auditors are clearly the records of the Department of Lottery. This issue should be addressed to the Department of Lottery.

DEPARTMENT OF LOTTERY:

As noted in the finding auditors requested fiscal year 2011 reconciliations pertaining to the payment of winning prize payments valued at less than \$600 through retailers and were told that the requested information could not be provided because it could not be located. It was not a matter of ‘locating’ the desired information; rather it was a matter of locating it in the format desired by the auditors. Fiscal year 2011 and 2012 reconciliations were performed differently because the systems used to provide the information changed in fiscal year 2012 when Northstar Lottery Group took over as the private management agent. Fiscal year 2011’s reconciliations were at the account level (cash, accounts receivable, prize expense etc.) with each account having separate detailed reports supporting the general ledger balances. These reconciliations were prepared by the Shared Services Center, properly preserved, and were always available to the Illinois Department of the Lottery (Lottery) or Department auditors. For fiscal year 2012, Northstar Lottery Group began using a new computer system and began providing a new report on retailer transactions that tied several general ledger accounts together (cash, accounts receivable, prize expense etc.). These reports became known as ‘sweep’ reports. Another system was also sub-contracted for use by Lottery for fiscal year 2011, but it was structured differently than the one used for fiscal year 2012, and ‘sweep’ reports were not part of the standard reports produced. Shared Services had a data terminal connected to the fiscal year 2011 system which went away when Northstar Lottery Group took over with the new system. However, data from the fiscal year 2011 system as used in the monthly account reconciliations was downloaded and saved into access data tables. Any referral by Shared Services of auditors to Lottery for reconciliation information would have been to see if the old system was capable of producing ‘sweep’ reports for fiscal year 2011 like those now provided for fiscal year 2012. For the Lottery audit, a fiscal year 2011 year-to-date ‘sweep’ report was compiled to satisfy Lottery auditor requests in addition to providing them access to the monthly account reconciliation reports.

AUDITORS' COMMENT:

Auditors met with Lottery staff on April 4, 2013 to discuss support that could be provided in regard to testing reconciliations. At the meeting auditors were told the Shared Services Center was responsible for the reconciliations. The Department's audit liaison followed up with the Shared Services Center and responded back to the auditors that the Shared Services Center indicated the reconciliations were a Lottery responsibility. At another meeting with Lottery staff on April 25, 2013, auditors were informed that after a system conversion the Lottery is not able to go back in the system in order to provide the fiscal year 2011 information. Reconciliation information referenced within the Lottery's response was prepared for the Lottery's auditors for their testing of the Lottery's financial statement audit for the year ended June 30, 2012. Department auditors were not provided the reconciliation information referenced in the Lottery response during the engagement fieldwork to determine if it would be relevant to their testing.

**STATE OF ILLINOIS
DEPARTMENT OF REVENUE**

PRIOR FINDINGS NOT REPEATED

A. Prior Finding (Fund balance deficit exceeding \$1.6 billion)

The prior audit noted the Department of Revenue (Department) had a \$1.6 billion deficit in the General Fund's fund balance as of June 30, 2011. The deficit was primarily due to the State failing to allocate sufficient income tax receipts to the Income Tax Refund Fund, which is a subaccount of the General Fund reported by the Department.

During the current audit, auditors noted the Department received and deposited amounts into the Income Tax Refund Fund to significantly pay down the refunds due to taxpayers. The remaining deficit is related to end of year accruals to account for returns not processed at June 30, 2012. As a result, this finding is not repeated. (Finding Code No. 11-02, 10-01)

B. Prior Finding (Reconciliation of Hotel Operator's Occupation Tax allocations not performed)

The prior audit noted the Department did not perform reconciliations of estimated deposit allocations to actual return information for all funds receiving Hotel Operators' Occupation Tax (HOOT) collections.

During the current audit, auditors noted the Department performed monthly reconciliations of the estimated deposits and actual return information. As a result, the prior finding is not repeated. (Finding Code No. 11-04, 10-7)

C. Prior Finding (Inadequate control over Illinois Sports Facilities Authority funds)

The prior audit noted the Department did not exercise adequate control over the Illinois Sports Facilities Fund or the Sports Facilities Tax Trust Fund.

During the current audit, auditors again noted noncompliance with the Hotel Operators' Occupation Tax Act pertaining to the "Annual Advance" deposited into the Illinois Sports Facilities Fund. This noncompliance is reported as a State compliance finding, 12-18 *Noncompliance with specific provisions of the Hotel Operators' Occupation Tax Act*. The exceptions noted in the prior audit related to the transfers that were not made, financial statement understatements, and distribution errors were not noted by the auditors during the current audit. As a result, the prior finding is not repeated in accordance with Government Auditing Standards. (Finding Code No. 11-07, 10-11)

D. Prior Finding (Exceptions in income tax refunds payable balances at year-end)

The prior audit noted the Department's income tax refunds payable accounts included in the Department's payable calculation at June 30, 2011 contained inaccurate balances.

During the current audit, auditors testing of the Department's income tax refunds payable accounts rendered no exceptions. As a result, the prior finding is not repeated. (Finding Code No. 11-08)

E. Prior Finding (Weaknesses in internal controls over taxpayer accounts)

During testing of the Department's accounts receivable from income taxes, auditors identified exceptions in processing taxpayer accounts, system errors and internal control deficiencies.

During the current audit, it was noted the Department had implemented some corrective actions related to the exceptions noted in the prior finding. Exceptions noted during the current engagement were incorporated into current finding 12-01 *Weaknesses in the Department's financial reporting process*. (Finding Code No.11-12)

F. Prior Findings (Illinois Lottery Private Manager Procurement)

The prior report of the Department identified eight findings associated with the Illinois Lottery Private Manager Procurement. In accordance with Public Act 97-0464, effective October 15, 2011, the Department of Revenue transferred all functions performed for the Illinois Lottery and all associated powers, duties, rights and responsibilities to the newly created Illinois Department of the Lottery. These eight compliance findings will be followed up on in the compliance examination of the Illinois Department of the Lottery for the two years ended June 30, 2013. Based on this these findings will not be repeated in the Department's report for this engagement period. (Finding Code No. 10-13, 10-14, 10-15, 10-16, 10-17, 10-18, 10-19 and 10-20)

G. Prior Finding (Lack of contract monitoring)

The prior audit noted the Department did not exercise sufficient monitoring and oversight over the completion of functional requirements outlined in the contract for the development of a new enterprise-wide tax system (GenTax).

Certain deliverables associated with the development of the GenTax system were still noted as outstanding during the current engagement and have been incorporated into finding 12-10 *Project management weaknesses in the development of GenTax*, and 12-13 *Lack of disaster contingency planning or testing*. As a result, the prior finding is not repeated. (Finding Code No. 10-21)

H. Prior Finding (Inadequate controls over confidential information)

In the prior audit the Department did not adequately ensure the security and control of confidential and personal information, including taxpayer information.

During the current audit, the issues noted were not as pervasive as noted in the prior audit. Therefore, this finding was moved to the immaterial status. Although there were still minor exceptions, this finding is not repeated. (Finding Code No. 10-25)

I. Prior Finding (Failure to pay Personal Property Replacement Tax refunds created a statutory excess)

The prior audit noted the Department transferred \$184 million from the Income Tax Refund Fund (Fund 0278) to the Personal Property Tax Replacement (PPRT) Fund (Fund 0802). At the same time, the Department estimated approximately \$271 million in PPRT refunds were not paid and were held for payment due to cash shortages in Fund 0278.

During the current audit period, the Department was able to pay down the majority of the held warrants, causing the PPRT refund expenditures to exceed PPRT deposits into the Income Tax Refund Fund and the Department transferring money from the PPRT Fund to the Income Tax Refund Fund. Auditors did not note any exceptions concerning the creation of a statutory excess during the current audit period. As a result, the prior finding is not repeated. (Finding Code No. 10-27)

J. Prior Finding (Noncompliance with statutory expenditure limitations)

The prior audit noted the Department exceeded administrative expenditure limitations for the Personal Property Tax Replacement Fund (Fund 0802) and the County Option Motor Fuel Tax Fund (Fund 0290)

During the current audit period, the Department implemented controls to ensure that it does not exceed statutory limitations on expenditures from the Personal Property Tax Replacement and County Option Motor Fuel Tax Funds. Auditors did not note any exceptions concerning statutory expenditure limitations during the current audit period. As a result, the prior finding is not repeated. (Finding Code No. 10-28)

K. Prior Finding (Inadequate controls over liquor retailer licenses)

The prior audit noted the Department did not exercise adequate control over recording retailer liquor licenses issued or calculating and timely reporting the annual liquor license fee transfer, leading to an unrecorded liability in the Department's June 30, 2010 financial statements.

During the current audit, the Department made improvements relating to its controls over recording retailer liquor licenses, and calculating and timely reporting the annual liquor license fee transfer. Auditors did not note any exceptions concerning controls over liquor retailer licenses during the current audit period. As a result, the prior finding is not repeated. (Finding Code No. 10-30)

L. Prior Finding (Improper fiscal year expenditures)

The prior audit noted the Department did not exercise adequate internal controls over distributing funds due to local governments in accordance with State statute and fiscal year appropriations specific to the Charitable Games Act (230 ILCS 30/14(b)) and the Pull Tabs, Jar Games Act (230 ILCS 20/5(b)), and the Senior Citizens Real Estate Tax Deferral Act (320 ILCS 30/5).

During the current audit, auditors' testing noted the Department expended payments related to these statutory programs in accordance with fiscal year constraints. As a result, the prior finding is not repeated. (Finding Code No. 10-31)

M. Prior Finding (Inadequate control over distributions of Hotel Operators' Occupation Tax)

The prior audit noted the Department did not exercise adequate control over distributing Hotel Operators' Occupation Tax collections on behalf of the Illinois Sports Facilities Authority, Metropolitan Pier and Exposition Authority, and a local government.

During the audit period, auditors' testing noted the Department submitted distributions of tax collections to the Office of the State Comptroller in a timely manner. As a result, the prior finding is not repeated. (Finding Code No. 10-32)

N. Prior Finding (Distributions to counties in violation of the Tennessee Valley Authority Payment Act)

The prior audit noted the Department distributed monies to a county that was not receiving a direct payment from the Tennessee Valley Authority, which was in violation of the Tennessee Valley Authority Payment Act (Act).

During the audit period, Public Act 97-0035 modified the statute governing the distributions to counties in the Act. Auditors did not note any noncompliance by the Department as a result of the legislative amendment to the Act. As a result, the prior finding is not repeated. (Finding Code No. 10-33)

- O. Prior Finding (Inadequate control over contractual, interagency, and grant agreements)

The prior audit noted the Department did not maintain adequate control over contractual, interagency, and grant agreements.

During the audit period, the Department hired an Agency Procurement Officer (APO) to ensure and monitor contracts and intergovernmental agreements. Auditors did not note any exceptions in this testing area. As a result, the prior finding is not repeated. (Finding Code No. 10-35)

- P. Prior Finding (Untimely distribution of local government tax collections)

The prior audit noted the Department of Revenue did not timely distribute the balance of moneys in the County Water Commission Tax Fund or the Metro-East Transit District Fund to local governments as specifically required by State law.

During the current audit period, legislation was introduced, Senate Bill 1951, to change the language within the Acts to reflect the Department's current practices. Senate Bill 1951 was sent to the Governor on June 14, 2013. The distributions to the local governments did not change during the audit period, this has been reported in the Department's Report of Immaterial Findings. This finding is not repeated. (Finding Code No. 10-36)

- Q. Prior Finding (Payment to County Officials)

The prior audit noted the Department was unable to comply with statutory requirements regarding payments to certain county officials due to insufficient appropriations.

During the current audit period, Public Act 97-0072, effective July 1, 2011, amended the statutes to make the required payments subject to appropriation. In addition, the Circuit Court of Sangamon County, Illinois, ruled the power to appropriate revenue for State expenditures resides exclusively with the legislature and the Court has no authority to order the legislature to provide appropriation. There were instances during fiscal year 2011 where counties were not paid the required amounts, which has been reported in the Department's Report of Immaterial Findings, this finding is not repeated. (Finding Code No. 10-37)

STATE OF ILLINOIS
DEPARTMENT OF REVENUE

STATUS OF MANAGEMENT AUDIT
For the Years Ended June 30, 2012 and June 2011

STATE'S MULTI-YEAR BEVERAGE VENDING AND POURING CONTRACT

House Resolution Number 862 directed the Auditor General to conduct an audit of the procurement practices in connection with the State's multi-year Beverage Vending and Pouring contract. The audit, released in March 2009, contained eleven recommendations to the Department of Revenue. As part of the compliance examination for the two years ended June 30, 2010, auditors determined that six of the eleven recommendations were fully implemented and five of the eleven remained partially implemented. As part of the compliance examination for the two years ended June 30, 2012, auditors followed up on the status of the remaining five partially implemented recommendations by examining the procurement of the fiscal year 2011 – 2013 Revenue Physical Security Consultant. Auditors concluded the five recommendations have been implemented.

Recommendation 3 – Vendor Presentations

Recommendation:

The Department of Revenue should maintain adequate documentation of vendor presentations including a record of who attended the presentations and the discussions that took place. If evaluation team members are unable to attend the vendor presentations, the Department should ensure that the evaluation team members receive the necessary information for scoring the proposals.

Status:

This recommendation is implemented. While vendor presentations were not performed in the procurement process, the Department updated their Best Practice Tips for Projects Manager document to add a statement asking that all meeting notes be sent to procurement. The Department has also modified their procurement checklist to verify that the vendor presentation information is maintained and evaluation team members receive copies of the vendor presentation materials.

Recommendation 6 – Scoring Issues

Recommendation:

The Department of Revenue should follow CMS Guidelines and ensure that:

- *Major differences in scores are discussed to determine if an error was made or an evaluator missed or misinterpreted a vendor's proposal;*
- *Evaluation tools are fully completed with no elements left blank; and*
- *Rating points are supported with thorough and appropriate comments.*

Status:

This recommendation is implemented. The bidding file included completed evaluation tools with rating points supported by comments. The Department also updated their procurement checklist to ensure that the files include fully completed evaluation tools and support how the scores are formulated.

Recommendation 9 – Evaluation Language in Request for Proposals

Recommendation:

The Department of Revenue should include alternative evaluation language in all Requests for Proposals. The Department should also consider using minimum point requirement language that would ensure more than one vendor is considered for price evaluation.

Status:

This recommendation is implemented. The Request for Proposal (RFP) included minimum point requirement language. Alternative evaluation language is now included in the RFP templates.

Recommendation 10 – Protest Resolution

Recommendation:

The Department of Revenue should comply with the Standard Procurement Rules and ensure that protests are resolved in a timely fashion. The Department should also ensure that central points of the protest are fully addressed.

Status:

This recommendation is implemented. While there were no protests received for the procurement, the Department updated the procurement checklist to note whether or not a protest was filed, the date it was resolved, and to include a copy of the protest and the protest response.

Recommendation 11 – Clarifying Offers

Recommendation:

The Department of Revenue should request vendors to clarify offers and provide missing information when appropriate.

Status:

This recommendation is implemented. While there were no requests to vendors to clarify offers and provide missing information for the procurement, the Department updated the procurement checklist to include the requests to vendor for clarifying offers and to provide missing information.

STATE OF ILLINOIS
DEPARTMENT OF REVENUE
FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying financial statements of the State of Illinois, Department of Revenue (Department) was performed by Sikich LLP as special assistants for the Auditor General.

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

INDEPENDENT AUDITORS' REPORT

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the State of Illinois, Department of Revenue (Department), as of and for the year ended June 30, 2012, which collectively comprise the Department of Revenue's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of Illinois, Department of Revenue's 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, 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 Department are intended to present the financial position and changes in financial position of only that portion of the governmental activities, each major fund, and the aggregate remaining fund information of the State that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the State of Illinois as of June 30, 2012, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 11, the Department has the following significant fund deficits as of June 30, 2012: General Revenue Fund \$1.6 billion and Personal Property Tax Replacement Fund (non-major special revenue fund) \$283 million. The Department's plan to eliminate these deficits is highly dependent on the collection and allocation of future State revenues to the Department.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Department as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 14 to the financial statements, the Department restated its net assets and due to other State funds in the General Revenue Fund to reflect the adjustments of amounts owed to the Lottery Fund. The restatement totaled \$69,901 (in thousands). Our opinion is not modified with respect to that matter.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 29, 2013 on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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.

Management has omitted management's discussion and analysis and budgetary comparison information for any of its funds that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements. The combining General Fund schedules and nonmajor and Agency fund financial statements and the accompanying supplementary information for the year ended June 30, 2012 in the State Compliance Schedules 1 and 3 through 12 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The combining General Fund schedules and nonmajor and Agency fund financial statements and the accompanying supplementary information for the year ended June 30, 2012, in the State Compliance Schedules 1 and 3 through 12 have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining General fund schedules and nonmajor and Agency fund financial statements and the accompanying supplementary information for the year ended June 30, 2012 in the State Compliance Schedules 1 and 3 through 12 are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Department's basic financial statements for the year ended June 30, 2010 were audited by other auditors whose reports thereon dated June 6, 2011, expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. The accompanying supplementary information for the year ended June 30, 2010 in the State Compliance Schedules 3, 6, 8 and 9 is the responsibility of management and was derived from and relates directly to the underlying

accounting and other records used to prepare the 2010 financial statements. The accompanying supplementary information for the year ended June 30, 2010 in the State Compliance Schedules 3, 6, 8 and 9, respectively, has been subjected to the auditing procedures applied in the audit of the June 30, 2010 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In their opinion, the accompanying supplementary information for the year ended June 30, 2010 in the State Compliance Schedules 3, 6, 8 and 9, respectively, is fairly stated in all material respects in relation to the basic financial statements as a whole from which it has been derived.

The accompanying supplementary information for the year ended June 30, 2011 in the State Compliance Schedules 2 through 12 and the Analysis of Operations Section is presented for additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide assurance on it.

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

Sikich LLP

Springfield, Illinois
May 29, 2013, except for State Compliance Schedules
1 and 3 through 12 as to which the date is
June 26, 2013

State of Illinois
Department of Revenue

Statement of Net Assets

June 30, 2012 (Expressed in Thousands)

	<u>Governmental Activities</u>
ASSETS	
Unexpended appropriations	\$ 24,189
Cash equity in State Treasury	401,408
Cash and cash equivalents	753,101
Securities lending collateral equity with State Treasurer	70,704
Taxes receivable, net	1,329,973
Intergovernmental receivables	361
Other receivables, net of allowance of \$319	14,257
Due from State funds	39,647
Loans and notes receivable, long-term	39,840
Due from State of Illinois component units	323,207
Inventories	379
Capital assets being depreciated/amortized, net	8,908
Total assets	<u>3,005,974</u>
LIABILITIES	
Accounts payable and accrued liabilities	373,270
Income tax refunds payable	1,274,549
Intergovernmental payables	1,249,400
Obligations under securities lending of State Treasurer	70,704
Due to Department fiduciary funds	43,646
Due to other State fiduciary funds	841
Due to other State funds	485,257
Due to State of Illinois component units	53
Unearned revenue	602,523
Long-term obligations:	
Portion due or payable within one year	1,000
Portion due or payable after one year	12,329
Total liabilities	<u>4,113,572</u>
NET ASSETS	
Invested in capital assets	8,908
Restricted - other	16,977
Unrestricted	(1,133,483)
Total net assets	<u>\$ (1,107,598)</u>

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

State of Illinois
Department of Revenue
Statement of Activities

For the Year Ended June 30, 2012 (Expressed in Thousands)

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenues and Changes in Net Assets
				Governmental Activities
Governmental activities				
General government	\$ 173,547	\$ 44,394	\$ 370	\$ (128,783)
Health and social services	60	-	-	(60)
Employment and economic development	(75)	-	-	75
Environment and business regulation	6,914	-	-	(6,914)
Intergovernmental-revenue sharing	4,657,469	-	-	(4,657,469)
Total governmental activities	<u>4,837,915</u>	<u>44,394</u>	<u>370</u>	<u>(4,793,151)</u>
Total Department	<u>\$ 4,837,915</u>	<u>\$ 44,394</u>	<u>\$ 370</u>	
General revenues				
Taxes:				
Income taxes				19,580,351
Sales taxes				9,613,960
Motor fuel taxes				1,270,253
Public utility taxes				1,400,634
Other taxes				932,458
Interest and investment income				4,961
Other revenues (expenses)				12,562
Appropriations from State Resources				212,482
Lapsed appropriations				(18,693)
Receipts collected and transmitted to State Treasury				(27,463,790)
Transfer of administration of fund (to)/from other State agency				2,768
Amount of SAMS transfers-in				(2,704,264)
Amount of SAMS transfers-out				1,646,637
Capital transfers to other State agencies				(5)
Transfers-in				755,688
Transfers-out				<u>(349,741)</u>
Total general revenues and transfers				<u>4,896,261</u>
Change in net assets				103,110
Net assets, July 1, 2011, as restated				(1,210,708)
Net assets, June 30, 2012				<u>\$ (1,107,598)</u>

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

State of Illinois
Department of Revenue

Balance Sheet -
Governmental Funds

June 30, 2012 (Expressed in Thousands)

	General Fund	Nonmajor funds	Total Governmental Funds
ASSETS			
Unexpended appropriations	\$ 14,798	\$ 9,391	\$ 24,189
Cash equity in State Treasury	401,408	-	401,408
Cash and cash equivalents	-	753,101	753,101
Securities lending collateral equity with State Treasurer	30	70,674	70,704
Taxes receivables, net	985,980	343,993	1,329,973
Intergovernmental receivables	220	141	361
Other receivables, net of allowance of \$231	-	14,257	14,257
Due from other Department funds	135,897	522,806	658,703
Due from other State funds	18,455	21,192	39,647
Loans and notes receivable, long-term	-	39,840	39,840
Due from State of Illinois component units	-	323,207	323,207
Inventories	379	-	379
Total assets	<u>\$ 1,557,167</u>	<u>\$ 2,098,602</u>	<u>\$ 3,655,769</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 312,909	\$ 60,361	\$ 373,270
Income tax refunds payable	1,274,549	-	1,274,549
Intergovernmental payables	10,330	1,239,070	1,249,400
Obligations under securities lending of State Treasurer	30	70,674	70,704
Due to other Department fiduciary funds	22,904	20,742	43,646
Due to other State fiduciary funds	-	841	841
Due to other Department funds	465,864	192,839	658,703
Due to other State funds	480,868	4,389	485,257
Due to State of Illinois component units	53	-	53
Unavailable revenue	112,516	38,742	151,258
Unearned revenue	457,284	145,239	602,523
Total liabilities	<u>3,137,307</u>	<u>1,772,897</u>	<u>4,910,204</u>
FUND BALANCES (DEFICITS)			
Nonspendable (Inventories)	379	-	379
Restricted	-	16,598	16,598
Committed	101,486	596,957	698,443
Unassigned	(1,682,005)	(287,850)	(1,969,855)
Total fund balances (deficits)	<u>(1,580,140)</u>	<u>325,705</u>	<u>(1,254,435)</u>
Total liabilities and fund balances (deficits)	<u>\$ 1,557,167</u>	<u>\$ 2,098,602</u>	<u>\$ 3,655,769</u>

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

State of Illinois
Department of Revenue
Reconciliation of Governmental Funds Balance Sheet
to Statement of Net Assets
June 30, 2012
(Expressed in Thousands)

Total fund balances-governmental funds	\$ (1,254,435)
<p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	8,908
Revenues in the Statement of Activities that do not provide current financial resources are deferred in the funds.	151,258
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:	
Compensated absences	<u>(13,329)</u>
Net assets of governmental activities	<u><u>\$ (1,107,598)</u></u>

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

State of Illinois
Department of Revenue

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

For the Year Ended June 30, 2012 (Expressed in Thousands)

	General Fund	Nonmajor funds	Total Governmental Funds
REVENUES			
Federal operating grants	\$ -	\$ 370	\$ 370
Income taxes	17,375,021	2,217,839	19,592,860
Sales taxes	6,914,051	2,694,327	9,608,378
Motor fuel taxes	-	1,275,041	1,275,041
Public utility taxes	984,559	416,409	1,400,968
Other taxes	686,705	247,495	934,200
Licenses and fees	6,399	37,919	44,318
Other charges for services	-	76	76
Interest and other investment income	-	4,756	4,756
Other	5,380	7,264	12,644
Total revenues	<u>25,972,115</u>	<u>6,901,496</u>	<u>32,873,611</u>
EXPENDITURES			
General government	51,939	122,840	174,779
Health and social services	-	60	60
Employment and economic development	(75)	-	(75)
Environment and business regulation	-	6,914	6,914
Intergovernmental	-	4,657,469	4,657,469
Capital outlays	85	-	85
Total expenditures	<u>51,949</u>	<u>4,787,283</u>	<u>4,839,232</u>
Excess (deficiency) of revenues over (under) expenditures	<u>25,920,166</u>	<u>2,114,213</u>	<u>28,034,379</u>
OTHER SOURCES (USES) OF FINANCIAL RESOURCES			
Appropriations from State resources	125,710	86,772	212,482
Lapsed appropriations	(2,372)	(16,321)	(18,693)
Receipts collected and transmitted to State Treasury	(25,325,533)	(2,138,257)	(27,463,790)
Amount of SAMS transfers-in	(2,666,464)	(37,800)	(2,704,264)
Amount of SAMS transfers-out	1,644,927	1,710	1,646,637
Transfer of administration of fund from other State agency	-	2,768	2,768
Transfers-in	897,395	291,842	1,189,237
Transfers-out	(603,282)	(180,008)	(783,290)
Net other sources (uses) of financial resources	<u>(25,929,619)</u>	<u>(1,989,294)</u>	<u>(27,918,913)</u>
Net change in fund balances	(9,453)	124,919	115,466
Fund balances (deficits), July 1, 2011, as restated	<u>(1,570,687)</u>	<u>200,786</u>	<u>(1,369,901)</u>
FUND BALANCES (DEFICITS), JUNE 30, 2012	<u>\$ (1,580,140)</u>	<u>\$ 325,705</u>	<u>\$ (1,254,435)</u>

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

State of Illinois
Department of Revenue
Reconciliation of Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to Statement of Activities
For the Year Ended June 30, 2012
(Expressed in Thousands)

Net change in fund balances	\$ 115,466
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation/amortization expense to allocate those expenditures over the life of the assets. This is the amount by which depreciation in the current period exceeded capital outlays.	(1,306)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This amount represents the decrease in unavailable revenue over the prior year.	(13,668)
Some capital assets were transferred in from/out to other State agencies and, therefore, no proceeds were paid/received for the capital asset's value.	(5)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Decrease in compensated absences obligation	2,623
Change in net assets of governmental activities	<u><u>\$ 103,110</u></u>

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

State of Illinois
Department of Revenue

Statement of Fiduciary Net Assets

June 30, 2012 (Expressed in Thousands)

	<u>Agency Funds</u>
ASSETS	
Cash equity in State Treasury	\$ 403,774
Cash and cash equivalents	1,642
Securities lending collateral equity with State Treasurer	132,993
Taxes receivable, net	209,205
Other receivables, net	94
Due from other Department funds	43,646
Total assets	<u>\$ 791,354</u>
LIABILITIES	
Accounts payable and accrued liabilities	\$ 8,569
Intergovernmental payables	648,104
Obligations under securities lending of State Treasurer	132,993
Other liabilities	1,688
Total liabilities	<u>\$ 791,354</u>

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

**STATE OF ILLINOIS
DEPARTMENT OF REVENUE**

Notes to Financial Statements

June 30, 2012

(1) Organization

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

The Department is organized to provide for administering, collecting, enforcing and determining distribution of the taxes imposed by the State's major tax acts. The Department also administers and oversees the operations of the Liquor Control Commission.

Effective 10/15/11, the Department transferred all functions performed for the Illinois Lottery and all associated powers, duties, rights and responsibilities to the Illinois Department of Lottery in accordance with Public Act 97-0464. For financial reporting purposes, fiscal year 2012 activity for the Lottery Fund, Deferred Prize Winner's Trust Fund and Lottery Agent Security Deposit Fund which had previously been included in the Department's financial statements are now reported in the Department of the Lottery's financial statements.

(2) Summary of Significant Accounting Policies

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

(a) Financial Reporting Entity

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

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

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

**STATE OF ILLINOIS
DEPARTMENT OF REVENUE**

Notes to Financial Statements

June 30, 2012

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

(b) Basis of Presentation

The financial statements of the State of Illinois, Department of Revenue, are intended to present the financial position and changes in financial position of only that portion of the governmental activities, each major governmental fund of the State of Illinois, the 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, 2012 and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Government-wide Statements. The government-wide statement of net 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. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of net assets presents the assets and liabilities of the Department's governmental 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 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 all taxes, are presented as general revenues.

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

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

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

Additionally, the Department administers the following fund types:

**STATE OF ILLINOIS
DEPARTMENT OF REVENUE**

Notes to Financial Statements

June 30, 2012

Governmental Fund Types:

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

Fiduciary Fund Types:

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

(c) *Measurement Focus and Basis of Accounting*

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

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

In accordance with Governmental Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, recognition of nonexchange transactions in the financial statements is required unless the transactions are not measurable (reasonably estimable) or are not probable of collection. In this regard, the Department annually has an inventory of returns (primarily income tax and sales tax), that are in various stages of processing at year-end and through the date of issuing the financial statements (“unperfected returns”). As of June 30, 2012, unperfected returns were approximately \$5.5 billion. Potential receivables and/or refunds that may result upon perfecting the returns cannot be reasonably estimated and are not recorded. Additionally, upon perfecting the returns, cash allocations to other governmental and fiduciary funds will be required and may be material.

**STATE OF ILLINOIS
DEPARTMENT OF REVENUE**

Notes to Financial Statements

June 30, 2012

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

Significant revenue sources which are susceptible to accrual include income and replacement taxes, sales taxes, public utility taxes, motor fuel taxes, other taxes, tax penalties, and interest. The tax revenues are recorded by the State as taxpayers earn income (personal income tax, corporate income tax, and other taxes), as sales are made (sales taxes, public utility taxes, motor fuel taxes, and other taxes), or as the taxable event occurs (other taxes) net of estimated overpayments and amounts not expected to be collected.

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

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. 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 Revenue Fund, Education Assistance Fund, Motor Fuel Tax Fund, Public Utility Fund, Underground Storage Tank Fund, Illinois Gaming Law Enforcement Fund, Emergency Public Health Fund, Used Tire Management Fund, Natural Areas Acquisition Fund, Open Space Lands Acquisition and Development Fund, Common School Fund, Drycleaner Environment Response Trust Fund, Supplemental Low Income Energy Assistance Fund, Renewable Energy Resources Trust Fund, School Infrastructure Fund, International Tourism Fund, Capital Projects Fund, Build Illinois Fund, and Local Tourism Fund represent only the portion of the shared fund that can be directly attributed to the operations of the Department. Financial statements for total fund operations of the shared State funds are presented in the State of Illinois' Comprehensive Annual Financial Report. In presenting these financial statements, certain unique accounts are used for the presentation of shared funds. The following accounts are used in these financial statements to present the Department's portion of shared funds:

Unexpended Appropriations

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

**STATE OF ILLINOIS
DEPARTMENT OF REVENUE**

Notes to Financial Statements

June 30, 2012

Appropriations from State Resources

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

Lapsed Appropriations

Lapsed appropriations are the legally adopted appropriations less net warrants issued for the 14 month period from July to August of the following year and re-appropriations to subsequent years according to SAMS records. For State fiscal year 2012, the Illinois General Assembly extended the lapse period from August 31 to December 31, 2012 to allow for the liquidation of all expenditure transactions for the year.

Receipts Collected and Transmitted to State Treasury

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

Amount of SAMS Transfers-In

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

Amount of SAMS Transfers-Out

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

(e) Eliminations

Eliminations have been made in the government-wide statement of net 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 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.

(f) Cash and Cash Equivalents

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

**STATE OF ILLINOIS
DEPARTMENT OF REVENUE**

Notes to Financial Statements

June 30, 2012

(g) Inventories

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

(h) Interfund Transactions

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

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

(i) Capital and Intangible Assets

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

(j) Compensated Absences

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

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

**STATE OF ILLINOIS
DEPARTMENT OF REVENUE**

Notes to Financial Statements

June 30, 2012

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

(k) Fund Balances

Effective July 1, 2010, the Department adopted the provisions of Governmental Accounting Standards Board Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in the governmental funds. In addition, GASB 54 modified certain fund type definitions.

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

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

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

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

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

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

(l) Net Assets

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

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

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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”.

(m) 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.

(n) Reclassifications

The prior year balances within accounts comprising the Due to Other State Funds have been reclassified to conform to the current year’s presentation.

(o) Future Adoption of GASB Statements

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* will be effective for the Department beginning with its year end June 30, 2013. The objective of this statement is to provide financial reporting guidance for deferred outflows and inflows of resources and to rename the residual measure from “Net Assets” to “Net Position”.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* will be effective for the Department beginning with its year end June 30, 2014. The objective of this statement is to improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting.

The Department has not yet determined the impact on its financial statements as a result of adopting these statements.

(3) Deposits and Investments

The State Treasurer is the custodian of the Department’s deposits and investments for funds maintained in the State Treasury. These amounts are classified as “Cash equity in State Treasury”, and “Securities Lending Collateral Equity with State Treasurer” on the Statement of Net Assets and Balance Sheets. The Department independently manages deposits and investments maintained outside the State Treasury.

(a) Deposits

Deposits in the custody of the State Treasurer are pooled and invested with other State funds in accordance with the Deposit of State Moneys Act of the Illinois Compiled Statutes (15 ILCS

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520/11). Funds held by the State Treasurer have not been categorized as to credit risk because the Department does not own individual securities. Detail on the nature of these deposits and investments is available within the State of Illinois' Comprehensive Annual Financial Report.

(b) *Securities Lending Transactions*

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

During fiscal year 2012, Deutsche Bank Group lent U.S. Treasury & agency securities and received as collateral U.S. dollar denominated cash. Borrowers were required to deliver collateral for each loan equal to at least 100% of the aggregate market value of the loaned securities. Loans are marked to market daily. If the market value of collateral falls below 100%, the borrower must provide additional collateral to raise the market value to 100%.

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

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

In accordance with GASB Statement No. 28, paragraph 9, the Office of the State Treasurer has allocated the assets and obligations at June 30, 2012 arising from securities lending agreements to the various funds of the State. The total allocated to the Department was \$203,697 million at June 30, 2012 including \$132,993 allocated to agency funds administered by the Department.

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June 30, 2012

(4) Taxes Receivable

Taxes receivable (amounts expressed in thousands) at June 30, 2012 are as follows:

	General Fund	Nonmajor Governmental Funds	Fiduciary Funds
Taxes receivable:			
Income	\$ 1,078,798	\$ 110,486	\$ -
Sales	559,787	229,942	278,468
Motor Fuel Tax	-	143,928	-
Public Utility	12,319	11,524	2,110
Other	57,293	16,535	9,780
Total taxes receivable	<u>\$ 1,708,197</u>	<u>\$ 512,415</u>	<u>\$ 290,358</u>
Less: allowance for uncollectible taxes	<u>\$ 722,217</u>	<u>\$ 168,422</u>	<u>\$ 81,153</u>
Taxes receivable, net	<u>\$ 985,980</u>	<u>\$ 343,993</u>	<u>\$ 209,205</u>

(5) Loans and Notes Receivable

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

Loans receivable (amounts expressed in thousands) at June 30, 2012 are as follows:

	Nonmajor Governmental Funds
Senior Citizens Real Estate Deferred Tax	<u>\$ 39,840</u>

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Notes to Financial Statements

June 30, 2012

(6) Interfund Balances and Activity

(a) Balances Due from/to Other Funds

The following balances (amounts expressed in thousands) at June 30, 2012 represent amounts due from other Department and other State funds.

<u>Fund</u>	<u>Due from</u>		<u>Description/Purpose</u>
	<u>Other Department Funds</u>	<u>Other State Funds</u>	
General	\$ 135,897	\$ 18,455	Due from other Department funds pursuant to statutory tax allocations and for administrative cost reimbursements, and from other State funds pursuant to statutory tax allocations.
Nonmajor governmental funds	522,806	21,192	Due from other Department funds pursuant to statutory tax allocations, for administrative cost reimbursements, and from other State funds for advances of services purchased.
Fiduciary Funds	43,646	-	Due from other Department funds pursuant to statutory tax allocations.
	<u>\$ 702,349</u>	<u>\$ 39,647</u>	

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The following (amounts expressed in thousands) at June 30, 2012 represent amounts due to other Department and other State funds.

Fund	Due to				Description/Purpose
	Other Department Funds	Other State Funds	Other Department Fiduciary Funds	Other State Fiduciary Funds	
General	\$ 465,864	\$ 480,868	\$ 22,904	\$ -	- Due to other Department and other Department fiduciary funds pursuant to statutory tax allocations, and due to other State funds for administrative expenses.
Nonmajor governmental funds	192,839	4,389	20,742	841	Due to other Department and other State funds pursuant to statutory tax and fee allocations, for administrative cost reimbursements and administrative expenses, to other Department fiduciary funds pursuant to statutory tax allocations, and to other State fiduciary funds for payment of retirement benefits.
	<u>\$ 658,703</u>	<u>\$ 485,257</u>	<u>\$ 43,646</u>	<u>\$ 841</u>	

(b) Transfers from/to Other Funds

Interfund transfers in (amounts expressed in thousands) for the year ended June 30, 2012, were as follows:

Fund	Transfers in from		Description/Purpose
	Other Department Funds	Other State Funds	
General	\$ 142,207	\$ 755,188	Transfers from other Department funds and other State funds pursuant to statutory tax allocations.
Nonmajor governmental funds	291,342	500	Transfers from other Department funds and other State funds pursuant to statutory tax allocations.
	<u>\$ 433,549</u>	<u>\$ 755,688</u>	

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Interfund transfers out (amounts expressed in thousands) for the year ended June 30, 2012, were as follows:

Fund	<u>Transfers out to</u>		Description/Purpose
	Other Department Funds	Other State Funds	
General	\$ 253,542	\$ 349,740	Transfers to other Department funds and other State funds pursuant to statutory tax allocations.
Nonmajor governmental funds	180,007	1	Transfers to other Department funds pursuant to statutory tax allocations.
	<u>\$ 433,549</u>	<u>\$ 349,741</u>	

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

The Illinois Housing Development Authority owes the Department's nonmajor governmental funds \$323,207 thousand at June 30, 2012 for advances on loan programs. The General Fund owes \$53 thousand at June 30, 2012 to State of Illinois Component Units for reimbursements for expenses incurred.

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Notes to Financial Statements

June 30, 2012

(7) Capital Assets

Capital asset activity (amounts expressed in thousands) for the year ended June 30, 2012 was as follows:

	Balance July 1, 2011	Additions	Deletions	Net Transfers	Balance June 30, 2012
Governmental activities:					
Capital assets being depreciated/amortized:					
Equipment	\$ 5,505	\$ 85	\$ (12)	\$ (541)	\$ 5,037
Internally generated computer software	10,899	-	-	-	10,899
	<u>16,404</u>	<u>85</u>	<u>(12)</u>	<u>(541)</u>	<u>15,936</u>
Less accumulated depreciation/amortization:					
Equipment	4,584	301	(12)	(536)	4,337
Internally generated computer software	1,601	1,090	-	-	2,691
	<u>6,185</u>	<u>1,391</u>	<u>(12)</u>	<u>(536)</u>	<u>7,028</u>
Governmental activity capital assets, net	<u>\$ 10,219</u>	<u>\$ (1,306)</u>	<u>\$ -</u>	<u>\$ (5)</u>	<u>\$ 8,908</u>

Depreciation/amortization expense for governmental activities (amounts expressed in thousands) for the year ended June 30, 2012 was charged to functions as follows:

General government	<u>\$ 1,391</u>
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DEPARTMENT OF REVENUE**

Notes to Financial Statements

June 30, 2012

(8) Long-Term Obligations

Changes in long-term obligations (amounts expressed in thousands) for the year ended June 30, 2012 were as follows:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012	Amounts Due Within One Year
Governmental activities:					
Compensated Absences	\$ 15,952	\$ 9,432	\$ 12,055	\$ 13,329	\$ 1,000
Total governmental activities	\$ 15,952	\$ 9,432	\$ 12,055	\$ 13,329	\$ 1,000

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

(9) Pension Plan

Substantially all of the Department's full-time employees who are not eligible for participation in another state-sponsored retirement plan participate in the State Employees' Retirement System (SERS), which is a pension trust fund in the State of Illinois reporting entity. The SERS is a single-employer defined benefit public employee retirement system (PERS) in which State employees participate, except those covered by the State Universities, Teachers', General Assembly, and Judges' Retirement Systems. The financial position and results of operations of the SERS are included in the State of Illinois' Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2012. 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 a statutorily determined percentage of their payrolls. For fiscal year 2012, the employer contribution rate was 34.19%.

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June 30, 2012

(10) Post-employment Benefits

The State provides health, dental, vision, and life insurance benefits for retirees and their dependents in a program administered by the Department of Healthcare and Family Services along with the Department of Central Management Services. Substantially all State employees become eligible for post-employment benefits if they eventually become annuitants of one of the State sponsored pension plans. Health, dental, and vision benefits include basic benefits for annuitants and dependents under the State's self-insurance plan and insurance contracts currently in force. Annuitants may be required to contribute towards health, dental, and vision benefits with the amount based on factors such as date of retirement, years of credited service with the State, whether the annuitant is covered by Medicare, and whether the annuitant has chosen a managed health care plan. Annuitants who retired prior to January 1, 1998, and who are vested in the State Employee's Retirement System do not contribute towards health, dental, and vision benefits. For annuitants who retired on or after January 1, 1998, the annuitant's contribution amount is reduced five percent for each year of credited service with the State allowing those annuitants with twenty or more years of credited service to not have to contribute towards health, dental, and vision benefits. Annuitants also receive life insurance coverage equal to the annual salary of the last day of employment until age 60, at which time the benefit becomes \$5,000.

The total cost of the State's portion of health, dental, vision, and life insurance benefits of all members, including post-employment health, dental, vision, and life insurance benefits, is recognized as an expense by the State in the Illinois Comprehensive Annual Financial Report. The State finances the costs on a pay-as-you-go basis. The total costs incurred for health, dental, vision, and life insurance benefits are not separated by department or component unit for annuitants and their dependents nor active employees and their dependents.

A summary of post-employment 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 financial statements of the Department of Healthcare and Family Services. A copy of the financial statements of the Department of Healthcare and Family Services may be obtained by writing to the Department of Healthcare and Family Services, 201 South Grand Ave., Springfield, Illinois, 62763-3838.

**STATE OF ILLINOIS
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Notes to Financial Statements

June 30, 2012

(11) Fund Balance

(a) Fund Balances

At June 30, 2012, the Department's fund balance restrictions were for the following purposes (amounts expressed in thousands):

	General Fund	Nonmajor Special Revenue Funds	Total
Nonspendable purpose:			
Inventory	\$ 379	\$ -	\$ 379
Restricted purpose:			
General Government	\$ -	\$ 16,598	\$ 16,598
Committed purpose:			
General Government	\$ 35,203	\$ 114,422	\$ 149,625
Intergovernmental	-	3,163	3,163
Health and Social Services	-	426,267	426,267
Employment and Economic Development	-	3,267	3,267
Environment and Business Regulation	845	11,365	12,210
Education	65,438	703	66,141
Capital Outlay	-	37,770	37,770
Total Committed	\$ 101,486	\$ 596,957	\$ 698,443
Total Unassigned	\$ (1,682,005)	\$ (287,850)	\$ (1,969,855)
Total fund balances	\$ (1,580,140)	\$ 325,705	\$ (1,254,435)

(b) Fund Deficits

The General Fund (\$1.580 billion) and the following nonmajor governmental funds had fund deficits at June 30, 2012 as noted: Illinois Gaming Law Enforcement (\$402 thousand), Public Utility (\$109 thousand), Local Government Tax (\$3.213 million), Illinois Tax Increment (\$1.437 million), and Personal Property Tax Replacement (\$282.689 million). The fund deficit in the General Fund will be eliminated through the collection and allocation of future State revenues to the Department. The fund deficit in the Local Government Tax fund will be eliminated by future recognition of earned but unavailable revenues. The fund deficit of the Illinois Gaming Law Enforcement, Public Utility, Illinois Tax Increment, and the Personal Property Tax Replacement funds will be eliminated through future revenues earned.

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Notes to Financial Statements

June 30, 2012

(12) Risk Management

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

The Department's risk management activities are financed through appropriations to the Illinois Department of Central Management Services and are accounted for in the general fund of the State. The claims are not considered to be a liability of the Department; and accordingly, have not been reported in the Department's financial statements for the year ended June 30, 2012.

(13) Commitments and Contingencies

(a) Operating leases

The Department leases certain office space under annual agreements which require the Department to make monthly lease payments. Rent expense under operating leases was \$2.1 million for the year ended June 30, 2012.

(b) Litigation

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

(14) Restatement

The Department's financial statements have been restated as of July 1, 2011. Amounts due to other State funds in the General Fund were reduced, amounts expressed in thousands, by \$69,901 resulting in the net assets on the Statement of Activities and the fund deficit in the General Fund being restated from (\$1,280,609) to (\$1,210,708) and (\$1,640,588) to (\$1,570,687) respectively.

Additionally, effective July 1, 2011, the Lottery Fund, Deferred Prize Winner's Trust Fund and Lottery Agent Security Deposit Fund, which had previously been included in the Department's proprietary, fiduciary and agency fund financial statements, are now reported in the Department of the Lottery's financial statements.

State of Illinois
Department of Revenue

Combining Schedule of Accounts
General Fund

June 30, 2012 (Expressed in Thousands)

	General Revenue Account 0001	Common School Special 0005	Education Assistance 0007	Illinois Sports Facility 0225	Income Tax Refund 0278	Common School 0412	Predatory Lending Database Program 0478	Municipal Economic Development 0650	Capital Projects 0694	Eliminations	Total
ASSETS											
Unexpended appropriation	\$ 14,798	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,798
Cash equity in State Treasury	297,891	20,997	9,469	4,761	61,490	5,981	745	67	7	-	401,408
Securities lending collateral equity with State Treasurer	-	-	-	-	-	-	-	30	-	-	30
Taxes receivable, net	738,164	104,373	40,866	4,763	79,225	1,346	-	-	17,243	-	985,980
Intergovernmental receivables	-	-	-	-	220	-	-	-	-	-	220
Due from other Department funds	409	-	-	-	135,488	-	-	-	-	-	136,897
Due from other State funds	-	-	-	-	-	-	100	303	18,052	-	18,455
Inventories	379	-	-	-	-	-	-	-	-	-	379
Total assets	\$ 1,051,641	\$ 125,370	\$ 50,335	\$ 9,524	\$ 276,423	\$ 7,327	\$ 845	\$ 400	\$ 35,302	\$ -	\$ 1,557,167
LIABILITIES											
Accounts payable and accrued liabilities	\$ 241,778	\$ 68,518	\$ -	\$ -	\$ -	\$ 2,337	\$ -	\$ 276	\$ -	\$ -	\$ 312,909
Income tax refunds payable	-	-	-	-	1,274,549	-	-	-	-	-	1,274,549
Intergovernmental payables	712	-	-	9,524	-	-	-	94	-	-	10,330
Obligations under securities lending of State Treasurer	-	-	-	-	-	-	-	30	-	-	30
Due to other Department fiduciary funds	22,904	-	-	-	-	-	-	-	-	-	22,904
Due to other Department funds	465,864	-	-	-	-	-	-	-	-	-	465,864
Due to other State funds	480,868	-	-	-	-	-	-	-	-	-	480,868
Due to State of Illinois Component Units	53	-	-	-	-	-	-	-	-	-	53
Unavailable revenue	84,827	10,204	5,378	-	12,158	50	-	-	99	-	112,516
Unearned revenue	332,291	-	26,167	-	98,826	-	-	-	-	-	457,284
Total liabilities	1,629,097	78,722	31,545	9,524	1,385,533	2,387	-	400	99	-	3,137,307
FUND BALANCES (DEFICITS)											
Nonspendable - Inventory	379	-	-	-	-	-	-	-	-	-	379
Committed	-	46,848	18,790	-	-	-	845	-	35,203	-	101,486
Unassigned	(577,835)	-	-	-	(1,109,110)	4,940	-	-	-	-	(1,682,005)
Total fund balances (deficits)	(577,456)	46,848	18,790	-	(1,109,110)	4,940	845	-	35,203	-	(1,580,140)
Total liabilities and fund balances (deficits)	\$ 1,051,641	\$ 125,370	\$ 50,335	\$ 9,524	\$ 276,423	\$ 7,327	\$ 845	\$ 400	\$ 35,302	\$ -	\$ 1,557,167

Department of Revenue

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

For the Year Ended June 30, 2012 (Expressed in Thousands)

	General Revenue Account 0001	Common School Special 0005	Education Assistance 0007	Illinois Sports Facility 0225	Income Tax Refund 0278	Common School 0412	Predatory Lending Database Program 0478	Municipal Economic Development 0650	Capital Projects 0694	Eliminations	Total
REVENUES											
Income taxes	\$ 15,562,017	\$ -	\$ 1,319,922	\$ -	\$ 493,082	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,375,021
Sales taxes	5,062,078	1,799,336	-	-	-	-	-	52,637	-	-	6,914,051
Public utility taxes	892,116	-	-	-	-	92,377	-	66	-	-	984,559
Other taxes	456,466	-	-	-	-	118,441	-	-	111,798	-	686,705
Licenses and fees	6,176	-	-	-	-	223	-	-	-	-	6,399
Other	5,380	-	-	-	-	-	-	-	-	-	5,380
Total revenues	21,984,233	1,799,336	1,319,922	-	493,082	211,041	-	66	164,435	-	25,972,115
EXPENDITURES											
General government	72,242	-	-	-	(20,777)	-	105	369	-	-	51,939
Employment and economic development	-	-	-	(75)	-	-	-	-	-	-	(75)
Capital outlay	85	-	-	-	-	-	-	-	-	-	85
Total expenditures	72,327	-	-	(75)	(20,777)	-	105	369	-	-	51,949
Excess (deficiency) of revenues over (under) expenditures	21,911,906	1,799,336	1,319,922	75	513,859	211,041	(105)	(303)	164,435	-	25,920,166
OTHER SOURCES (USES) OF FINANCIAL RESOURCES											
Appropriations from State resources	125,710	-	-	-	-	-	-	-	-	-	125,710
Lapsed appropriations	(2,372)	-	-	-	-	-	-	-	-	-	(2,372)
Receipts collected and transmitted to State Treasury	(23,567,400)	-	(1,317,438)	-	-	(208,045)	-	(232,650)	-	-	(25,325,533)
Amount of SAMS transfers-in	(2,555)	-	-	-	-	(2,523,352)	-	(140,557)	-	-	(2,666,464)
Amount of SAMS transfers-out	1,644,927	-	-	-	-	-	-	-	-	-	1,644,927
Transfers-in	1,719	-	-	5,000	135,488	2,523,352	-	303	115,010	(1,883,477)	897,395
Transfers-out	(343,360)	(1,883,477)	-	(5,075)	(254,847)	-	-	-	-	1,883,477	(603,282)
Net other sources (uses) of financial resources	(22,143,331)	(1,883,477)	(1,317,438)	(75)	(119,359)	(208,045)	-	303	(258,197)	-	(25,929,619)
Net change in fund balances	(231,425)	(84,141)	2,484	-	394,500	2,996	(105)	-	(93,762)	-	(9,453)
Fund balances (deficits), July 1, 2011, as restated	(346,031)	130,789	16,306	-	(1,503,610)	1,944	950	-	128,965	-	(1,570,687)
FUND BALANCES (DEFICITS), JUNE 30, 2012	\$ (577,456)	\$ 46,648	\$ 18,790	\$ -	\$(1,109,110)	\$ 4,940	\$ 845	\$ -	\$ 35,203	\$ -	\$ (1,580,140)

State of Illinois
Department of Revenue

Combining Balance Sheet -
Nonmajor Governmental Funds

June 30, 2012 (Expressed In Thousands)

Special Revenue

	Motor Fuel Tax 0012	Public Utility 0059	Underground Storage Tank 0072	Illinois Gaming Law Enforcement 0085	IDOR Federal Trust 0140	Rental Housing Support Program 0150	State & Local Sales Tax Reform 0186	RTA Occupation and Use Tax Replacement 0187
ASSETS								
Unexpended appropriations	\$ 9,230	\$ -	\$ 112	\$ 49	\$ -	\$ -	\$ -	\$ -
Cash and cash equivalents	509	-	42	28	312	10,405	57,372	-
Securities lending collateral equity with State Treasurer	-	-	-	-	-	-	-	-
Taxes receivable, net	103,304	2	5,944	512	-	-	18,554	-
Intergovernmental receivables	-	-	-	-	-	-	-	-
Other receivables, net	-	-	-	-	-	-	-	-
Due from other Department funds	-	-	-	-	-	-	-	7,172
Due from other State funds	-	-	-	-	-	5,857	-	-
Loans and notes receivable, long-term	-	-	-	-	-	-	-	-
Due from State of Illinois component units	-	-	-	-	-	-	-	-
Total assets	\$ 113,043	\$ 2	\$ 6,098	\$ 589	\$ 312	\$ 16,262	\$ 75,926	\$ 7,172
LIABILITIES								
Accounts payable and accrued liabilities	\$ 9,279	\$ 109	\$ 79	\$ 56	\$ 15	\$ -	\$ -	\$ -
Intergovernmental payables	154	-	371	916	-	-	14,343	7,172
Obligations under securities lending of State Treasurer	-	-	-	-	-	-	-	-
Due to other Department fiduciary funds	-	-	-	-	-	-	-	-
Due to other State fiduciary funds	495	-	28	15	-	-	-	-
Due to other Department funds	-	-	-	-	-	-	56,942	-
Due to other State funds	3,900	-	-	-	-	-	430	-
Unavailable revenue	764	2	1	4	-	-	4,211	-
Unearned revenue	128	-	-	-	-	-	-	-
Total liabilities	14,720	111	479	991	15	-	75,926	7,172
FUND BALANCES (DEFICITS)								
Restricted	-	-	-	-	297	16,262	-	-
Committed	98,323	-	5,619	-	-	-	-	-
Unassigned	-	(109)	-	(402)	-	-	-	-
Total fund balances (deficits)	98,323	(109)	5,619	(402)	297	16,262	-	-
Total liabilities and fund balances (deficits)	\$ 113,043	\$ 2	\$ 6,098	\$ 589	\$ 312	\$ 16,262	\$ 75,926	\$ 7,172

(Continued)

State of Illinois
 Department of Revenue
 Combining Balance Sheet -
 Nonmajor Governmental Funds
 June 30, 2012 (Expressed in Thousands)

Special Revenue

	County & Mass Transit 0188	Local Govt Tax 0189	Emergency Public Health 0240	Debt Collection 0279	Illinois Tax Increment 0281	Illinois Affordable Housing Trust 0286	Used Tire Management 0294	Natural Areas Acquisition 0298
ASSETS								
Unexpended appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash and cash equivalents	61,427	272,079	-	32	3,411	41,931	-	44
Securities lending collateral equity with State Treasurer	-	-	-	-	1,011	18,656	-	-
Taxes receivable, net	19,379	88,939	-	-	1,197	-	-	-
Intergovernmental receivables	-	-	-	-	-	-	-	-
Other receivables, net	-	-	697	-	1	13	2,667	-
Due from other Department funds	-	-	-	-	-	-	-	-
Due from other State funds	-	-	-	7	-	9,023	-	-
Loans and notes receivable, long-term	-	-	-	-	-	-	-	-
Due from State of Illinois component units	-	-	-	-	-	323,207	-	-
Total assets	\$ 80,806	\$ 361,018	\$ 697	\$ 39	\$ 5,620	\$ 392,830	\$ 2,667	\$ 44
LIABILITIES								
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ 804	\$ 5	\$ -	\$ 1
Intergovernmental payables	55,658	359,129	-	-	5,116	323	-	-
Obligations under securities lending of State Treasurer	-	-	-	-	1,011	18,656	-	-
Due to other Department fiduciary funds	20,742	-	-	-	-	-	-	-
Due to other State fiduciary funds	-	-	-	-	9	-	-	-
Due to other Department funds	-	-	-	-	-	-	409	-
Due to other State funds	-	-	-	-	-	-	-	-
Unavailable revenue	1,243	5,102	14	-	117	-	60	-
Unearned revenue	-	-	-	-	-	-	-	-
Total liabilities	77,643	364,231	14	-	7,057	18,984	469	1
FUND BALANCES (DEFICITS)								
Restricted	-	-	-	39	-	-	-	-
Committed	3,163	-	683	-	-	373,846	2,198	43
Unassigned	-	(3,213)	-	-	(1,437)	-	-	-
Total fund balances (deficits)	3,163	(3,213)	683	39	(1,437)	373,846	2,198	43
Total liabilities and fund balances (deficits)	\$ 80,806	\$ 361,018	\$ 697	\$ 39	\$ 5,620	\$ 392,830	\$ 2,667	\$ 44

(Continued)

State of Illinois
 Department of Revenue
 Combining Balance Sheet -
 Nonmajor Governmental Funds
 June 30, 2012 (Expressed In Thousands)

Special Revenue

	Open Space Lands Acquisition & Development 0299	Tax Compliance and Administration 0384	Local Government Distributive 0515	Drycleaner Environmental Response 0548	Supplemental Low Income Energy Assistance 0550	Renewable Energy Resource 0564	School Infrastructure 0568
ASSETS							
Unexpended appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash and cash equivalents	102	11,435	14	-	-	-	2,289
Securities lending collateral equity with State Treasurer	-	-	-	-	-	-	-
Taxes receivable, net	-	557	-	114	7,482	-	636
Intergovernmental receivables	-	-	-	-	-	-	-
Other receivables, net	-	-	-	-	-	467	-
Due from other Department funds	-	-	506,184	-	-	-	-
Due from other State funds	-	4,250	-	-	-	-	-
Loans and notes receivable, long-term	-	-	-	-	-	-	-
Due from State of Illinois component units	-	-	-	-	-	-	-
Total assets	\$ 102	\$ 16,242	\$ 506,198	\$ 114	\$ 7,482	\$ 467	\$ 2,925
LIABILITIES							
Accounts payable and accrued liabilities	\$ 3	\$ 89	\$ -	\$ -	\$ 5	\$ -	\$ 2,178
Intergovernmental payables	-	-	506,198	-	-	-	-
Obligations under securities lending of State Treasurer	-	-	-	-	-	-	-
Due to other Department fiduciary funds	-	-	-	-	-	-	-
Due to other State fiduciary funds	-	-	-	-	-	-	-
Due to other Department funds	-	-	-	-	-	-	-
Due to other State funds	-	-	-	-	-	-	-
Unavailable revenue	-	54	-	4	-	-	44
Unearned revenue	-	-	-	-	-	-	-
Total liabilities	3	143	506,198	4	5	-	2,222
FUND BALANCES (DEFICITS)							
Restricted	-	-	-	-	-	-	-
Committed	99	16,099	-	110	7,477	467	703
Unassigned	-	-	-	-	-	-	-
Total fund balances (deficits)	99	16,099	-	110	7,477	467	703
Total liabilities and fund balances (deficits)	\$ 102	\$ 16,242	\$ 506,198	\$ 114	\$ 7,482	\$ 467	\$ 2,925

(Continued)

State of Illinois
 Department of Revenue
 Combining Balance Sheet -
 Nonmajor Governmental Funds
 June 30, 2012 (Expressed in Thousands)

	Special Revenue								Total
	International Tourism 0621	Personal Property Tax Replacement 0802	Dram Shop 0821	Foreclosure Prevention 0891	Senior Citizen Real Estate Deferred Tax 0930	Build Illinois 0960	Local Tourism 0969	Evidence Fund 1369	
ASSETS									
Unexpended appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,391
Cash and cash equivalents	296	272,895	3,145	2,951	455	10,966	957	4	753,101
Securities lending collateral equity with State Treasurer	-	51,007	-	-	-	-	-	-	70,674
Taxes receivable, net	507	58,625	-	-	-	36,645	1,596	-	343,993
Intergovernmental receivables	-	-	-	141	-	-	-	-	141
Other receivables, net	-	36	-	-	10,376	-	-	-	14,257
Due from other Department funds	-	-	-	-	-	9,450	-	-	522,806
Due from other State funds	-	-	-	-	2,055	-	-	-	21,192
Loans and notes receivable, long-term	-	-	-	-	39,840	-	-	-	39,840
Due from State of Illinois component units	-	-	-	-	-	-	-	-	323,207
Total assets	\$ 803	\$ 382,563	\$ 3,145	\$ 3,092	\$ 52,726	\$ 57,061	\$ 2,553	\$ 4	\$ 2,098,602
LIABILITIES									
Accounts payable and accrued liabilities	\$ 11	\$ 29,458	\$ 251	\$ 1,130	\$ -	\$ 16,851	\$ 37	\$ -	\$ 60,361
Intergovernmental payables	-	289,628	11	-	51	-	-	-	1,239,070
Obligations under securities lending of State Treasurer	-	51,007	-	-	-	-	-	-	70,674
Due to other Department fiduciary funds	-	-	-	-	-	-	-	-	20,742
Due to other State fiduciary funds	-	249	45	-	-	-	-	-	841
Due to other Department funds	-	135,488	-	-	-	-	-	-	192,839
Due to other State funds	-	46	13	-	-	-	-	-	4,389
Unavailable revenue	21	14,265	-	-	10,376	2,440	20	-	38,742
Unearned revenue	-	145,111	-	-	-	-	-	-	145,239
Total liabilities	32	665,252	320	1,130	10,427	19,291	57	-	1,772,897
FUND BALANCES (DEFICITS)									
Restricted	-	-	-	-	-	-	-	-	16,598
Committed	771	-	2,825	1,962	42,299	37,770	2,496	4	596,957
Unassigned	-	(282,689)	-	-	-	-	-	-	(287,850)
Total fund balances (deficits)	771	(282,689)	2,825	1,962	42,299	37,770	2,496	4	325,705
Total liabilities and fund balances (deficits)	\$ 803	\$ 382,563	\$ 3,145	\$ 3,092	\$ 52,726	\$ 57,061	\$ 2,553	\$ 4	\$ 2,098,602

(Concluded)

State of Illinois
Department of Revenue

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

For the Year Ended June 30, 2012 (Expressed in Thousands)

	Special Revenue							
	Motor Fuel Tax 0012	Public Utility 0059	Underground Storage Tank 0072	Illinois Gaming Law Enforcement 0085	IDOR Federal Trust 0140	Rental Housing Support Program 0150	State & Local Sales Tax Reform 0186	RTA Occupation and Use Tax Replacement 0187
REVENUES								
Federal operating grants	\$ 52	\$ -	\$ -	\$ -	\$ 15	\$ -	\$ -	\$ -
Income taxes	-	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	93,333	27,391
Motor fuel taxes	1,205,497	-	69,547	-	-	-	-	-
Public utility taxes, Net	-	5,001	-	-	-	-	-	-
Other taxes	1	-	-	2,429	-	18,578	-	-
License and fees	771	1,677	-	285	-	-	-	-
Other charges for services	-	-	-	-	-	-	-	-
Interest and other investment income	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	1	-
Total revenues	1,206,321	6,678	69,547	2,714	15	18,578	93,334	27,391
EXPENDITURES								
General government	46,365	-	1,565	-	88	14,038	-	-
Health and social services	-	-	-	-	-	-	-	-
Environment and business regulation	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	1,636	-	-	53,181	27,391
Total expenditures	46,365	-	1,565	1,636	88	14,038	53,181	27,391
Excess (deficiency) of revenues over (under) expenditures	1,159,956	6,678	67,982	1,078	(73)	4,540	40,153	-
OTHER SOURCES (USES) OF FINANCIAL RESOURCES								
Appropriations from State resources	82,872	-	1,598	2,302	-	-	-	-
Lapsed appropriations	(15,689)	-	(32)	(600)	-	-	-	-
Receipts collected and transmitted to State Treasury	(1,221,518)	(12,180)	(69,539)	(2,741)	-	-	-	-
Amount of SAMS transfers-in	-	-	-	-	-	-	-	-
Amount of SAMS transfers-out	-	-	-	-	-	-	-	-
Transfer of administration of fund from other State agency	-	-	-	-	-	-	-	-
Transfers-in	-	-	-	-	-	-	-	-
Transfers-out	-	-	-	-	-	(1)	(37,800)	-
Net other sources (uses) of financial resources	(1,154,335)	(12,180)	(67,973)	(1,039)	-	(1)	(37,800)	-
Net change in fund balances	5,621	(5,502)	9	39	(73)	4,539	2,353	-
Fund balances (deficits), July 1, 2011	92,702	5,393	5,610	(441)	370	11,723	(2,353)	-
FUND BALANCES (DEFICITS), JUNE 30, 2012	\$ 98,323	\$ (109)	\$ 5,619	\$ (402)	\$ 297	\$ 16,262	\$ -	\$ -

(Continued)

State of Illinois
Department of Revenue

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

For the Year Ended June 30, 2012 (Expressed In Thousands)

Special Revenue

	County & Mass Transit 0188	Local Govt Tax 0189	Emergency Public Health 0240	Debt Collection 0279	Illinois Tax Increment 0281	Illinois Affordable Housing Trust 0286	Used Tire Management 0294	Natural Areas Acquisition 0298
REVENUES								
Federal operating grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Income taxes	-	-	-	-	-	-	-	-
Sales taxes	330,688	1,646,281	-	-	20,696	-	-	-
Motor fuel taxes	-	-	-	-	-	-	-	-
Public utility taxes, Net	-	-	-	-	-	-	-	-
Other taxes	-	-	-	-	-	20,434	-	6,130
License and fees	-	-	3,378	-	-	20	12,906	-
Other charges for services	-	-	-	-	-	-	-	-
Interest and other investment income	-	-	-	-	-	2,239	-	-
Other	-	-	-	-	-	7,014	-	-
Total revenues	330,688	1,646,281	3,378	-	20,696	29,707	12,906	6,130
EXPENDITURES								
General government	-	-	-	1	-	22,691	-	-
Health and social services	-	-	-	-	-	60	-	-
Environment and business regulation	-	-	-	-	-	-	-	-
Intergovernmental	327,525	1,644,137	-	-	20,854	-	-	-
Total expenditures	327,525	1,644,137	-	1	20,854	22,751	-	-
Excess (deficiency) of revenues over (under) expenditures	3,163	2,144	3,378	(1)	(158)	6,956	12,906	6,130
OTHER SOURCES (USES) OF FINANCIAL RESOURCES								
Appropriations from State resources	-	-	-	-	-	-	-	-
Lapsed appropriations	-	-	-	-	-	-	-	-
Receipts collected and transmitted to State Treasury	-	-	(3,429)	-	-	-	(13,088)	(6,297)
Amount of SAMS transfers-in	-	-	-	-	-	-	-	-
Amount of SAMS transfers-out	-	-	-	-	-	-	1,710	-
Transfer of administration of fund from other State agency	-	-	-	-	-	-	-	-
Transfers-in	-	-	-	-	-	-	-	-
Transfers-out	-	-	-	-	-	-	(1,719)	-
Net other sources (uses) of financial resources	-	-	(3,429)	-	-	-	(13,097)	(6,297)
Net change in fund balances	3,163	2,144	(51)	(1)	(158)	6,956	(191)	(167)
Fund balances (deficits), July 1, 2011	-	(5,357)	734	40	(1,279)	366,890	2,389	210
FUND BALANCES (DEFICITS), JUNE 30, 2012	\$ 3,163	\$ (3,213)	\$ 683	\$ 39	\$ (1,437)	\$ 373,846	\$ 2,198	\$ 43

(Continued)

State of Illinois
Department of Revenue

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

For the Year Ended June 30, 2012 (Expressed in Thousands)

Special Revenue

	Open Space Lands Acquisition & Development 0299	Tax Compliance and Administration 0384	Local Government Distributive 0515	Drycleaner Environmental Response 0548	Supplemental Low Income Energy Assistance 0550	Renewable Energy Resource 0564	School Infrastructure 0568
REVENUES							
Federal operating grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Income taxes	-	(14)	1,199,453	-	-	-	-
Sales taxes	-	1,315	152,290	-	-	-	-
Motor fuel taxes	-	(3)	-	-	-	-	-
Public utility taxes, Net	-	1,497	-	-	99,043	-	79,216
Other taxes	14,303	95	-	535	-	-	60,000
License and fees	-	1,023	-	1,780	-	5,685	-
Other charges for services	-	-	-	-	-	-	-
Interest and other investment income	-	-	-	-	-	-	-
Other	-	222	-	-	-	-	-
Total revenues	14,303	4,135	1,351,743	2,315	99,043	5,685	139,216
EXPENDITURES							
General government	-	3,644	-	-	5	-	-
Health and social services	-	-	-	-	-	-	-
Environment and business regulation	-	-	-	-	-	-	-
Intergovernmental	-	-	1,346,743	-	-	-	-
Total expenditures	-	3,644	1,346,743	-	5	-	-
Excess (deficiency) of revenues over (under) expenditures	14,303	491	5,000	2,315	99,038	5,685	139,216
OTHER SOURCES (USES) OF FINANCIAL RESOURCES							
Appropriations from State resources	-	-	-	-	-	-	-
Lapsed appropriations	-	-	-	-	-	-	-
Receipts collected and transmitted to State Treasury	(14,693)	-	-	(2,332)	(96,305)	(5,514)	(137,307)
Amount of SAMS transfers-in	-	-	-	-	-	-	-
Amount of SAMS transfers-out	-	-	-	-	-	-	-
Transfer of administration of fund from other State agency	-	-	-	-	-	-	-
Transfers-in	-	-	-	-	-	-	-
Transfers-out	-	-	(5,000)	-	-	-	-
Net other sources (uses) of financial resources	(14,693)	-	(5,000)	(2,332)	(96,305)	(5,514)	(137,307)
Net change in fund balances	(390)	491	-	(17)	2,733	171	1,909
Fund balances (deficits), July 1, 2011	489	15,608	-	127	4,744	296	(1,206)
FUND BALANCES (DEFICITS), JUNE 30, 2012	\$ 99	\$ 16,099	\$ -	\$ 110	\$ 7,477	\$ 467	\$ 703

(Continued)

State of Illinois
Department of Revenue

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

For the Year Ended June 30, 2012 (Expressed in Thousands)

Special Revenue

	International Tourism 0621	Personal Property Tax Replacement 0802	Dram Shop 0821	Foreclosure Prevention 0891	Senior Citizen Real Estate Deferred Tax 0930	Build Illinois 0960	Local Tourism 0969	Evidence Fund 1369	Total
REVENUES									
Federal operating grants	\$ -	\$ -	\$ 303	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 370
Income taxes	-	1,018,400	-	-	-	-	-	-	2,217,839
Sales taxes	-	-	-	-	-	422,333	-	-	2,694,327
Motor fuel taxes	-	-	-	-	-	-	-	-	1,275,041
Public utility taxes, Net	-	231,652	-	-	-	-	-	-	416,409
Other taxes	3,596	-	-	-	-	108,189	13,205	-	247,495
License and fees	-	-	6,456	3,938	-	-	-	-	37,919
Other charges for services	-	-	-	76	-	-	-	-	76
Interest and other investment income	-	350	-	-	2,167	-	-	-	4,756
Other	-	-	23	-	-	-	-	4	7,264
Total revenues	3,596	1,250,402	6,782	4,014	2,167	530,522	13,205	4	6,901,496
EXPENDITURES									
General government	-	29,458	162	4,820	-	-	-	3	122,840
Health and social services	-	-	-	-	-	-	-	-	60
Environment and business regulation	-	-	6,914	-	-	-	-	-	6,914
Intergovernmental	-	1,236,002	-	-	-	-	-	-	4,657,469
Total expenditures	-	1,265,460	7,076	4,820	-	-	-	3	4,787,283
Excess (deficiency) of revenues over (under) expenditures	3,596	(15,058)	(294)	(806)	2,167	530,522	13,205	1	2,114,213
OTHER SOURCES (USES) OF FINANCIAL RESOURCES									
Appropriations from State resources	-	-	-	-	-	-	-	-	86,772
Lapsed appropriations	-	-	-	-	-	-	-	-	(16,321)
Receipts collected and transmitted to State Treasury	(4,602)	-	-	-	-	(534,844)	(13,868)	-	(2,138,257)
Amount of SAMS transfers-in	-	-	-	-	-	(37,800)	-	-	(37,800)
Amount of SAMS transfers-out	-	-	-	-	-	-	-	-	1,710
Transfer of administration of fund from other State agency	-	-	-	2,768	-	-	-	-	2,768
Transfers-in	-	253,542	-	-	500	37,800	-	-	291,842
Transfers-out	-	(135,488)	-	-	-	-	-	-	(180,008)
Net other sources (uses) of financial resources	(4,602)	118,054	-	2,768	500	(534,844)	(13,868)	-	(1,989,294)
Net change in fund balances	(1,006)	102,996	(294)	1,962	2,667	(4,322)	(663)	1	124,919
Fund balances (deficits), July 1, 2011	1,777	(385,685)	3,119	-	39,632	42,092	3,159	3	200,786
FUND BALANCES (DEFICITS), JUNE 30, 2012	\$ 771	\$ (282,689)	\$ 2,825	\$ 1,962	\$ 42,299	\$ 37,770	\$ 2,496	\$ 4	\$ 325,705

(Concluded)

State of Illinois
Department of Revenue

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

June 30, 2012 (Expressed in Thousands)

126

	Agency					
	County Water Commission Tax 0084	Non-Home Rule Municipal ROT 0088	Home Rule Municipal Soft Drink ROT 0097	Home Rule Municipal ROT 0138	Home Rule County ROT 0139	Business District Retailers' Occupation Tax 0160
ASSETS						
Cash equity in State Treasury	\$ 6,934	\$ 20,287	\$ 1,823	\$ 95,813	\$ 23,371	\$ 1,760
Cash and cash equivalents	-	-	-	-	-	-
Securities lending collateral equity with State Treasurer	2,532	7,271	-	25,208	46,176	-
Taxes receivable, net	1,342	6,096	981	67,186	30,680	775
Other receivables, net	2	5	-	18	32	-
Due from other Department funds	-	-	-	-	-	-
Total assets	\$ 10,810	\$ 33,659	\$ 2,804	\$ 188,225	\$ 100,259	\$ 2,535
LIABILITIES						
Accounts payable and accrued liabilities	-	-	-	1,222	-	-
Intergovernmental payables	8,278	26,388	2,804	161,795	54,083	2,535
Obligations under securities lending of State Treasurer	2,532	7,271	-	25,208	46,176	-
Other liabilities	-	-	-	-	-	-
Total liabilities	\$ 10,810	\$ 33,659	\$ 2,804	\$ 188,225	\$ 100,259	\$ 2,535

(Continued)

State of Illinois
Department of Revenue

Combining Statement of Fiduciary Net Assets -
Agency Funds

June 30, 2012 (Expressed in Thousands)

127

	Agency					
	County Option Motor Fuel Tax 0190	County Public Safety ROT 0219	Sports Facility Tax Trust 0229	Metropolitan Pier & Expo. Auth. Trust 0337	Illinois Tourism Tax 0452	School Facility Occupation Tax 0498
ASSETS						
Cash equity in State Treasury	\$ 6,440	\$ 14,705	\$ -	\$ 41,362	\$ 3,701	\$ 8,079
Cash and cash equivalents	-	-	-	-	-	-
Securities lending collateral equity with State Treasurer	2,189	-	-	13,846	-	-
Taxes receivable, net	2,762	3,722	2,156	12,643	2,104	1,465
Other receivables, net	2	-	-	10	-	-
Due from other Department funds	-	-	-	-	1,529	-
Total assets	\$ 11,393	\$ 18,427	\$ 2,156	\$ 67,861	\$ 7,334	\$ 9,544
LIABILITIES						
Accounts payable and accrued liabilities	\$ 24	\$ -	\$ 103	\$ 120	\$ 52	\$ -
Intergovernmental payables	9,180	18,427	2,053	53,895	7,282	9,544
Obligations under securities lending of State Treasurer	2,189	-	-	13,846	-	-
Other liabilities	-	-	-	-	-	-
Total liabilities	\$ 11,393	\$ 18,427	\$ 2,156	\$ 67,861	\$ 7,334	\$ 9,544

(Continued)

State of Illinois
Department of Revenue

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

June 30, 2012 (Expressed in Thousands)

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	Agency					
	Flood Prevention Occupation Tax 0558	Tax Suspense Trust 0583	Metro East Park & Recreation 0717	Municipal Telecom 0719	RTA Sales Tax Trust 0812	Metro East Mass Transit District Tax 0841
ASSETS						
Cash equity in State Treasury	\$ 2,648	\$ 46	\$ 1,107	\$ 52,908	\$ 114,525	\$ 6,863
Cash and cash equivalents	-	-	-	-	-	-
Securities lending collateral equity with State Treasurer	-	-	-	-	32,735	2,557
Taxes receivable, net	297	-	60	1,172	74,800	811
Other receivables, net	-	-	-	-	23	2
Due from other Department funds	-	-	-	21,375	20,742	-
Total assets	\$ 2,945	\$ 46	\$ 1,167	\$ 75,455	\$ 242,825	\$ 10,233
LIABILITIES						
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ 7,048	\$ -	\$ -
Intergovernmental payables	2,945	-	1,167	68,407	210,090	7,676
Obligations under securities lending of State Treasurer	-	-	-	-	32,735	2,557
Other liabilities	-	46	-	-	-	-
Total liabilities	\$ 2,945	\$ 46	\$ 1,167	\$ 75,455	\$ 242,825	\$ 10,233

(Continued)

State of Illinois
Department of Revenue

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

June 30, 2012 (Expressed in Thousands)

129

	Agency				Total
	Tennessee Valley Authority Local Trust 0861	Municipal Automobile Renting Tax 0868	County Automobile Renting Tax 0869	Surety Bond 1151	
ASSETS					
Cash equity in State Treasury	\$ -	\$ 1,362	\$ 40	\$ -	\$ 403,774
Cash and cash equivalents	-	-	-	1,642	1,642
Securities lending collateral equity with State Treasurer	-	468	11	-	132,993
Taxes receivable, net	-	138	15	-	209,205
Other receivables, net	-	-	-	-	94
Due from other Department funds	-	-	-	-	43,646
Total assets	\$ -	\$ 1,968	\$ 66	\$ 1,642	\$ 791,354
LIABILITIES					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ 8,569
Intergovernmental payables	-	1,500	55	-	648,104
Obligations under securities lending of State Treasurer	-	468	11	-	132,993
Other liabilities	-	-	-	1,642	1,688
Total liabilities	\$ -	\$ 1,968	\$ 66	\$ 1,642	\$ 791,354

(Concluded)

State of Illinois
Department of Revenue

Combining Statement of Changes in Assets and Liabilities -
Agency Funds

For the Year Ended June 30, 2012 (Expressed in Thousands)

	Balance at July 1, 2011	Additions	Deletions	Balance at June 30, 2012
County Water Commission Tax (0084)				
ASSETS				
Cash equity in State Treasury	\$ 6,777	\$ 31,992	\$ 31,835	\$ 6,934
Securities lending collateral equity with State Treasurer	2,047	25,369	24,884	2,532
Taxes receivable, net	1,156	32,153	31,967	1,342
Other receivables, net	2	25	25	2
Total assets	\$ 9,982	\$ 89,539	\$ 88,711	\$ 10,810
LIABILITIES				
Intergovernmental payables	\$ 7,935	\$ 32,178	\$ 31,835	\$ 8,278
Obligations under securities lending of State Treasurer	2,047	25,369	24,884	2,532
Total liabilities	\$ 9,982	\$ 57,547	\$ 56,719	\$ 10,810
Non-Home Rule Municipal ROT (0088)				
ASSETS				
Cash equity in State Treasury	\$ 21,467	\$ 103,817	\$ 104,997	\$ 20,287
Securities lending collateral equity with State Treasurer	6,596	84,459	83,784	7,271
Taxes receivable, net	2,499	107,328	103,731	6,096
Other receivables, net	8	83	86	5
Total assets	\$ 30,570	\$ 295,687	\$ 292,598	\$ 33,659
LIABILITIES				
Intergovernmental payables	\$ 23,974	\$ 107,411	\$ 104,997	\$ 26,388
Obligations under securities lending of State Treasurer	6,596	84,459	83,784	7,271
Total liabilities	\$ 30,570	\$ 191,870	\$ 188,781	\$ 33,659
Home Rule Municipal Soft Drink ROT (0097)				
ASSETS				
Cash equity in State Treasury	\$ 1,903	\$ 9,370	\$ 9,450	\$ 1,823
Taxes receivable, net	940	9,411	9,370	981
Total assets	\$ 2,843	\$ 18,781	\$ 18,820	\$ 2,804
LIABILITIES				
Intergovernmental payables	\$ 2,843	\$ 9,411	\$ 9,450	\$ 2,804
Total liabilities	\$ 2,843	\$ 9,411	\$ 9,450	\$ 2,804

(Continued)

State of Illinois
Department of Revenue

Combining Statement of Changes in Assets and Liabilities -
Agency Funds

For the Year Ended June 30, 2012 (Expressed in Thousands)

	Balance at July 1, 2011	Additions	Deletions	Balance at June 30, 2012
Home Rule Municipal ROT (0138)				
ASSETS				
Cash equity in State Treasury	\$ 119,416	\$ 809,039	\$ 832,642	\$ 95,813
Securities lending collateral equity with State Treasurer	31,663	358,869	365,324	25,208
Taxes receivable, net	34,520	841,321	808,655	67,186
Other receivables, net	36	366	384	18
Total assets	\$ 185,635	\$ 2,009,595	\$ 2,007,005	\$ 188,225
LIABILITIES				
Accounts payable and accrued liabilities	\$ 1,710	\$ 739	\$ 1,227	\$ 1,222
Intergovernmental payables	152,262	840,948	831,415	161,795
Obligations under securities lending of State Treasurer	31,663	358,869	365,324	25,208
Total liabilities	\$ 185,635	\$ 1,200,556	\$ 1,197,966	\$ 188,225
Home Rule County ROT (0139)				
ASSETS				
Cash equity in State Treasury	\$ 45,231	\$ 485,384	\$ 507,244	\$ 23,371
Securities lending collateral equity with State Treasurer	29,657	406,008	389,489	46,176
Taxes receivable, net	32,173	483,498	484,991	30,680
Other receivables, net	34	391	393	32
Total assets	\$ 107,095	\$ 1,375,281	\$ 1,382,117	\$ 100,259
LIABILITIES				
Intergovernmental payables	\$ 77,438	\$ 483,889	\$ 507,244	\$ 54,083
Obligations under securities lending of State Treasurer	29,657	406,008	389,489	46,176
Total liabilities	\$ 107,095	\$ 889,897	\$ 896,733	\$ 100,259
Business District ROT (0160)				
ASSETS				
Cash equity in State Treasury	\$ 1,751	\$ 10,085	\$ 10,076	\$ 1,760
Taxes receivable, net	791	10,069	10,085	775
Total assets	\$ 2,542	\$ 20,154	\$ 20,161	\$ 2,535
LIABILITIES				
Intergovernmental payables	\$ 2,542	\$ 10,069	\$ 10,076	\$ 2,535
Total liabilities	\$ 2,542	\$ 10,069	\$ 10,076	\$ 2,535

(Continued)

State of Illinois
Department of Revenue

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

For the Year Ended June 30, 2012 (Expressed in Thousands)

	Balance at July 1, 2011	Additions	Deletions	Balance at June 30, 2012
County Option Motor Fuel Tax (0190)				
ASSETS				
Cash equity in State Treasury	\$ 5,801	\$ 33,284	\$ 32,645	\$ 6,440
Securities lending collateral equity with State Treasurer	1,726	19,517	19,054	2,189
Taxes receivable, net	2,956	33,071	33,265	2,762
Other receivables, net	2	19	19	2
Total assets	\$ 10,485	\$ 85,891	\$ 84,983	\$ 11,393
LIABILITIES				
Accounts payable and accrued liabilities	\$ 116	\$ 532	\$ 624	\$ 24
Intergovernmental payables	8,643	32,558	32,021	9,180
Obligations under securities lending of State Treasurer	1,726	19,517	19,054	2,189
Total liabilities	\$ 10,485	\$ 52,607	\$ 51,699	\$ 11,393
County Public Safety ROT (0219)				
ASSETS				
Cash equity in State Treasury	\$ 15,878	\$ 85,439	\$ 86,612	\$ 14,705
Taxes receivable, net	2,351	86,810	85,439	3,722
Total assets	\$ 18,229	\$ 172,249	\$ 172,051	\$ 18,427
LIABILITIES				
Intergovernmental payables	\$ 18,229	\$ 86,810	\$ 86,612	\$ 18,427
Total liabilities	\$ 18,229	\$ 86,810	\$ 86,612	\$ 18,427
Sports Facility Tax Trust (0229)				
ASSETS				
Cash equity in State Treasury	\$ -	\$ 38,718	\$ 38,718	\$ -
Taxes receivable, net	51	40,823	38,718	2,156
Total assets	\$ 51	\$ 79,541	\$ 77,436	\$ 2,156
LIABILITIES				
Accounts payable and accrued liabilities	\$ 50	\$ 434	\$ 381	\$ 103
Intergovernmental payables	1	40,389	38,337	2,053
Total liabilities	\$ 51	\$ 40,823	\$ 38,718	\$ 2,156

(Continued)

State of Illinois
Department of Revenue

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

For the Year Ended June 30, 2012 (Expressed in Thousands)

	Balance at July 1, 2011	Additions	Deletions	Balance at June 30, 2012
Metro Pier & Exposition Authority Trust (0337)				
ASSETS				
Cash equity in State Treasury	\$ 68,538	\$ 117,944	\$ 145,120	\$ 41,362
Securities lending collateral equity with State Treasurer	23,071	71,334	80,559	13,846
Taxes receivable, net	11,193	119,306	117,856	12,643
Other receivables, net	26	72	88	10
Total assets	\$ 102,828	\$ 308,656	\$ 343,623	\$ 67,861
LIABILITIES				
Accounts payable and accrued liabilities	\$ -	\$ 120	\$ -	\$ 120
Intergovernmental payables	79,757	119,258	145,120	53,895
Obligations under securities lending of State Treasurer	23,071	71,334	80,559	13,846
Total liabilities	\$ 102,828	\$ 190,712	\$ 225,679	\$ 67,861
Illinois Tourism Tax (0452)				
ASSETS				
Cash equity in State Treasury	\$ 2,345	\$ 19,263	\$ 17,907	\$ 3,701
Taxes receivable, net	1,965	19,402	19,263	2,104
Due from other Department funds	1,529	-	-	1,529
Total assets	\$ 5,839	\$ 38,665	\$ 37,170	\$ 7,334
LIABILITIES				
Accounts payable and accrued liabilities	\$ 28	\$ 149	\$ 125	\$ 52
Intergovernmental payables	5,811	19,253	17,782	7,282
Total liabilities	\$ 5,839	\$ 19,402	\$ 17,907	\$ 7,334
School Facility Occupation Tax (498)				
ASSETS				
Cash equity in State Treasury	\$ 5,057	\$ 42,350	\$ 39,328	\$ 8,079
Taxes receivable, net	1,369	42,446	42,350	1,465
Total assets	\$ 6,426	\$ 84,796	\$ 81,678	\$ 9,544
LIABILITIES				
Intergovernmental payables	\$ 6,426	\$ 42,446	\$ 39,328	\$ 9,544
Total liabilities	\$ 6,426	\$ 42,446	\$ 39,328	\$ 9,544

(Continued)

State of Illinois
Department of Revenue

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

For the Year Ended June 30, 2012 (Expressed in Thousands)

	Balance at July 1, 2011	Additions	Deletions	Balance at June 30, 2012
Flood Prevention Occupation Tax (558)				
ASSETS				
Cash equity in State Treasury	\$ 2,373	\$ 11,616	\$ 11,341	\$ 2,648
Taxes receivable, net	629	11,284	11,616	297
Total assets	\$ 3,002	\$ 22,900	\$ 22,957	\$ 2,945
LIABILITIES				
Intergovernmental payables	\$ 3,002	\$ 11,284	\$ 11,341	\$ 2,945
Total liabilities	\$ 3,002	\$ 11,284	\$ 11,341	\$ 2,945
Tax Suspense Trust (0583)				
ASSETS				
Cash equity in State Treasury	\$ 45	\$ 1	\$ -	\$ 46
Total assets	\$ 45	\$ 1	\$ -	\$ 46
LIABILITIES				
Other liabilities	\$ 45	\$ 1	\$ -	\$ 46
Total liabilities	\$ 45	\$ 1	\$ -	\$ 46
Metro East Park and Recreation (0717)				
ASSETS				
Cash equity in State Treasury	\$ 1,076	\$ 4,453	\$ 4,422	\$ 1,107
Taxes receivable, net	250	4,263	4,453	60
Total assets	\$ 1,326	\$ 8,716	\$ 8,875	\$ 1,167
LIABILITIES				
Intergovernmental payables	\$ 1,326	\$ 4,263	\$ 4,422	\$ 1,167
Total liabilities	\$ 1,326	\$ 4,263	\$ 4,422	\$ 1,167
Municipal Telecommunications Fund (0719)				
ASSETS				
Cash equity in State Treasury	\$ 22,151	\$ 331,934	\$ 301,177	\$ 52,908
Taxes receivable, net	1,136	299,111	299,075	1,172
Due from other Department funds	54,234	-	32,859	21,375
Total assets	\$ 77,521	\$ 631,045	\$ 633,111	\$ 75,455
LIABILITIES				
Accounts payable and accrued liabilities	\$ 6,150	\$ 33,757	\$ 32,859	\$ 7,048
Intergovernmental payables	71,371	265,354	268,318	68,407
Total liabilities	\$ 77,521	\$ 299,111	\$ 301,177	\$ 75,455

(Continued)

State of Illinois
Department of Revenue

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

For the Year Ended June 30, 2012 (Expressed in Thousands)

	Balance at July 1, 2011	Additions	Deletions	Balance at June 30, 2012
RTA Sales Tax Trust (0812)				
ASSETS				
Cash equity in State Treasury	\$ 130,495	\$ 1,061,979	\$ 1,077,949	\$ 114,525
Securities lending collateral equity with State Treasurer	33,617	405,829	406,711	32,735
Taxes receivable, net	32,194	985,073	942,467	74,800
Other receivables, net	38	23	38	23
Due from other Department funds	28,426	111,790	119,474	20,742
Total assets	\$ 224,770	\$ 2,564,694	\$ 2,546,639	\$ 242,825
LIABILITIES				
Intergovernmental payables	\$ 191,153	\$ 1,096,886	\$ 1,077,949	\$ 210,090
Obligations under securities lending of State Treasurer	33,617	405,829	406,711	32,735
Total liabilities	\$ 224,770	\$ 1,502,715	\$ 1,484,660	\$ 242,825
Metro East Mass Transit Dist. Tax (0841)				
ASSETS				
Cash equity in State Treasury	\$ 6,745	\$ 29,487	\$ 29,369	\$ 6,863
Securities lending collateral equity with State Treasurer	2,065	26,736	26,244	2,557
Taxes receivable, net	590	29,682	29,461	811
Other receivables, net	2	26	26	2
Total assets	\$ 9,402	\$ 85,931	\$ 85,100	\$ 10,233
LIABILITIES				
Intergovernmental payables	\$ 7,337	\$ 29,708	\$ 29,369	\$ 7,676
Obligations under securities lending of State Treasurer	2,065	26,736	26,244	2,557
Total liabilities	\$ 9,402	\$ 56,444	\$ 55,613	\$ 10,233
Tennessee Valley Authority Local Trust (0861)				
ASSETS				
Cash equity in State Treasury	\$ -	\$ 308	\$ 308	\$ -
Total assets	\$ -	\$ 308	\$ 308	\$ -
LIABILITIES				
Intergovernmental payables	\$ -	\$ 308	\$ 308	\$ -
Total liabilities	\$ -	\$ 308	\$ 308	\$ -

(Continued)

State of Illinois
Department of Revenue

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

For the Year Ended June 30, 2012 (Expressed in Thousands)

	Balance at July 1, 2011	Additions	Deletions	Balance at June 30, 2012
Municipal Automobile Renting Tax (0868)				
ASSETS				
Cash equity in State Treasury	\$ 1,363	\$ 5,808	\$ 5,809	\$ 1,362
Securities lending collateral equity with State Treasurer	426	5,080	5,038	468
Taxes receivable, net	139	5,807	5,808	138
Total assets	\$ 1,928	\$ 16,695	\$ 16,655	\$ 1,968
LIABILITIES				
Intergovernmental payables	\$ 1,502	\$ 5,807	\$ 5,809	\$ 1,500
Obligations under securities lending of State Treasurer	426	5,080	5,038	468
Total liabilities	\$ 1,928	\$ 10,887	\$ 10,847	\$ 1,968
County Automobile Renting Tax (0869)				
ASSETS				
Cash equity in State Treasury	\$ 30	\$ 267	\$ 257	\$ 40
Securities lending collateral equity with State Treasurer	10	98	97	11
Taxes receivable, net	5	277	267	15
Total assets	\$ 45	\$ 642	\$ 621	\$ 66
LIABILITIES				
Intergovernmental payables	\$ 35	\$ 277	\$ 257	\$ 55
Obligations under securities lending of State Treasurer	10	98	97	11
Total liabilities	\$ 45	\$ 375	\$ 354	\$ 66
Surety Bond (1151)				
ASSETS				
Cash and cash equivalents	\$ 2,020	\$ 322	\$ 700	\$ 1,642
Total assets	\$ 2,020	\$ 322	\$ 700	\$ 1,642
LIABILITIES				
Other liabilities	\$ 2,020	\$ 322	\$ 700	\$ 1,642
Total liabilities	\$ 2,020	\$ 322	\$ 700	\$ 1,642

(Continued)

State of Illinois
Department of Revenue

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

For the Year Ended June 30, 2012 (Expressed in Thousands)

	Balance at July 1, 2011	Additions	Deletions	Balance at June 30, 2012
Total - All Agency Funds				
ASSETS				
Cash equity in State Treasury	\$ 458,442	\$ 3,232,538	\$ 3,287,206	\$ 403,774
Cash and cash equivalents	2,020	322	700	1,642
Securities lending collateral equity with State Treasurer	130,878	1,403,299	1,401,184	132,993
Taxes receivable, net	126,907	3,161,135	3,078,837	209,205
Other receivables, net	148	1,005	1,059	94
Due from other Department funds	84,189	111,790	152,333	43,646
Total assets	\$ 802,584	\$ 7,910,089	\$ 7,921,319	\$ 791,354
LIABILITIES				
Accounts payable and accrued liabilities	\$ 8,054	\$ 35,731	\$ 35,216	\$ 8,569
Intergovernmental payables	661,587	3,238,507	3,251,990	648,104
Obligations under securities lending of State Treasurer	130,878	1,403,299	1,401,184	132,993
Other liabilities	2,065	323	700	1,688
Total liabilities	\$ 802,584	\$ 4,677,860	\$ 4,689,090	\$ 791,354

(Concluded)

STATE OF ILLINOIS
DEPARTMENT OF REVENUE

SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

SUMMARY

Supplementary Information for State Compliance Purposes presented in this section of the report includes the following:

- Fiscal Schedules and Analysis:
 - Schedule of Appropriations, Expenditures and Lapsed Balances
 - Fiscal Year 2012 (Schedule 1)
 - Fiscal Year 2011 (Schedule 2)
 - Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances (Schedule 3)
 - Comparative Schedule of Receipts, Disbursements and Fund Balance (Cash Basis) – Locally-Held Funds (Schedule 4)
 - Schedule of Changes in State Property (Schedule 5)
 - Comparative Schedule of Cash Receipts (Schedule 6)
 - Reconciliation Schedule of Cash Receipts to Deposits Remitted to the State Comptroller (Schedule 7)
 - Analysis of Significant Variations in Expenditures (Schedule 8)
 - Analysis of Significant Variations in Receipts (Schedule 9)
 - Analysis of Significant Lapse Period Spending (Schedule 10)
 - Analysis of Accounts Receivable (Schedule 11)
 - Reconciliation of the Analysis of Accounts Receivable to the Taxes Receivable Footnote in the Financial Statements (Schedule 12)
- Analysis of Operations:
 - Agency Functions and Planning Program (Unaudited)
 - Average Number of Employees (Unaudited)
 - Emergency Purchases (Unaudited)
 - Audit Collections Statistics (Unaudited)
 - Service Efforts and Accomplishments (Unaudited)

The Independent Auditors' Report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states Schedules 1 and 3 through 12 for the year ended June 30, 2012 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in the auditors' opinion, it is fairly stated in all material respects in relation to the basic financial statements as a whole from which it has been derived.

Information for the year ended June 30, 2010 in Schedules 3, 6, 8, and 9 has been subjected to the auditing procedures applied in the audit of the June 30, 2010 basic financial statements which was performed by other auditors. In their opinion, the information for the year ended June 30, 2010 included in Schedules 3, 6, 8 and 9 is fairly stated in all material respects in relation to the basic financial statements as a whole from which it has been derived. The Independent Auditor's Report also states the information for the year ended June 30, 2011 in Schedules 2 through 12 as well as the Analysis of Operations Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, the auditors do not express an opinion or provide any assurance on it.

STATE OF ILLINOIS
DEPARTMENT OF REVENUE
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
Appropriations for Fiscal Year 2012

Schedule I

Fourteen Months Ended August 31, 2012

Public Act 097-0057, 097-0076, 097-0642 Fiscal Year 2012	Appropriations (Net after Transfers)	Expenditures Through June 30, 2012	Approximate Lapse Period Expenditures July 1 to August 31, 2012	Approximate Total Expenditures 14 Months Ended August 31, 2012	Balances Reappropriated July 1, 2012	Approximate Balances Lapsed August 31, 2012
General Revenue Fund (0001)						
Personal services	\$ 73,858,400	\$ 67,367,314	\$ 5,868,960	\$ 73,236,274	\$ -	\$ 622,126
State contributions to Social Security	5,281,100	4,815,872	431,177	5,247,049	-	34,051
Contractual services	5,548,600	4,515,991	634,362	5,150,353	-	398,247
Travel	1,471,400	1,211,795	221,417	1,433,212	-	38,188
Commodities	845,100	550,268	6,249	556,517	-	288,583
Printing	378,700	335,748	16,328	352,076	-	26,624
Equipment	59,700	32,263	2,204	34,467	-	25,233
Electronic data processing	20,801,200	17,411,184	2,702,941	20,114,125	-	687,075
Telecommunications	807,400	489,632	284,809	774,441	-	32,959
Operation of automotive equipment	75,100	38,812	6,844	45,656	-	29,444
Lump sums for Shared Services	1,974,400	1,576,460	200,485	1,776,945	-	197,455
Grants for the State's share of State's Attorneys' and Assistant State's Attorneys' salaries	7,714,000	7,713,927	-	7,713,927	-	73
Grants for the State's share of County Public Defenders' salaries	3,770,000	3,769,979	-	3,769,979	-	21
Tax refunds	3,125,000	3,117,790	7,180	3,124,970	-	30
Total General Revenue Fund	\$ 125,710,100	\$ 112,947,035	\$ 10,382,956	\$ 123,329,991	\$ -	\$ 2,380,109
Motor Fuel Tax Fund (0012)						
Personal services	\$ 17,525,600	\$ 16,274,737	\$ 1,197,240	\$ 17,471,977	\$ -	\$ 53,623
State contributions to State Employees' Retirement System	5,992,000	5,581,869	409,841	5,991,710	-	290
State contributions to Social Security	1,340,700	1,179,172	87,614	1,266,786	-	73,914
Group insurance	3,717,500	3,544,755	156,852	3,701,607	-	15,893
Contractual services	1,545,600	1,433,453	58,555	1,492,008	-	53,592
Travel	783,200	629,025	15,962	644,987	-	138,213
Commodities	58,400	29,104	455	29,559	-	28,841
Printing	140,700	82,019	7,898	89,917	-	50,783
Equipment	15,000	1,685	-	1,685	-	13,315
Electronic data processing	11,750,400	7,245,161	4,350,309	11,595,470	-	154,930
Telecommunications	767,000	745,470	4,086	749,556	-	17,444
Operation of automotive equipment	61,900	61,900	-	61,900	-	-
Administration of Motor Fuel Tax Enforcement Grant from U.S.D.O.T	300,000	51,833	619	52,452	-	247,548
Shared Services Center	783,400	707,780	55,371	763,151	-	20,249
Reimbursement to International Fuel Tax Agreement Member States	11,750,000	3,609,979	47,814	3,657,793	-	8,092,207
Motor Fuel Tax refunds	26,340,200	16,775,217	2,836,865	19,612,082	-	6,728,118
Total Motor Fuel Tax Fund	\$ 82,871,600	\$ 57,953,159	\$ 9,229,481	\$ 67,182,640	\$ -	\$ 15,688,960

STATE OF ILLINOIS
DEPARTMENT OF REVENUE
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
Appropriations for Fiscal Year 2012

Schedule I

Fourteen Months Ended August 31, 2012

Public Act 097-0057, 097-0076, 097-0642 Fiscal Year 2012	Appropriations (Net after Transfers)	Expenditures Through June 30, 2012	Approximate Lapse Period Expenditures July 1 to August 31, 2012	Approximate Total Expenditures 14 Months Ended August 31, 2012	Balances Reappropriated July 1, 2012	Approximate Balances Lapsed August 31, 2012
Underground Storage Tank Fund (0072)						
Personal services	\$ 776,800	\$ 711,555	\$ 59,022	\$ 770,577	\$ -	\$ 6,223
State contributions to State						
Employees' Retirement System	265,600	243,577	20,192	263,769	-	1,831
State contributions to Social Security	59,400	51,996	4,419	56,415	-	2,985
Group insurance	196,000	187,490	7,745	195,235	-	765
Travel	30,200	30,148	35	30,183	-	17
Commodities	2,100	1,785	-	1,785	-	315
Printing	1,500	1,306	-	1,306	-	194
Electronic data processing	221,500	200,100	19,891	219,991	-	1,509
Telecommunications	44,900	25,446	917	26,363	-	18,537
Total Underground Storage Tank Fund	\$ 1,598,000	\$ 1,453,403	\$ 112,221	\$ 1,565,624	\$ -	\$ 32,376
Illinois Gaming Law Enforcement Fund (0085)						
Personal services	\$ 424,900	\$ 314,741	\$ 31,814	\$ 346,555	\$ -	\$ 78,345
State contributions to State						
Employees' Retirement System	145,300	107,650	10,879	118,529	-	26,771
State contributions to Social Security	32,500	23,425	2,404	25,829	-	6,671
Group insurance	105,000	98,441	4,193	102,634	-	2,366
Contractual services	4,300	-	-	-	-	4,300
Travel	50,200	-	-	-	-	50,200
Commodities	2,900	-	-	-	-	2,900
Printing	1,500	-	-	-	-	1,500
Electronic data processing	392,400	108,650	-	108,650	-	283,750
Telecommunications	14,500	-	-	-	-	14,500
Operation of automotive equipment	28,600	21,235	-	21,235	-	7,365
Grants for allocation to local law enforcement agencies	1,100,000	978,582	-	978,582	-	121,418
Total Illinois Gaming Law Enforcement Fund	\$ 2,302,100	\$ 1,652,724	\$ 49,290	\$ 1,702,014	\$ -	\$ 600,086
Home Rule Municipal ROT Fund (0138)						
Personal services	\$ 503,100	\$ 420,271	\$ 44,523	\$ 464,794	\$ -	\$ 38,306
State contributions to State						
Employees' Retirement System	172,000	143,842	15,225	159,067	-	12,933
State contributions to Social Security	38,500	31,432	3,381	34,813	-	3,687
Group insurance	96,200	92,131	4,033	96,164	-	36
Travel	50,800	50,788	-	50,788	-	12
Electronic data processing	277,200	246,222	30,977	277,199	-	1
Telecommunications	23,900	23,886	-	23,886	-	14
Total Home Rule Municipal ROT Fund	\$ 1,161,700	\$ 1,008,572	\$ 98,139	\$ 1,106,711	\$ -	\$ 54,989
Illinois Department of Revenue Federal Trust Fund (0140)						
Administrative costs	\$ 150,000	\$ 72,670	\$ 15,735	\$ 88,405	\$ -	\$ 61,595

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Rental Housing Support Program Fund (0150)						
Administration of the Rental Housing Support program	\$ 1,100,000	\$ 513,399	\$ -	\$ 513,399	\$ -	\$ 586,601
Grants to provide rental assistance to the Rental Housing Support Program Fund	25,000,000	13,525,000	-	13,525,000	-	11,475,000
Total Rental Housing Support Program Fund	\$ 26,100,000	\$ 14,038,399	\$ -	\$ 14,038,399	\$ -	\$ 12,061,601
State and Local Sales Tax Reform Fund (0186)						
Grants to allocate to Chicago for additional 1.25% use tax pursuant to P.A. 86-0928	\$ 51,600,000	\$ 46,743,262	\$ 4,856,738	\$ 51,600,000	\$ -	\$ -
RTA Occupation and Use Tax Replacement Fund (0187)						
Grants to allocate to RTA for 10% of the 1.25% use tax pursuant to P.A. 86-0928	\$ 26,000,000	\$ 23,171,631	\$ 2,828,369	\$ 26,000,000	\$ -	\$ -
County Option Motor Fuel Tax Fund (0190)						
Personal services	\$ 508,200	\$ 349,045	\$ 24,104	\$ 373,149	\$ -	\$ 135,051
State contributions to State Employees' Retirement System	173,800	119,355	8,242	127,597	-	46,203
State contributions to Social Security	38,900	25,775	1,805	27,580	-	11,320
Group insurance	123,500	116,782	4,928	121,710	-	1,790
Travel	30,300	-	-	-	-	30,300
Commodities	2,400	-	-	-	-	2,400
Electronic data processing	175,100	-	-	-	-	175,100
Telecommunications	41,600	-	-	-	-	41,600
Total County Option Motor Fuel Tax Fund	\$ 1,093,800	\$ 610,957	\$ 39,079	\$ 650,036	\$ -	\$ 443,764
Debt Collection Fund (0279)						
Administration of statewide debt collection	\$ 20,000	\$ 1,221	\$ -	\$ 1,221	\$ -	\$ 18,779
Illinois Tax Increment Fund (0281)						
Personal services	\$ 277,700	\$ 257,114	\$ 19,180	\$ 276,294	\$ -	\$ 1,406
State contributions to State Employees' Retirement System	95,000	87,986	6,560	94,546	-	454
State contributions to Social Security	21,300	19,050	1,443	20,493	-	807
Group insurance	69,200	66,227	2,879	69,106	-	94
Electronic data processing	135,000	135,000	-	135,000	-	-
Telecommunications	16,300	16,279	-	16,279	-	21
Grants for distribution to local Tax Increment Finance districts	21,420,600	15,131,702	5,113,607	20,245,309	-	1,175,291
Total Illinois Tax Increment Fund	\$ 22,035,100	\$ 15,713,358	\$ 5,143,669	\$ 20,857,027	\$ -	\$ 1,178,073

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Fiscal Year 2012						
Illinois Affordable Housing Trust Fund (0286)						
Administration of Illinois Affordable Housing Act	\$ 2,500,000	\$ 2,177,007	\$ 322,993	\$ 2,500,000	\$ -	\$ -
Grants to other State agencies	2,000,000	-	-	-	-	2,000,000
Grants, mortgages, loans, or for the purpose of securing bonds	<u>20,500,000</u>	<u>20,184,755</u>	<u>-</u>	<u>20,184,755</u>	<u>-</u>	<u>315,245</u>
Total Illinois Affordable Housing Trust Fund	<u>\$ 25,000,000</u>	<u>\$ 22,361,762</u>	<u>\$ 322,993</u>	<u>\$ 22,684,755</u>	<u>\$ -</u>	<u>\$ 2,315,245</u>
Federal HOME Investment Trust Fund (0338)						
Illinois HOME Investment Partnerships program	\$ 54,864,575	\$ 31,968,626	\$ -	\$ 31,968,626	\$ 19,864,600	\$ 3,031,349
Tax Compliance and Administration Fund (0384)						
Personal services	\$ 670,100	\$ 524,986	\$ 1,120	\$ 526,106	\$ -	\$ 143,994
State contributions to State Employees' Retirement System	229,100	179,556	383	179,939	-	49,161
State contributions to Social Security	51,300	31,153	86	31,239	-	20,061
Group insurance	171,100	139,811	-	139,811	-	31,289
Electronic data processing	4,645,900	692,138	59,625	751,763	-	3,894,137
Telecommunications	35,100	35,080	-	35,080	-	20
Administration of the Illinois Petroleum Education and Marketing Act	9,000	8,746	-	8,746	-	254
Administration of the Dry Cleaners Environmental Response Trust Fund Act	92,300	74,306	440	74,746	-	17,554
Administration of Simplified Telecommunications Act	2,165,300	1,740,990	75,046	1,816,036	-	349,264
Administration of Municipality Sales Tax	128,300	110,392	-	110,392	-	17,908
Total Tax Compliance and Administration Fund	<u>\$ 8,197,500</u>	<u>\$ 3,537,158</u>	<u>\$ 136,700</u>	<u>\$ 3,673,858</u>	<u>\$ -</u>	<u>\$ 4,523,642</u>
Predatory Lending Database Program Fund (0478)						
Grants for the Predatory Lending Database program	\$ 860,000	\$ 105,000	\$ -	\$ 105,000	\$ -	\$ 755,000
Local Government Distributive Fund (0515)						
Grants to allocate to local governments for additional 1.25% use tax pursuant to P.A. 86-0928	\$ 141,000,000	\$ 130,950,896	\$ 10,048,652	\$ 140,999,548	\$ -	\$ 452
State Lottery Fund (0711)						
Personal services	\$ 2,268,640	\$ 2,268,640	\$ -	\$ 2,268,640	\$ -	\$ -
State contributions to State Employees' Retirement System	776,660	776,659	-	776,659	-	1
State contributions to Social Security	167,230	167,229	-	167,229	-	1
Group insurance	656,298	656,298	-	656,298	-	-
Contractual services	208,469	208,468	-	208,468	-	1
Travel	8,483	8,482	-	8,482	-	1
Electronic data processing	687,748	687,747	-	687,747	-	1
Telecommunications	102,165	102,164	-	102,164	-	1
Operation of automotive equipment	97,674	97,674	-	97,674	-	-
Developing and promoting Lottery games	20,905,834	20,905,833	-	20,905,833	-	1
Payment of prizes to holders of winning Lottery tickets or shares	69,709,626	69,709,400	-	69,709,400	-	226
Shared Services	110,661	110,660	-	110,660	-	1
Refunds	720	719	-	719	-	1
Total State Lottery Fund	<u>\$ 95,700,208</u>	<u>\$ 95,699,973</u>	<u>\$ -</u>	<u>\$ 95,699,973</u>	<u>\$ -</u>	<u>\$ 235</u>

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Municipal Telecommunications Fund (0719)						
Simplified Municipal Telecommunications						
Tax Act refunds	\$ 12,000	\$ -	\$ -	\$ -	\$ -	\$ 12,000
Personal Property Tax Replacement Fund (0802)						
Personal services	\$ 10,803,000	\$ 9,947,984	\$ 819,819	\$ 10,767,803	\$ -	\$ 35,197
State contributions to State						
Employees' Retirement System	3,693,500	3,406,814	280,527	3,687,341	-	6,159
State contributions to Social Security	826,400	730,196	61,737	791,933	-	34,467
Group insurance	2,802,800	2,657,327	113,756	2,771,083	-	31,717
Contractual services	1,217,500	1,174,397	5,588	1,179,985	-	37,515
Travel	243,900	236,443	5,588	242,031	-	1,869
Commodities	52,500	21,471	345	21,816	-	30,684
Printing	27,100	14,326	1,375	15,701	-	11,399
Equipment	12,900	666	-	666	-	12,234
Electronic data processing	6,858,300	4,314,215	-	4,314,215	-	2,544,085
Telecommunications	561,100	462,805	23,230	486,035	-	75,065
Operation of automotive equipment	22,000	22,000	-	22,000	-	-
Grants for the State's share of State's Attorneys' and Assistant State's Attorneys' salaries	5,586,000	4,835,050	750,943	5,585,993	-	7
Grants for the State's share of County Public Defenders' salaries	2,730,000	1,418,139	1,048,077	2,466,216	-	263,784
Grants for the State's share of County Supervisors of Assessments or County Assessors' salaries	3,000,000	2,538,170	236,733	2,774,903	-	225,097
Grants for additional compensation for local assessors as provided by Section 2.3 and 2.6 of the Revenue Act of 1939	350,000	200,000	1,500	201,500	-	148,500
Grants for additional compensation for local assessors as provided by Section 2.7 of the Revenue Act of 1939	660,000	315,600	57,000	372,600	-	287,400
Grants for additional compensation for County Treasurers	663,000	663,000	-	663,000	-	-
Grants for annual stipend for Sheriffs	663,000	663,000	-	663,000	-	-
Grants for stipend to County Coroner	663,000	655,688	-	655,688	-	7,312
Grants for additional compensation for County Auditors	110,500	110,488	-	110,488	-	12
Total Personal Property Tax Replacement Fund	\$ 41,546,500	\$ 34,387,779	\$ 3,406,218	\$ 37,793,997	\$ -	\$ 3,752,503

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Fiscal Year 2012						
Dram Shop Fund (0821)						
Personal services	\$ 2,931,300	\$ 2,513,066	\$ 101,171	\$ 2,614,237	\$ -	\$ 317,063
State contributions to State						
Employees' Retirement System	1,002,200	860,495	34,590	895,085	-	107,115
State contributions to Social Security	224,300	186,405	7,739	194,144	-	30,156
Group insurance	701,900	660,243	1,565	661,808	-	40,092
Contractual services	231,200	163,711	19,001	182,712	-	48,488
Travel	110,000	49,600	11,970	61,570	-	48,430
Commodities	7,000	1,621	35	1,656	-	5,344
Printing	5,000	3,275	-	3,275	-	1,725
Equipment	30,000	2,113	-	2,113	-	27,887
Electronic data processing	818,700	96,977	13,723	110,700	-	708,000
Telecommunications	80,000	43,148	15,147	58,295	-	21,705
Operation of automotive equipment	95,400	76,990	6,845	83,835	-	11,565
Shared Services Center	129,200	118,022	5,535	123,557	-	5,643
Retailer education program	211,000	186,028	8,856	194,884	-	16,116
Tobacco study	737,700	597,053	65,825	662,878	-	74,822
Operation of the Beverage Alcohol Sellers and Servers Education and Training (BASSET) program	248,800	155,833	9,682	165,515	-	83,285
Grants to local government units to establish enforcement programs	1,000,000	990,760	-	990,760	-	9,240
Refunds	5,000	300	-	300	-	4,700
Total Dram Shop Fund	\$ 8,568,700	\$ 6,705,640	\$ 301,684	\$ 7,007,324	\$ -	\$ 1,561,376
Local Government Video Gaming Distributive Fund (0842)						
Allocation to local governments of net terminal income tax pursuant to Video Gaming Act	\$ 60,000,000	\$ -	\$ -	\$ -	\$ -	\$ 60,000,000
Foreclosure Prevention Program Fund (0891)						
Awards and grants, lump sums and other purposes	\$ 10,000,000	\$ 3,689,591	\$ 1,407,349	\$ 5,096,940	\$ -	\$ 4,903,060
Abandoned Residential Property Municipality Relief Fund (0892)						
Awards and grants, lump sums and other purposes	\$ 10,000,000	\$ -	\$ -	\$ -	\$ -	\$ 10,000,000
Senior Citizens Real Estate Deferred Tax Revolving Fund (0930)						
Payments to counties	\$ 7,200,000	\$ 6,940,707	\$ 50,588	\$ 6,991,295	\$ -	\$ 208,705
Build Illinois Bond Fund (0971)						
Affordable housing grants, loans, and investments for low-income families, senior citizens, persons with disabilities, and at risk displaced veterans	\$ 100,000,000	\$ 20,223,000	\$ -	\$ 20,223,000	\$ 79,777,000	\$ -
Affordable housing grants, loans, and investments for low-income persons with disabilities and at risk displaced veterans	30,000,000	13,997,000	-	13,997,000	16,003,000	-
Total Build Illinois Bond Fund	\$ 130,000,000	\$ 34,220,000	\$ -	\$ 34,220,000	\$ 95,780,000	\$ -
SUBTOTAL - Appropriated Funds	\$ 933,591,883	\$ 645,933,523	\$ 48,429,861	\$ 694,363,384	\$ 115,644,600	\$ 123,583,899

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CONTINUING APPROPRIATIONS						
Income Tax Refund Fund (0278)						
Income tax refunds	\$ 2,141,516,560	\$ 2,141,516,559	\$ -	\$ 2,141,516,559	\$ -	\$ 1
Local Government Distributive Fund (0515)						
Grants to local governments	\$ 1,095,290,775	\$ 1,095,290,775	\$ -	\$ 1,095,290,775	\$ -	\$ -
Personal Property Tax Replacement Fund (0802)						
Shared revenue payments	\$ 1,236,042,238	\$ 1,236,042,238	\$ -	\$ 1,236,042,238	\$ -	\$ -
SUBTOTAL - Continuing Appropriated Funds	\$ 4,472,849,573	\$ 4,472,849,572	\$ -	\$ 4,472,849,572	\$ -	\$ 1
SUBTOTAL - All Appropriated Funds	\$ 5,406,441,456	\$ 5,118,783,095	\$ 48,429,861	\$ 5,167,212,956	\$ 115,644,600	\$ 123,583,900
NON-APPROPRIATED EXPENDITURES						
County Water Commission Tax Fund (0084)						
Shared revenue payments		\$ 31,835,073	\$ -	\$ 31,835,073		
Non-Home Municipal ROT Fund (0088)						
Shared revenue payments		\$ 104,996,503	\$ -	\$ 104,996,503		
Home Rule Municipal Soft Drink ROT Fund (0097)						
Shared revenue payments		\$ 9,449,784	\$ -	\$ 9,449,784		
Home Rule Municipal ROT Fund (0138)						
Shared revenue payments		\$ 831,531,931	\$ -	\$ 831,531,931		
Home Rule County ROT Fund (0139)						
Shared revenue payments		\$ 496,546,172	\$ -	\$ 496,546,172		
Business District Retailers' Occupation Tax Fund (0160)						
Shared revenue payments		\$ 10,076,400	\$ -	\$ 10,076,400		
County and Mass Transit District Fund (0188)						
Shared revenue payments		\$ 212,977,744	\$ -	\$ 212,977,744		
Local Government Tax Fund (0189)						
Shared revenue payments		\$ 1,623,726,124	\$ -	\$ 1,623,726,124		
County Option Motor Fuel Tax Fund (0190)						
Shared revenue payments		\$ 32,027,253	\$ -	\$ 32,027,253		
County Public Safety ROT Fund (0219)						
Shared revenue payments		\$ 86,612,059	\$ -	\$ 86,612,059		

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Sports Facility Tax Trust Fund (0229)						
Interfund transfers		\$ 38,717,904	\$ -	\$ 38,717,904		
Illinois Tourism Tax Fund (0452)						
Shared revenue payments		\$ 17,906,893	\$ -	\$ 17,906,893		
School Facility Occupation Fund (0498)						
Shared revenue payments		\$ 39,328,131	\$ -	\$ 39,328,131		
Flood Prevention Occupation Fund (0558)						
Shared revenue payments		\$ 11,340,707	\$ -	\$ 11,340,707		
Metro East Park and Recreation District Fund (0717)						
Shared revenue payments		\$ 4,421,940	\$ -	\$ 4,421,940		
Municipal Telecommunications Fund (0719)						
Grants to local governments		\$ 301,176,919	\$ -	\$ 301,176,919		
RTA Sales Tax Fund (0812)						
Shared revenue payments		\$ 1,077,949,052	\$ -	\$ 1,077,949,052		
Metro East Mass Transit District Tax Fund (0841)						
Shared revenue payments		\$ 29,369,099	\$ -	\$ 29,369,099		
Tennessee Valley Authority Local Trust Fund (0861)						
Shared revenue payments		\$ 251,468	\$ 56,102	\$ 307,570		
Municipal Automobile Renting Tax Fund (0868)						
Shared revenue payments		\$ 5,808,780	\$ -	\$ 5,808,780		
County Automobile Renting Tax Fund (0869)						
Shared revenue payments		\$ 256,657	\$ -	\$ 256,657		
Deferred Lottery Prize Winners Fund (0978)						
Lottery prizes - monetary		\$ 18,177,178	\$ -	\$ 18,177,178		
SUBTOTAL - Nonappropriated Expenditures		\$ 4,984,483,771	\$ 56,102	\$ 4,984,539,873		
DEPARTMENT TOTAL - ALL FUNDS		\$ 10,103,266,866	\$ 48,485,963	\$ 10,151,752,829		

Notes:

- (a) Appropriations, expenditures and lapsed balances were obtained from the State Comptroller's records which have been reconciled to the Department's records.
- (b) Expenditure amounts are vouchers approved for payment by the Department and submitted to the State Comptroller for payment to the vendor.
- (c) Approximate lapse period expenditures do not include interest payments approved for payment by the Department and submitted to the Comptroller for payment after August.

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Schedule 2

Eighteen Months Ended December 31, 2011

Public Act 96-0956 Fiscal Year 2011	Appropriations (Net after Transfers)	Expenditures Through June 30, 2011	Lapse Period Expenditures July 1 to December 31, 2011	Total Expenditures	Balances Reappropriated July 1, 2011	Balances Lapsed
General Revenue Fund (0001)						
Operational expenses, awards, grants, and permanent improvements	\$ 3,830,500	\$ 3,603,757	\$ 226,072	\$ 3,829,829	\$ -	\$ 671
Operational expenses	112,961,300	100,650,308	8,564,729	109,215,037	-	3,746,263
Grants for the State's share of State's Attorneys' and Assistant State's Attorneys' salaries	5,576,000	5,575,990	-	5,575,990	-	10
Grants for the State's share of County Public Defenders' salaries	2,680,000	2,679,988	-	2,679,988	-	12
Governor's discretionary appropriations	2,500,000	909,377	141,629	1,051,006	-	1,448,994
Governor's discretionary appropriations	11,544,000	9,490,676	1,713,436	11,204,112	-	339,888
Total General Revenue Fund	\$ 139,091,800	\$ 122,910,096	\$ 10,645,866	\$ 133,555,962	\$ -	\$ 5,535,838
Motor Fuel Fund (0012)						
Personal services	\$ 16,297,700	\$ 15,483,075	\$ 744,904	\$ 16,227,979	\$ -	\$ 69,721
State contributions to State Employees' Retirement System	4,930,500	4,547,991	-	4,547,991	-	382,509
State contributions to Social Security	1,246,800	1,108,923	54,214	1,163,137	-	83,663
Group insurance	3,212,500	3,049,638	133,335	3,182,973	-	29,527
Contractual services	2,003,300	1,466,203	38,548	1,504,751	-	498,549
Travel	1,433,200	809,348	2,813	812,161	-	621,039
Commodities	58,400	54,533	489	55,022	-	3,378
Printing	140,700	79,074	27,521	106,595	-	34,105
Equipment	15,000	4,316	55	4,371	-	10,629
Electronic data processing	12,132,100	8,194,233	3,269,592	11,463,825	-	668,275
Telecommunications	967,000	659,872	145,943	805,815	-	161,185
Operation of automotive equipment	71,100	62,781	5,654	68,435	-	2,665
Administration of Motor Fuel Tax Enforcement Grant from U.S.D.O.T	300,000	112,454	3,912	116,366	-	183,634
Shared Services Center	842,400	741,100	45,143	786,243	-	56,157
Reimbursement to International Fuel Tax Agreement Member States	42,000,000	2,875,609	65,989	2,941,598	-	39,058,402
Motor Fuel Tax refunds	21,016,200	16,556,625	1,261,204	17,817,829	-	3,198,371
Total Motor Fuel Tax Fund	\$ 106,666,900	\$ 55,805,775	\$ 5,799,316	\$ 61,605,091	\$ -	\$ 45,061,809

STATE OF ILLINOIS
DEPARTMENT OF REVENUE
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
Appropriations for Fiscal Year 2011

Schedule 2

Eighteen Months Ended December 31, 2011

Public Act 96-0956 Fiscal Year 2011	Appropriations (Net after Transfers)	Expenditures Through June 30, 2011	Lapse Period Expenditures July 1 to December 31, 2011	Total Expenditures	Balances Reappropriated July 1, 2011	Balances Lapsed
Underground Storage Tank Fund (0072)						
Personal services	\$ 724,000	\$ 682,897	\$ -	\$ 682,897	\$ -	\$ 41,103
State contributions to State						
Employees' Retirement System	219,000	191,443	-	191,443	-	27,557
State contributions to Social Security	55,400	49,762	-	49,762	-	5,638
Group insurance	159,500	155,388	-	155,388	-	4,112
Travel	30,200	30,004	-	30,004	-	196
Commodities	2,100	2,021	-	2,021	-	79
Printing	1,500	1,140	-	1,140	-	360
Electronic data processing	221,400	201,324	-	201,324	-	20,076
Telecommunications	61,400	61,395	-	61,395	-	5
Motor Fuel Tax refunds	12,000	-	-	-	-	12,000
Total Underground Storage Tank Fund	\$ 1,486,500	\$ 1,375,374	\$ -	\$ 1,375,374	\$ -	\$ 111,126
Illinois Gaming Law Enforcement Fund (0085)						
Personal services	\$ 409,400	\$ 250,106	\$ 14,882	\$ 264,988	\$ -	\$ 144,412
State contributions to State						
Employees' Retirement System	123,900	72,508	1,556	74,064	-	49,836
State contributions to Social Security	31,300	18,592	1,113	19,705	-	11,595
Group insurance	101,500	62,487	4,581	67,068	-	34,432
Contractual services	4,300	641	-	641	-	3,659
Travel	50,200	43,073	-	43,073	-	7,127
Commodities	2,900	949	33	982	-	1,918
Printing	1,500	-	-	-	-	1,500
Electronic data processing	392,400	130,677	91,773	222,450	-	169,950
Telecommunications	14,500	-	-	-	-	14,500
Operation of automotive equipment	28,600	28,600	-	28,600	-	-
Grants for allocation to local law enforcement agencies	1,100,000	1,026,085	-	1,026,085	-	73,915
Total Illinois Gaming Law Enforcement Fund	\$ 2,260,500	\$ 1,633,718	\$ 113,938	\$ 1,747,656	\$ -	\$ 512,844

STATE OF ILLINOIS
DEPARTMENT OF REVENUE
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
Appropriations for Fiscal Year 2011

Schedule 2

Eighteen Months Ended December 31, 2011

Public Act 96-0956 Fiscal Year 2011	Appropriations (Net after Transfers)	Expenditures Through June 30, 2011	Lapse Period Expenditures July 1 to December 31, 2011	Total Expenditures	Balances Reappropriated July 1, 2011	Balances Lapsed
Home Rule Municipal ROT Fund (0138)						
Personal services	\$ 455,400	\$ 420,636	\$ 14,914	\$ 435,550	\$ -	\$ 19,850
State contributions to State						
Employees' Retirement System	137,700	122,251	-	122,251	-	15,449
State contributions to Social Security	34,800	31,617	1,119	32,736	-	2,064
Group insurance	87,000	68,095	2,384	70,479	-	16,521
Travel	50,800	50,740	-	50,740	-	60
Electronic data processing	277,200	247,757	29,443	277,200	-	-
Telecommunications	30,100	29,872	-	29,872	-	228
Total Home Rule Municipal ROT Fund	\$ 1,073,000	\$ 970,968	\$ 47,860	\$ 1,018,828	\$ -	\$ 54,172
Illinois Department of Revenue Federal Trust Fund (0140)						
Administrative costs	\$ 50,000	\$ 28,275	\$ 5,725	\$ 34,000	\$ -	\$ 16,000
Rental Housing Support Program Fund (0150)						
Administration of the Rental Housing Support program	\$ 1,100,000	\$ 300,000	\$ -	\$ 300,000	\$ -	\$ 800,000
Grants to provide rental assistance to the Rental Housing Support Program Fund	32,000,000	5,034,932	6,930,000	11,964,932	-	20,035,068
Total Rental Housing Support Program Fund	\$ 33,100,000	\$ 5,334,932	\$ 6,930,000	\$ 12,264,932	\$ -	\$ 20,835,068
State and Local Sales Tax Reform Fund (0186)						
Grants to allocate to Chicago for additional 1.25% use tax pursuant to P.A. 86-0928	\$ 51,600,000	\$ 44,821,167	\$ 6,778,833	\$ 51,600,000	\$ -	\$ -
RTA Occupation and Use Tax Replacement Fund (0187)						
Grants to allocate to RTA for 10% of the 1.25% use tax pursuant to P.A. 86-0928	\$ 26,000,000	\$ 22,410,584	\$ 3,589,416	\$ 26,000,000	\$ -	\$ -

STATE OF ILLINOIS
DEPARTMENT OF REVENUE
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
Appropriations for Fiscal Year 2011

Schedule 2

Eighteen Months Ended December 31, 2011

Public Act 96-0956 Fiscal Year 2011	Appropriations (Net after Transfers)	Expenditures Through June 30, 2011	Lapse Period Expenditures July 1 to December 31, 2011	Total Expenditures	Balances Reappropriated July 1, 2011	Balances Lapsed
County Option Motor Fuel Tax Fund (0190)						
Personal services	\$ 482,800	\$ 271,910	\$ -	\$ 271,910	\$ -	\$ 210,890
State contributions to State						
Employees' Retirement System	146,100	76,177	-	76,177	-	69,923
State contributions to Social Security	37,000	19,837	-	19,837	-	17,163
Group insurance	101,500	63,345	-	63,345	-	38,155
Travel	30,300	30,206	-	30,206	-	94
Commodities	2,400	2,179	-	2,179	-	221
Electronic data processing	193,600	102,356	-	102,356	-	91,244
Telecommunications	41,600	41,593	-	41,593	-	7
Total County Option Motor Fuel Tax Fund	\$ 1,035,300	\$ 607,603	\$ -	\$ 607,603	\$ -	\$ 427,697
Debt Collection Fund (0279)						
Administration of Statewide debt collection	\$ 40,000	\$ 16,517	\$ -	\$ 16,517	\$ -	\$ 23,483
Illinois Tax Increment Fund (0281)						
Personal services	\$ 268,000	\$ 245,598	\$ 11,106	\$ 256,704	\$ -	\$ 11,296
State contributions to State						
Employees' Retirement System	81,100	71,912	-	71,912	-	9,188
State contributions to Social Security	20,500	18,142	820	18,962	-	1,538
Group insurance	64,800	58,617	2,549	61,166	-	3,634
Electronic data processing	135,000	4,452	130,548	135,000	-	-
Telecommunications	18,700	18,646	-	18,646	-	54
Grants for distribution to local Tax						
Increment Finance districts	21,420,600	14,152,986	4,998,405	19,151,391	-	2,269,209
Total Illinois Tax Increment Fund	\$ 22,008,700	\$ 14,570,353	\$ 5,143,428	\$ 19,713,781	\$ -	\$ 2,294,919
Illinois Affordable Housing Trust Fund (0286)						
Administration of Illinois Affordable Housing Act	\$ 2,500,000	\$ 1,000,000	\$ -	\$ 1,000,000	\$ -	\$ 1,500,000
Grants to other State agencies	2,000,000	-	-	-	-	2,000,000
Grants, mortgages, loans, or for the purpose of securing bonds	30,000,000	9,818,029	-	9,818,029	-	20,181,971
Total Illinois Affordable Housing Trust Fund	\$ 34,500,000	\$ 10,818,029	\$ -	\$ 10,818,029	\$ -	\$ 23,681,971
Federal HOME Investment Trust Fund (0338)						
Illinois HOME Investment Partnerships program	\$ 48,728,600	\$ 21,864,026	\$ -	\$ 21,864,026	\$ -	\$ 26,864,574

STATE OF ILLINOIS
DEPARTMENT OF REVENUE
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
Appropriations for Fiscal Year 2011

Schedule 2

Eighteen Months Ended December 31, 2011

Public Act 96-0956 Fiscal Year 2011	Appropriations (Net after Transfers)	Expenditures Through June 30, 2011	Lapse Period Expenditures July 1 to December 31, 2011	Total Expenditures	Balances Reappropriated July 1, 2011	Balances Lapsed
Tax Compliance and Administration Fund (0384)						
Personal services	\$ 636,600	\$ 593,485	\$ 26,402	\$ 619,887	\$ -	\$ 16,713
State contributions to State						
Employees' Retirement System	192,600	173,819	-	173,819	-	18,781
State contributions to Social Security	48,700	35,484	1,570	37,054	-	11,646
Group insurance	145,000	135,240	5,763	141,003	-	3,997
Electronic data processing	167,000	-	88,040	88,040	-	78,960
Telecommunications	35,100	-	-	-	-	35,100
Administration of the Illinois Petroleum Education and Marketing Act	9,000	8,332	34	8,366	-	634
Administration of the Dry Cleaners Environmental Response Trust Fund Act	85,700	79,954	2,792	82,746	-	2,954
Administration of Simplified Telecommunications Act	2,009,800	1,817,225	92,239	1,909,464	-	100,336
Administration of the Dyed Diesel Fuel Roadside Enforcement Plan Pursuant to P.A. 91-173	29,600	27,997	-	27,997	-	1,603
Administration of Municipality Sales Tax Pursuant to P.A. 93-1053	120,700	115,125	4,390	119,515	-	1,185
Total Tax Compliance and Administration Fund	\$ 3,479,800	\$ 2,986,661	\$ 221,230	\$ 3,207,891	\$ -	\$ 271,909
Predatory Lending Database Program Fund (0478)						
Grants for the Predatory Lending Database program	\$ 1,500,000	\$ -	\$ -	\$ -	\$ -	\$ 1,500,000
Local Government Distributive Fund (0515)						
Grants to allocate to local governments for additional 1.25% use tax pursuant to P.A. 86-0928	\$ 141,000,000	\$ 124,029,669	\$ 16,970,330	\$ 140,999,999	\$ -	\$ 1
Federal Low Income Housing Tax Credit Gap HOME Investment Fund (0681)						
Grants for Capital Investment in Qualified Low Income Housing Tax Credit Housing Developments	\$ 79,677,000	\$ -	\$ -	\$ -	\$ -	\$ 79,677,000

STATE OF ILLINOIS
DEPARTMENT OF REVENUE
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
Appropriations for Fiscal Year 2011

Schedule 2

Eighteen Months Ended December 31, 2011

Public Act 96-0956 Fiscal Year 2011	Appropriations (Net after Transfers)	Expenditures Through June 30, 2011	Lapse Period Expenditures July 1 to December 31, 2011	Total Expenditures	Balances Reappropriated July 1, 2011	Balances Lapsed
State Lottery Fund (0711)						
Personal services	\$ 10,431,900	\$ 9,181,407	\$ 410,308	\$ 9,591,715	\$ -	\$ 840,185
State contributions to State Employees' Retirement System	3,155,900	2,684,658	-	2,684,658	-	471,242
State contributions to Social Security	797,900	677,796	30,471	708,267	-	89,633
Group insurance	2,537,500	2,314,319	129,636	2,443,955	-	93,545
Contractual services	30,059,300	19,428,217	8,621,945	28,050,162	-	2,009,138
Travel	110,400	30,791	5,316	36,107	-	74,293
Commodities	33,600	8,578	42	8,620	-	24,980
Printing	29,800	18,615	-	18,615	-	11,185
Equipment	85,000	-	64,569	64,569	-	20,431
Electronic data processing	3,685,200	2,598,428	280,039	2,878,467	-	806,733
Telecommunications	8,298,700	6,188,282	374,025	6,562,307	-	1,736,393
Operation of automotive equipment	495,000	403,589	60,496	464,085	-	30,915
Developing and promoting Lottery games	7,533,200	3,794,995	3,230,132	7,025,127	-	508,073
Lottery Board	8,300	-	-	-	-	8,300
Payment of prizes to holders of winning Lottery tickets or shares	390,050,000	321,138,532	40,206,509	361,345,041	-	28,704,959
Shared Services Center	410,500	333,496	28,535	362,031	-	48,469
Refunds	48,000	10,265	6,052	16,317	-	31,683
Total State Lottery Fund	\$ 457,770,200	\$ 368,811,968	\$ 53,448,075	\$ 422,260,043	\$ -	\$ 35,510,157
Municipal Telecommunications Fund (0719)						
Simplified Municipal Telecommunications Tax Act refunds	\$ 12,000	\$ -	\$ -	\$ -	\$ -	\$ 12,000
Personal Property Tax Replacement Fund (0802)						
Personal services	\$ 10,197,000	\$ 9,716,081	\$ 435,347	\$ 10,151,428	\$ -	\$ 45,572
State contributions to State Employees' Retirement System	3,084,900	2,844,539	-	2,844,539	-	240,361
State contributions to Social Security	780,000	714,154	32,296	746,450	-	33,550
Group insurance	2,410,500	2,298,398	103,833	2,402,231	-	8,269
Contractual services	1,186,400	1,035,710	6,280	1,041,990	-	144,410
Travel	243,900	182,303	3,004	185,307	-	58,593
Commodities	52,500	49,708	680	50,388	-	2,112
Printing	27,100	13,988	-	13,988	-	13,112
Equipment	12,900	-	-	-	-	12,900
Electronic data processing	6,195,100	3,103,838	2,336,942	5,440,780	-	754,320
Telecommunications	561,100	188,318	77,082	265,400	-	295,700
Operation of automotive equipment	22,000	17,250	4,750	22,000	-	-
Total Personal Property Tax Replacement Fund	\$ 24,773,400	\$ 20,164,287	\$ 3,000,214	\$ 23,164,501	\$ -	\$ 1,608,899

STATE OF ILLINOIS
DEPARTMENT OF REVENUE
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Appropriations for Fiscal Year 2011

Schedule 2

Eighteen Months Ended December 31, 2011

Public Act 96-0956 Fiscal Year 2011	Appropriations (Net after Transfers)	Expenditures Through June 30, 2011	Lapse Period Expenditures July 1 to December 31, 2011	Total Expenditures	Balances Reappropriated July 1, 2011	Balances Lapsed
Dram Shop Fund (0821)						
Personal services	\$ 2,810,800	\$ 2,314,753	\$ 4,810	\$ 2,319,563	\$ -	\$ 491,237
State contributions to State						
Employees' Retirement System	850,400	647,339	-	647,339	-	203,061
State contributions to Social Security	215,000	171,283	368	171,651	-	43,349
Group insurance	652,500	538,944	-	538,944	-	113,556
Contractual services	231,200	189,563	12,475	202,038	-	29,162
Travel	110,000	62,130	11,725	73,855	-	36,145
Commodities	7,000	2,345	-	2,345	-	4,655
Printing	5,000	2,154	1,103	3,257	-	1,743
Equipment	30,000	-	-	-	-	30,000
Electronic data processing	893,300	127,579	13,882	141,461	-	751,839
Telecommunications	80,000	32,781	12,000	44,781	-	35,219
Operation of automotive equipment	95,400	63,973	7,878	71,851	-	23,549
Shared Services Center	123,100	115,581	5,147	120,728	-	2,372
Retailer education program	195,100	168,178	2,760	170,938	-	24,162
Tobacco study	346,600	296,678	10,564	307,242	-	39,358
Operation of the Beverage Alcohol Sellers and Servers Education and Training (BASSET) program	227,000	152,037	13,698	165,735	-	61,265
Grants to local government units to establish enforcement programs	1,000,000	997,690	-	997,690	-	2,310
Refunds	5,000	575	-	575	-	4,425
Total Dram Shop Fund	\$ 7,877,400	\$ 5,883,583	\$ 96,410	\$ 5,979,993	\$ -	\$ 1,897,407
Local Government Video Gaming Distributive Fund (0842)						
Allocation to local governments of net terminal income tax pursuant to Video Gaming Act	\$ 25,000,000	\$ -	\$ -	\$ -	\$ -	\$ 25,000,000
Senior Citizens Real Estate Deferred Tax Revolving Fund (0930)						
Payments to counties	\$ 6,400,000	\$ 6,370,090	\$ 29,910	\$ 6,400,000	\$ -	\$ -
Build Illinois Bond Fund (0971)						
Affordable housing grants, loans, and investments for low-income families, senior citizens, persons with disabilities, and at risk displaced veterans	\$ 100,000,000	\$ -	\$ -	\$ -	\$ 100,000,000	\$ -
Affordable housing grants, loans, and investments for low-income persons with disabilities and at risk displaced veterans	30,000,000	-	-	-	30,000,000	-
Total Build Illinois Bond Fund	\$ 130,000,000	\$ -	\$ -	\$ -	\$ 130,000,000	\$ -
SUBTOTAL - Appropriated Funds	\$ 1,345,131,100	\$ 831,413,675	\$ 112,820,551	\$ 944,234,226	\$ 130,000,000	\$ 270,896,874

STATE OF ILLINOIS
DEPARTMENT OF REVENUE
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
Appropriations for Fiscal Year 2011

Schedule 2

Eighteen Months Ended December 31, 2011

Public Act 96-0956 Fiscal Year 2011	Appropriations (Net after Transfers)	Expenditures Through June 30, 2011	Lapse Period Expenditures July 1 to December 31, 2011	Total Expenditures	Balances Reappropriated July 1, 2011	Balances Lapsed
<u>CONTINUING APPROPRIATIONS</u>						
Income Tax Refund Fund (0278)						
Income tax refunds	\$ 1,552,869,274	\$ 1,552,869,273	\$ -	\$ 1,552,869,273	\$ -	\$ 1
Local Government Distributive Fund (0515)						
Grants to local governments	\$ 1,012,940,705	\$ 1,012,913,252	\$ -	\$ 1,012,913,252	\$ -	\$ 27,453
Personal Property Tax Replacement Fund (0802)						
Shared revenue payments	\$ 1,401,282,785	\$ 1,401,282,784	\$ -	\$ 1,401,282,784	\$ -	\$ 1
SUBTOTAL - Continuing Appropriated Funds	\$ 3,967,092,764	\$ 3,967,065,309	\$ -	\$ 3,967,065,309	\$ -	\$ 27,455
SUBTOTAL - All Appropriated Funds	\$ 5,312,223,864	\$ 4,798,478,984	\$ 112,820,551	\$ 4,911,299,535	\$ 130,000,000	\$ 270,924,329

STATE OF ILLINOIS
DEPARTMENT OF REVENUE
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
Appropriations for Fiscal Year 2011

Schedule 2

Eighteen Months Ended December 31, 2011

Public Act 96-0956 Fiscal Year 2011	Appropriations (Net after Transfers)	Expenditures Through June 30, 2011	Lapse Period Expenditures July 1 to December 31, 2011	Total Expenditures	Balances Reappropriated July 1, 2011	Balances Lapsed
NON-APPROPRIATED EXPENDITURES						
County Water Commission Tax Fund (0084)						
Shared revenue payments		\$ 30,796,261	\$ -	\$ 30,796,261		
Non-Home Municipal ROT Fund (0088)						
Shared revenue payments		\$ 91,337,281	\$ -	\$ 91,337,281		
Home Rule Municipal Soft Drink ROT Fund (0097)						
Shared revenue payments		\$ 8,858,256	\$ -	\$ 8,858,256		
Home Rule Municipal ROT Fund (0138)						
Shared revenue payments		\$ 771,624,010	\$ -	\$ 771,624,010		
Home Rule County ROT Fund (0139)						
Shared revenue payments		\$ 540,884,111	\$ -	\$ 540,884,111		
Business District Retailers' Occupation Tax Fund (0160)						
Shared revenue payments		\$ 9,083,250	\$ -	\$ 9,083,250		
County and Mass Transit District Fund (0188)						
Shared revenue payments		\$ 203,973,570	\$ -	\$ 203,973,570		
Local Government Tax Fund (0189)						
Shared revenue payments		\$ 1,547,519,391	\$ -	\$ 1,547,519,391		
County Option Motor Fuel Tax Fund (0190)						
Shared revenue payments		\$ 31,530,862	\$ -	\$ 31,530,862		
County Public Safety ROT Fund (0219)						
Shared revenue payments		\$ 82,471,288	\$ -	\$ 82,471,288		
Sports Facility Tax Trust Fund (0229)						
Interfund transfers		\$ 32,179,355	\$ -	\$ 32,179,355		
Illinois Tourism Tax Fund (0452)						
Shared revenue payments		\$ 15,603,702	\$ -	\$ 15,603,702		
School Facility Occupation Fund (0498)						
Shared revenue payments		\$ 25,716,440	\$ -	\$ 25,716,440		
Flood Prevention Occupation Fund (0558)						
Shared revenue payments		\$ 11,073,812	\$ -	\$ 11,073,812		

STATE OF ILLINOIS
DEPARTMENT OF REVENUE
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
Appropriations for Fiscal Year 2011

Eighteen Months Ended December 31, 2011

Public Act 96-0956 Fiscal Year 2011	Appropriations (Net after Transfers)	Expenditures Through June 30, 2011	Lapse Period Expenditures July 1 to December 31, 2011	Total Expenditures	Balances Reappropriated July 1, 2011	Balances Lapsed
State Lottery Fund (0711)						
Interfund cash transfers		\$ 54,125,000	\$ -	\$ 54,125,000		
Metro East Park and Recreation Fund (0717)						
Shared revenue payments		\$ 4,333,993	\$ -	\$ 4,333,993		
Municipal Telecommunications Fund (0719)						
Grants to local governments		\$ 276,152,755	\$ -	\$ 276,152,755		
RTA Sales Tax Fund (0812)						
Shared revenue payments		\$ 1,027,066,789	\$ -	\$ 1,027,066,789		
Metro East Mass Transit District Tax Fund (0841)						
Shared revenue payments		\$ 28,852,731	\$ -	\$ 28,852,731		
Tennessee Valley Authority Local Trust Fund (0861)						
Shared revenue payments		\$ 298,234	\$ -	\$ 298,234		
Municipal Automobile Renting Tax Fund (0868)						
Shared revenue payments		\$ 5,455,514	\$ -	\$ 5,455,514		
County Automobile Renting Tax Fund (0869)						
Shared revenue payments		\$ 157,569	\$ -	\$ 157,569		
Deferred Lottery Prize Winners Fund (0978)						
Lottery prizes - monetary		\$ 89,441,404	\$ -	\$ 89,441,404		
SUBTOTAL - Nonappropriated Expenditures		<u>\$ 4,888,535,578</u>	<u>\$ -</u>	<u>\$ 4,888,535,578</u>		
DEPARTMENT TOTAL - ALL FUNDS		<u>\$ 9,687,014,562</u>	<u>\$ 112,820,551</u>	<u>\$ 9,799,835,113</u>		

Notes:

- (a) Appropriations, expenditures and lapsed balances were obtained from the State Comptroller's records which have been reconciled to the Department's records.
(b) Expenditure amounts are vouchers approved for payment by the Department and submitted to the State Comptroller for payment to the vendor.

STATE OF ILLINOIS
DEPARTMENT OF REVENUE
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES

Schedule 3

For the Fiscal Years Ended June 30, 2012, 2011, and 2010

	2012 Public Acts 097-0057, 097-0076 097-0642	2011 Public Acts 096-0956	2010 Public Acts 096-0039, 096-0042 098-0819, and 096-0890
General Revenue Fund (0001)			
Appropriations (Net of Transfers)	\$ 125,710,100	\$ 139,091,800	\$ 142,504,100
Expenditures:			
Personal services	73,236,274	-	\$ 80,043,156
State contributions to Social Security	5,247,049	-	5,772,542
Contractual services	5,150,353	-	-
Travel	1,433,212	-	-
Commodities	556,517	-	-
Printing	352,076	-	-
Equipment	34,467	-	-
Electronic data processing	20,114,125	-	-
Telecommunications	774,441	-	-
Operation of automotive equipment	45,656	-	-
Lump sums for Shared Services	1,776,945	-	-
Grants for the State's share of State's Attorneys' and Assistant State's Attorneys' salaries	7,713,927	5,575,990	14,067,000
Grants for the State's share of County Public Defenders' salaries	3,769,979	2,679,988	5,700,000
Operation expenses, awards, grants, and permanent improvements	-	3,829,829	3,830,500
Operations expenses	-	109,215,037	18,537,984
Tax refunds	3,124,970	-	-
Governor's discretionary appropriations	-	1,051,006	-
Governor's discretionary appropriations	-	11,204,112	-
Total General Revenue Fund	<u>\$ 123,329,991</u>	<u>\$ 133,555,962</u>	<u>\$ 127,951,182</u>
Lapsed Balances	<u>\$ 2,380,109</u>	<u>\$ 5,535,838</u>	<u>\$ 14,552,918</u>
Motor Fuel Tax Fund (0012)			
Appropriations (Net of Transfers)	\$ 82,871,600	\$ 106,666,900	\$ 108,623,500
Expenditures:			
Personal services	\$ 17,471,977	\$ 16,227,979	\$ 15,302,485
State contributions to State Employees' Retirement System	5,991,710	4,547,991	4,348,684
State contributions to Social Security	1,266,786	1,163,137	1,110,434
Group insurance	3,701,607	3,182,973	2,927,089
Contractual services	1,492,008	1,504,751	1,847,831
Travel	644,987	812,161	1,413,007
Commodities	29,559	55,022	48,678
Printing	89,917	106,595	93,389
Equipment	1,685	4,371	4,338
Electronic data processing	11,595,470	11,463,825	15,446,366
Telecommunications	749,556	805,815	950,232
Operation of automotive equipment	61,900	68,435	57,242
Administration of the Motor Fuel Tax Enforcement Grant from U.S.D.O.T.	52,452	116,366	148,845
Shared Services Center	763,151	786,243	675,690
Reimbursement to International Fuel Tax Agreement Member States	3,657,793	2,941,598	12,353,506
Motor Fuel Tax refunds	19,612,082	17,817,829	21,015,735
Total Motor Fuel Tax Fund	<u>\$ 67,182,640</u>	<u>\$ 61,605,091</u>	<u>\$ 77,743,551</u>
Lapsed Balances	<u>\$ 15,688,960</u>	<u>\$ 45,061,809</u>	<u>\$ 30,879,949</u>
Underground Storage Tank Fund (0072)			
Appropriations (Net of Transfers)	\$ 1,598,000	\$ 1,486,500	\$ 1,326,800
Expenditures:			
Personal services	\$ 770,577	\$ 682,897	\$ 593,251
State contributions to State Employees' Retirement System	263,769	191,443	168,456
State contributions to Social Security	56,415	49,762	43,138
Group insurance	195,235	155,388	135,696
Travel	30,183	30,004	29,661
Commodities	1,785	2,021	2,040
Printing	1,306	1,140	437
Electronic data processing	219,991	201,324	210,805
Telecommunications	26,363	61,395	59,384
Total Underground Storage Tank Fund	<u>\$ 1,565,624</u>	<u>\$ 1,375,374</u>	<u>\$ 1,242,868</u>
Lapsed Balances	<u>\$ 32,376</u>	<u>\$ 111,126</u>	<u>\$ 83,932</u>

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	2012 Public Acts 097-0057, 097-0076 097-0642	2011 Public Acts 096-0956	2010 Public Acts 096-0039, 096-0042 098-0819, and 096-0890
Illinois Gaming Law Enforcement Fund (0085)			
Appropriations (Net of Transfers)	\$ 2,302,100	\$ 2,260,500	\$ 2,995,100
Expenditures:			
Personal services	\$ 346,555	\$ 264,988	\$ 226,455
State contributions to State Employees' Retirement System	118,529	74,064	64,272
State contributions to Social Security	25,829	19,705	16,484
Group insurance	102,634	67,068	56,973
Contractual services	-	641	2,239
Travel	-	43,073	45,719
Commodities	-	982	888
Printing	-	-	319
Electronic data processing	108,650	222,450	-
Telecommunications	-	-	14,494
Operation of automotive equipment	21,235	28,600	28,575
Grants for allocation to local law enforcement agencies	978,582	1,026,085	1,061,007
Total Illinois Gaming Law Enforcement Fund	\$ 1,702,014	\$ 1,747,656	\$ 1,517,425
Lapsed Balances	\$ 600,086	\$ 512,844	\$ 1,477,675
State Gaming Fund (0129)			
Appropriations (Net of Transfers)	\$ -	\$ -	\$ 230,600
Expenditures:			
Shared Service Center	\$ -	\$ -	\$ 179,164
Lapsed Balances	\$ -	\$ -	\$ 51,436
Home Rule Municipal ROT Fund (0138)			
Appropriations (Net of Transfers)	\$ 1,161,700	\$ 1,073,000	\$ 1,043,900
Expenditures:			
Personal services	\$ 464,794	\$ 435,550	\$ 421,672
State contributions to State Employees' Retirement System	159,067	122,251	119,739
State contributions to Social Security	34,813	32,736	31,414
Group insurance	96,164	70,479	82,764
Travel	50,788	50,740	-
Electronic data processing	277,199	277,200	276,739
Telecommunications	23,886	29,872	30,100
Total Home Rule Municipal ROT Fund	\$ 1,106,711	\$ 1,018,828	\$ 962,428
Lapsed Balances	\$ 54,989	\$ 54,172	\$ 81,472
Illinois Department of Revenue Federal Trust Fund (0140)			
Appropriations (Net of Transfers)	\$ 150,000	\$ 50,000	\$ 50,000
Expenditures:			
Administrative costs	\$ 88,405	\$ 34,000	\$ 630
Lapsed Balances	\$ 61,595	\$ 16,000	\$ 49,370
Rental Housing Support Program Fund (0150)			
Appropriations (Net of Transfers)	\$ 26,100,000	\$ 33,100,000	\$ 31,100,000
Expenditures:			
Administration of the Rental Housing Support program	\$ 513,399	\$ 300,000	\$ 258,069
Grants to provide rental assistance to the Rental Housing Support Program Fund	13,525,000	11,964,932	16,229,827
Total Rental Housing Support Program Fund	\$ 14,038,399	\$ 12,264,932	\$ 16,487,896
Lapsed Balances	\$ 12,061,601	\$ 20,835,068	\$ 14,612,104
State and Local Sales Tax Reform Fund (0186)			
Appropriations (Net of Transfers)	\$ 51,600,000	\$ 51,600,000	\$ 53,803,700
Expenditures:			
Grants to allocate to Chicago for additional 1.25% use tax pursuant to P.A. 86-0928	\$ 51,600,000	\$ 51,600,000	\$ 48,016,099
Lapsed Balances	\$ -	\$ -	\$ 5,787,601

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RTA Occupation and Use Tax Replacement Fund (0187)			
Appropriations (Net of Transfers)	\$ 26,000,000	\$ 26,000,000	\$ 26,901,200
Expenditures:			
Grants to allocate to RTA for 10% of the 1.25% use tax pursuant to P.A. 86-0928	\$ 26,000,000	\$ 26,000,000	\$ 24,446,334
Lapsed Balances	\$ -	\$ -	\$ 2,454,866
County Option Motor Fuel Tax Fund (0190)			
Appropriations (Net of Transfers)	\$ 1,093,800	\$ 1,035,300	\$ 876,000
Expenditures:			
Personal services	\$ 373,149	\$ 271,910	\$ 343,864
State contributions to State Employees' Retirement System	127,597	76,177	97,679
State contributions to Social Security	27,580	19,837	25,503
Group insurance	121,710	63,345	79,878
Travel	-	30,206	30,290
Commodities	-	2,179	2,312
Electronic data processing	-	102,356	193,600
Telecommunications	-	41,593	41,600
Total County Option Motor Fuel Tax Fund	\$ 650,036	\$ 607,603	\$ 814,726
Lapsed Balances	\$ 443,764	\$ 427,697	\$ 61,274
Debt Collection Fund (0279)			
Appropriations (Net of Transfers)	\$ 20,000	\$ 40,000	\$ 40,000
Expenditures:			
Administration of Statewide debt collection	\$ 1,221	\$ 16,517	\$ 18,585
Lapsed Balances	\$ 18,779	\$ 23,483	\$ 21,415
Illinois Tax Increment Fund (0281)			
Appropriations (Net of Transfers)	\$ 22,035,100	\$ 22,008,700	\$ 21,948,000
Expenditures:			
Personal services	\$ 276,294	\$ 256,704	\$ 223,938
State contributions to State Employees' Retirement System	94,546	71,912	63,599
State contributions to Social Security	20,493	18,962	16,427
Group insurance	69,106	61,166	53,813
Electronic data processing	135,000	135,000	135,000
Telecommunications	16,279	18,646	18,698
Grants for distribution to local Tax Increment Finance districts	20,245,309	19,151,391	17,672,539
Total Illinois Tax Increment Fund	\$ 20,857,027	\$ 19,713,781	\$ 18,184,014
Lapsed Balances	\$ 1,178,073	\$ 2,294,919	\$ 3,763,986
Illinois Affordable Housing Trust Fund (0286)			
Appropriations (Net of Transfers)	\$ 25,000,000	\$ 34,500,000	\$ 49,500,000
Expenditures:			
Administration of the Illinois Affordable Housing Act	\$ 2,500,000	\$ 1,000,000	\$ 2,093,797
Grants to other State agencies	-	-	2,000,000
Grants, mortgages, loans, or for the purpose of securing bonds	20,184,755	9,818,029	15,240,881
Total Illinois Affordable Housing Trust Fund	\$ 22,684,755	\$ 10,818,029	\$ 19,334,678
Lapsed Balances	\$ 2,315,245	\$ 23,681,971	\$ 30,165,322
Federal HOME Investment Trust Fund (0338)			
Appropriations (Net of Transfers)	\$ 54,864,575	\$ 48,728,600	\$ 39,150,000
Expenditures:			
Illinois HOME Investment Partnerships Program	\$ 31,968,626	\$ 21,864,026	\$ 7,677,556
Reappropriated Balances	\$ 19,864,600	\$ -	\$ -
Lapsed Balances	\$ 3,031,349	\$ 26,864,574	\$ 31,472,444

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	2012 Public Acts 097-0057, 097-0076 097-0642	2011 Public Acts 096-0956	2010 Public Acts 096-0039, 096-0042 098-0819, and 096-0890
Tax Compliance and Administration Fund (0384)			
Appropriations (Net of Transfers)	\$ 8,197,500	\$ 3,479,800	\$ 4,071,200
Expenditures:			
Personal services	\$ 526,106	\$ 619,887	\$ 1,002,746
State contributions to State Employees' Retirement System	179,939	173,819	284,811
State contributions to Social Security	31,239	37,054	40,118
Group insurance	139,811	141,003	200,442
Electronic data processing	751,763	88,040	114,350
Telecommunications	35,080	-	33,086
Administration of the Illinois Petroleum Education and Marketing Act	8,746	8,366	7,796
Administration of the Dry Cleaners Environmental Response Trust Fund Act	74,746	82,746	75,198
Administration of Simplified Telecommunications Act	1,816,036	1,909,464	1,813,128
Administration of the Dyed Diesel Fuel Roadside Enforcement Plan Pursuant to P.A. 91-173	-	27,997	21,388
Administration of Municipality Sales Tax Pursuant to P.A. 93-1053	110,392	119,515	98,515
Total Tax Compliance and Administration Fund	\$ 3,673,858	\$ 3,207,891	\$ 3,691,578
Lapsed Balances	\$ 4,523,642	\$ 271,909	\$ 379,622
Predatory Lending Database Program Fund (0478)			
Appropriations (Net of Transfers)	\$ 860,000	\$ 1,500,000	\$ 1,500,000
Expenditures:			
Grants for the Predatory Lending Database Program	\$ 105,000	\$ -	\$ 1,100,000
Lapsed Balances	\$ 755,000	\$ 1,500,000	\$ 400,000
Local Government Distributive Fund (0515)			
Appropriations (Net of Transfers)	\$ 141,000,000	\$ 141,000,000	\$ 142,620,700
Expenditures:			
Grants to allocate to local governments for additional 1.25% use tax pursuant to P.A. 86-0928	\$ 140,999,548	\$ 140,999,999	\$ 128,788,703
Lapsed Balances	\$ 452	\$ 1	\$ 13,831,997
Horse Racing Fund (0632)			
Appropriations (Net of Transfers)	\$ -	\$ -	\$ 88,500
Expenditures			
Shared Services Center	-	-	\$ 71,066
Lapsed Balances	\$ -	\$ -	\$ 17,434
Federal Low Income Housing Credit Gap HOME Investment Fund (0681)			
Appropriations (Net of Transfers)	\$ -	\$ 79,677,000	\$ 96,000,000
Lapsed Balances	\$ -	\$ 79,677,000	\$ 96,000,000
Federal Low Income Housing Tax Credit Exchange Fund (0682)			
Appropriations (Net of Transfers)	\$ -	\$ -	\$ 250,000,000
Lapsed Balances	\$ -	\$ -	\$ 250,000,000

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	2012 Public Acts 097-0057, 097-0076 097-0642	2011 Public Acts 096-0956	2010 Public Acts 096-0039, 096-0042 098-0819, and 096-0890
State Lottery Fund (0711)			
Appropriations (Net of Transfers)	\$ 95,700,208	\$ 457,770,200	\$ 421,250,400
Expenditures:			
Personal services	\$ 2,268,640	\$ 9,591,715	\$ 9,544,285
State contributions to State Employees' Retirement System	776,659	2,684,658	2,712,286
State contributions to Social Security	167,229	708,267	704,989
Group insurance	656,298	2,443,955	2,240,090
Contractual services	208,468	28,050,162	28,420,441
Travel	8,482	36,107	60,006
Commodities	-	8,620	7,517
Printing	-	18,615	24
Equipment	-	64,569	71,750
Electronic data processing	687,747	2,878,467	3,211,451
Telecommunications	102,164	6,562,307	7,818,002
Operation of automotive equipment	97,674	464,085	415,973
Developing and promoting Lottery games	20,905,833	7,025,127	5,248,609
Lottery Board	-	-	544
Shared Services Center	110,660	362,031	336,781
Payment of prizes to holders of winning Lottery tickets or shares	69,709,400	361,345,041	340,955,927
Refunds	719	16,317	35,673
Total State Lottery Fund	\$ 95,699,973	\$ 422,260,043	\$ 401,784,348
Lapsed Balances	\$ 235	\$ 35,510,157	\$ 19,466,052
Municipal Telecommunications Fund (0719)			
Appropriations (Net of Transfers)	\$ 12,000	\$ 12,000	\$ 12,000
Lapsed Balances	\$ 12,000	\$ 12,000	\$ 12,000
Personal Property Tax Replacement Fund (0802)			
Appropriations (Net of Transfers)	\$ 41,546,500	\$ 24,773,400	\$ 23,682,500
Expenditures:			
Personal services	\$ 10,767,803	\$ 10,151,428	\$ 9,237,512
State contributions to State Employees' Retirement System	3,687,341	2,844,539	2,623,382
State contributions to Social Security	791,933	746,450	680,895
Group insurance	2,771,083	2,402,231	2,088,131
Contractual services	1,179,985	1,041,990	1,081,554
Travel	242,031	185,307	238,241
Commodities	21,816	50,388	34,106
Printing	15,701	13,988	24,396
Equipment	666	-	12,594
Electronic data processing	4,314,215	5,440,780	6,128,992
Telecommunications	486,035	265,400	558,967
Operation of Automotive Equipment	22,000	22,000	10,000
Grants for the State's share of State's Attorneys' and Assistant State's Attorney's salaries	5,585,993	-	-
Grants for the State's share of County Public Defender's salaries	2,466,216	-	-
Grants for the State's share of County Supervisors of Assessments or County Assessor's salaries	2,774,903	-	-
Grants for additional compensation for local assessors as provided by Section 2.3 and 2.6 of the Revenue Act of 1939	201,500	-	-
Grants for additional compensation for local assessors as provided by Section 2.7 of the Revenue Act of 1939	372,600	-	-
Grants for additional compensation for county treasurers	663,000	-	-
Grants for annual stipend for sheriffs	663,000	-	-
Grants for stipend to county coroner	655,688	-	-
Grants for additional compensation for county auditors	110,488	-	-
Total Personal Property Tax Replacement Fund	\$ 37,793,997	\$ 23,164,501	\$ 22,718,770
Lapsed Balances	\$ 3,752,503	\$ 1,608,899	\$ 963,730

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	2012 Public Acts 097-0057, 097-0076 097-0642	2011 Public Acts 096-0956	2010 Public Acts 096-0039, 096-0042 098-0819, and 096-0890
Dram Shop Fund (0821)			
Appropriations (Net of Transfers)	\$ 8,568,700	\$ 7,877,400	\$ 7,468,400
Expenditures:			
Personal services	\$ 2,614,237	\$ 2,319,563	\$ 2,316,689
State contributions to State Employees' Retirement System	895,085	647,339	659,079
State contributions to Social Security	194,144	171,651	171,045
Group insurance	661,808	538,944	517,320
Contractual services	182,712	202,038	183,116
Travel	61,570	73,855	86,344
Commodities	1,656	2,345	4,266
Printing	3,275	3,257	-
Equipment	2,113	-	14,843
Electronic data processing	110,700	141,461	91,029
Telecommunications	58,295	44,781	25,812
Operation of automotive equipment	83,835	71,851	65,933
Shared Services Center	123,557	120,728	104,722
Retailer education program	194,884	170,938	161,766
Tobacco study	662,878	307,242	322,136
Operation of the Beverage Alcohol Sellers and Servers Education and Training (BASSET) program	165,515	165,735	169,716
Grants to local governmental units to establish enforcement programs	990,760	997,690	999,244
Refunds	300	575	2,725
Total Dram Shop Fund	\$ 7,007,324	\$ 5,979,993	\$ 5,895,785
Lapsed Balances	\$ 1,561,376	\$ 1,897,407	\$ 1,572,615
Local Government Video Gaming Distributive Fund (0842)			
Appropriations (Net of Transfers)	\$ 60,000,000	\$ 25,000,000	\$ -
Lapsed Balances	\$ 60,000,000	\$ 25,000,000	\$ -
Foreclosure Prevention Program Fund (0891)			
Appropriations (Net of Transfers)	\$ 10,000,000	\$ -	\$ -
Expenditures:			
Awards and grants, lump sums and other purposes	\$ 5,096,940	\$ -	\$ -
Lapsed Balances	\$ 4,903,060	\$ -	\$ -
Abandoned Residential Property Municipality Relief Fund (0892)			
Appropriations (Net of Transfers)	\$ 10,000,000	\$ -	\$ -
Lapsed Balances	\$ 10,000,000	\$ -	\$ -
Senior Citizens Real Estate Deferred Tax Revolving Fund (0930)			
Appropriations (Net of Transfers)	\$ 7,200,000	\$ 6,400,000	\$ 10,350,000
Expenditures			
Payments to counties	\$ 6,991,295	\$ 6,400,000	\$ 8,538,745
Lapsed Balances	\$ 208,705	\$ -	\$ 1,811,255
Build Illinois Bond Fund (0971)			
Appropriations (Net of Transfers)	\$ 130,000,000	\$ 130,000,000	\$ 130,000,000
Expenditures:			
Affordable housing grants, loans, and investments for low-income families, senior citizens, persons with disabilities, and at risk displaced veterans	\$ 20,223,000	\$ -	\$ -
Affordable housing grants, loans, and investments for low-income persons with disabilities and at risk displaced veterans	13,997,000	-	-
Total Build Illinois Bond Fund	\$ 34,220,000	\$ -	\$ -
Reappropriated Balances	\$ 95,780,000	\$ 130,000,000	\$ -
Lapsed Balances	\$ -	\$ -	\$ 130,000,000
TOTAL - APPROPRIATED FUNDS			
Total Appropriations (Net of Transfers)	\$ 933,591,883	\$ 1,345,131,100	\$ 1,567,136,600
Total Appropriated Expenditures	\$ 694,363,384	\$ 944,234,226	\$ 917,166,131
Balances Reappropriated July 1	\$ 115,644,600	\$ 130,000,000	\$ -
Lapsed Balances	\$ 123,583,899	\$ 270,896,874	\$ 649,970,469

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CONTINUING APPROPRIATED FUNDS			
Income Tax Refund Fund (0278)			
Appropriations (Net of Transfers)	\$ 2,141,516,560	\$ 1,552,869,274	\$ 1,336,317,416
Expenditures			
Income tax refunds	\$ 2,141,516,559	\$ 1,552,869,273	\$ 1,336,317,415
Lapsed Balances	\$ 1	\$ 1	\$ 1
Local Government Distributive Fund (0515)			
Appropriations (Net of Transfers)	\$ 1,095,290,775	\$ 1,012,940,705	\$ 1,069,784,807
Expenditures			
Grants to local governments	\$ 1,095,290,775	\$ 1,012,913,252	\$ 1,069,784,806
Lapsed Balances	\$ -	\$ 27,453	\$ 1
Personal Property Tax Replacement Fund (0802)			
Appropriations (Net of Transfers)	\$ 1,236,042,238	\$ 1,401,282,785	\$ 1,135,940,898
Expenditures			
Shared revenue payments	\$ 1,236,042,238	\$ 1,401,282,784	\$ 1,135,940,897
Lapsed Balances	\$ -	\$ 1	\$ 1
TOTAL - CONTINUING APPROPRIATED FUNDS			
Total Continuing Appropriations (Net of Transfers)	\$ 4,472,849,573	\$ 3,967,092,764	\$ 3,542,043,121
Total Expenditures	\$ 4,472,849,572	\$ 3,967,065,309	\$ 3,542,043,118
Lapsed Balances	\$ 1	\$ 27,455	\$ 3
NONAPPROPRIATED FUNDS			
County Water Commission Tax Fund (0084)			
Shared revenue payments	\$ 31,835,073	\$ 30,796,261	\$ 28,909,180
Non-Home Municipal ROT Fund (0088)			
Shared revenue payments	\$ 104,996,503	\$ 91,337,281	\$ 87,051,584
Home Rule Municipal Soft Drink ROT Fund (0097)			
Shared revenue payments	\$ 9,449,784	\$ 8,858,256	\$ 8,206,740
Home Rule Municipal ROT Fund (0138)			
Shared revenue payments	\$ 831,531,931	\$ 771,624,010	\$ 704,527,992
Home Rule County ROT Fund (0139)			
Shared revenue payments	\$ 496,546,172	\$ 540,884,111	\$ 672,347,583
Business District Retailers' Occupation Tax Fund (0160)			
Shared revenue payments	\$ 10,076,400	\$ 9,083,250	\$ 7,785,788
County and Mass Transit District Fund (0188)			
Shared revenue payments	\$ 212,977,744	\$ 203,973,570	\$ 191,893,851
Local Government Tax Fund (0189)			
Shared revenue payments	\$ 1,623,726,124	\$ 1,547,519,391	\$ 1,474,183,687
County Option Motor Fuel Tax Fund (0190)			
Shared revenue payments	\$ 32,027,253	\$ 31,530,862	\$ 31,034,198
County Public Safety ROT Fund (0219)			
Shared revenue payments	\$ 86,612,059	\$ 82,471,288	\$ 74,866,861
Sports Facility Tax Trust Fund (0229)			
Interfund transfers	\$ 38,717,904	\$ 32,179,355	\$ 26,874,906
Shared revenue payments	-	-	1,785,614
Total Sports Facility Tax Trust Fund	\$ 38,717,904	\$ 32,179,355	\$ 28,660,520

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Illinois Tourism Tax Fund (0452)			
Shared revenue payments	\$ 17,906,893	\$ 15,603,702	\$ 13,764,610
School Facility Occupation Fund (0498)			
Shared revenue payments	\$ 39,328,131	\$ 25,716,440	\$ 10,878,691
Flood Prevention Occupation Fund (0558)			
Shared revenue payments	\$ 11,340,707	\$ 11,073,812	\$ 10,570,458
State Lottery Fund (0711)			
Interfund cash transfers	\$ -	\$ 54,125,000	\$ 32,875,000
Metro East Park and Recreation District Fund (0717)			
Shared revenue payments	\$ 4,421,940	\$ 4,333,993	\$ 4,145,559
Municipal Telecommunications Fund (0719)			
Grants to local governments	\$ 301,176,919	\$ 276,152,755	\$ 291,291,605
RTA Public Transportation Fund (0741)			
Shared revenue payments	\$ -	\$ -	\$ 5,081
RTA Sales Tax Fund (0812)			
Shared revenue payments	\$ 1,077,949,052	\$ 1,027,066,789	\$ 986,298,793
Metro East Mass Transit District Tax Fund (0841)			
Shared revenue payments	\$ 29,369,099	\$ 28,852,731	\$ 28,106,101
Tennessee Valley Authority Local Trust Fund (0861)			
Shared revenue payments	\$ 307,570	\$ 298,234	\$ 280,596
Municipal Automobile Renting Tax Fund (0868)			
Shared revenue payments	\$ 5,808,780	\$ 5,455,514	\$ 5,206,399
County Automobile Renting Tax Fund (0869)			
Shared revenue payments	\$ 256,657	\$ 157,569	\$ 227,939
Deferred Lottery Prize Winners Fund (978)			
Lottery prizes - monetary	\$ 18,177,178	\$ 89,441,404	\$ 116,226,350
TOTAL EXPENDITURES - NONAPPROPRIATED FUNDS	\$ 4,984,539,873	\$ 4,888,535,578	\$ 4,809,345,166
GRANT TOTAL EXPENDITURES - ALL FUNDS	\$ 10,151,752,829	\$ 9,799,835,113	\$ 9,268,554,415
STATE OFFICERS' SALARIES			
Appropriations (Net of Transfers)	\$ 599,500	\$ 599,500	\$ 599,500
Expenditures			
Department of Revenue			
Director	\$ 142,339	\$ 135,795	\$ 142,339
Liquor Control Commission:			
Chairman	-	32,579	33,592
Members (Six Total)	215,459	194,294	206,479
Secretary	31,927	35,213	37,571
Chairman and two members per diem for work on License Appeal Commission	8,400	14,600	7,000
Total General Revenue Fund	\$ 398,125	\$ 412,481	\$ 426,981
Lapsed Balances	\$ 201,375	\$ 187,019	\$ 172,519

Notes:

- (a) Appropriations, expenditures and lapsed balances were obtained from the State Comptroller's records, which have been reconciled to the Department's records.
- (b) Expenditure amounts are vouchers approved for payment by the Department and submitted to the State Comptroller for payment to the vendor.
- (c) Approximate lapse period expenditures do not include interest payments approved for payments by the Department and submitted to the State Comptroller for payment after August 2012 and 2010.

STATE OF ILLINOIS
DEPARTMENT OF REVENUE
COMPARATIVE SCHEDULE OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE
(CASH BASIS) - LOCALLY-HELD FUNDS

Schedule 4

For the Fiscal Years Ended June 30, 2012 and 2011

<u>Fund Name/Fund Number</u>	<u>2012</u>	<u>2011</u>
Surety Bond (1151)		
Beginning cash balances	\$ 2,019,949	\$ 1,352,151
Receipts:		
Bond operations	321,901	939,878
Disbursements:		
Refunds	699,527	272,080
Ending cash balance	<u>\$ 1,642,323</u>	<u>\$ 2,019,949</u>
 Prize Payment Fund (1279)*		
Beginning cash balances		\$ 1,350,653
Receipts:		
Fund transfers-in		81,979,968
Disbursements:		
Awards or grants		79,780,034
Ending cash balance		<u>\$ 3,550,587</u>
 Agent Security Deposit (1309)*		
Beginning cash balances		\$ 936,685
Receipts:		
Fund transfers-in		94,403
Investment income		1,051
Miscellaneous		167,835
Disbursements:		
Refunds		413,282
Ending cash balance		<u>\$ 786,692</u>

STATE OF ILLINOIS
DEPARTMENT OF REVENUE
COMPARATIVE SCHEDULE OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE
(CASH BASIS) - LOCALLY-HELD FUNDS

Schedule 4

For the Fiscal Years Ended June 30, 2012 and 2011

<u>Fund Name/Fund Number</u>	<u>2012</u>	<u>2011</u>
Evidence Fund (1369)		
Beginning cash balances	\$ 3,144	\$ 2,674
Receipts:		
Private organizations or individuals	4,367	5,061
Disbursements:		
Purchase of evidence	3,256	4,591
Ending cash balance	<u>\$ 4,255</u>	<u>\$ 3,144</u>
Agent Sales Sweep Account (1373)*		
Beginning cash balances		\$ 1,987,458
Receipts:		
Lottery sales		1,138,734,268
Disbursements:		
Fund transfers-out		1,138,707,737
Ending cash balance		<u>\$ 2,013,989</u>
Agent Sales Concentration Account (1374)*		
Beginning cash balances		\$ 3,180,000
Receipts:		
Fund transfers-in		1,138,707,737
Lottery sales		2,338,267
Disbursements:		
Contractual services		57,994,461
Fund transfers-out		1,085,518,361
Ending cash balance		<u>\$ 713,182</u>

* These funds moved to the Department of the Lottery effective October 15, 2011 with Public Act 97-0464.

STATE OF ILLINOIS
DEPARTMENT OF REVENUE
SCHEDULE OF CHANGES IN STATE PROPERTY

Schedule 5

For the Fiscal Years Ended June 30, 2012 and 2011

	Total	Financed Equipment	Buildings and Building Improvements	Capital Lease Equipment	Equipment
Balance at July 1, 2010	\$ 16,733,437	\$ 439,243	\$ 6,322	-	\$ 16,287,872
Additions	154,040	-	-	18,876	135,164
Deletions	(62,590)	-	-	-	(62,590)
Net Transfers	<u>(785,967)</u>	<u>(439,243)</u>	<u>-</u>	<u>-</u>	<u>(346,724)</u>
Balance at June 30, 2011	\$ 16,038,920	\$ -	\$ 6,322	\$ 18,876	\$ 16,013,722
Additions	153,557	-	-	-	153,557
Deletions	(4,390)	-	-	-	(4,390)
Net Transfers	<u>(3,161,382)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,161,382)</u>
Balance at June 30, 2012	<u>\$ 13,026,705</u>	<u>\$ -</u>	<u>\$ 6,322</u>	<u>\$ 18,876</u>	<u>\$ 13,001,507</u>

- (1) The summary schedule was prepared using State property records required by the Illinois Administrative Code. The capitalization policy in the Code is different than the capitalization policy established by the Office of the Comptroller for reporting in accordance with generally accepted accounting principles.
- (2) The schedule has been derived from Department records which have been reconciled to property reports submitted to the Office of the State Comptroller.

STATE OF ILLINOIS
DEPARTMENT OF REVENUE
COMPARATIVE SCHEDULE OF CASH RECEIPTS

Schedule 6

For Fiscal Years Ended June 30, 2012, 2011, and 2010

FUND/TAX SOURCE	FUND	2012	2011	2010
Deposits into the State Treasury were designated as follows:				
General Funds:	0001			
General Revenue Fund				
Income tax		\$ 16,661,212,135	\$ 11,888,189,440	\$ 9,150,222,513
Income tax - amnesty		-	116,469,233	-
Retailers' occupation (sales) tax		5,384,839,751	4,969,414,752	4,691,367,185
Retailers' occupation (sales) tax - amnesty		-	61,435,342	-
Public utility tax		898,363,028	1,012,724,065	977,931,723
Public utility tax - amnesty		159,957	7,607,994	-
Cigarette tax		197,090,172	194,631,022	190,924,376
Liquor tax		164,434,426	157,326,021	158,527,781
Liquor tax - amnesty		-	31,793	-
Cigarette use tax		42,701,272	43,456,333	45,722,288
Hotel operators occupation tax		39,736,312	33,294,367	30,443,802
Hotel operators occupation tax - amnesty		67,897	-	-
Automobile renting tax		34,048,792	33,587,557	28,866,425
Automobile renting tax - amnesty		-	12,087	-
Private vehicle use tax		28,689,566	30,263,438	30,173,195
Liquor control commission		7,134,312	6,963,877	7,134,386
General office		3,627,373	3,050,231	6,001,138
Coin operators amusement tax		1,770,397	1,996,030	2,089,732
Bingo license fees		145,154	148,392	160,342
Tennessee valley authority payments		131,816	127,815	120,255
Illinois racing board		-	-	27,060
Charitable games act		20,650	22,600	23,150
Total General Revenue Fund		<u>\$ 23,464,173,010</u>	<u>\$ 18,560,752,389</u>	<u>\$ 15,319,735,351</u>
Common School Fund	0412			
Public utility tax		\$ 89,241,727	\$ 108,437,839	\$ 105,141,075
Public utility tax - amnesty		225,292	10,698,995	-
Income tax - amnesty		-	116,469,233	-
Cigarette tax		89,093,386	90,933,368	90,327,281
Retailers' occupation (sales) tax - amnesty		-	61,435,342	-
Cigarette use tax		25,164,026	25,521,973	27,615,044
Pull tabs & jar games tax and license fees		2,291,200	2,437,719	2,535,806
Pull tabs & jar games tax and license fees - amnesty		-	12,244	-
Bingo tax		995,370	1,058,214	1,139,036
Bingo tax - amnesty		-	326	-
Hotel operators occupation tax - amnesty		67,897	-	-
Liquor tax - amnesty		-	31,793	-
Automotive renting tax - amnesty		-	12,087	-
Interest Income (Lottery)		-	-	309
Total Common School Fund		<u>\$ 207,078,898</u>	<u>\$ 417,049,133</u>	<u>\$ 226,758,551</u>
Common School Special Account Fund	0005			
Retailers' occupation (sales) tax		\$ 1,806,698,570	\$ 1,666,210,942	\$ 1,587,795,777
Retailers' occupation (sales) tax - amnesty		-	40,956,894	-
Total Common School Special Account Fund		<u>\$ 1,806,698,570</u>	<u>\$ 1,707,167,836</u>	<u>\$ 1,587,795,777</u>
Education Assistance Fund	0007			
Income tax		\$ 1,312,047,984	\$ 936,210,231	\$ 720,567,679
Income tax - amnesty		-	18,343,590	-
Total Education Assistance Fund		<u>\$ 1,312,047,984</u>	<u>\$ 954,553,821</u>	<u>\$ 720,567,679</u>

STATE OF ILLINOIS
DEPARTMENT OF REVENUE
COMPARATIVE SCHEDULE OF CASH RECEIPTS

Schedule 6

For Fiscal Years Ended June 30, 2012, 2011, and 2010

FUND/TAX SOURCE	FUND	2012	2011	2010
Income Tax Refund Fund	0278			
Income tax		\$ 2,226,086,785	\$ 1,627,869,943	\$ 1,385,179,429
Income tax - amnesty		-	82,022,539	-
Total Income Tax Refund Fund		<u>\$ 2,226,086,785</u>	<u>\$ 1,709,892,482</u>	<u>\$ 1,385,179,429</u>
Special State Funds:				
Build Illinois Fund	0960			
Retailers' occupation (sales) tax		\$ 425,881,264	\$ 392,765,579	\$ 377,037,473
Retailers' occupation (sales) tax - amnesty		-	9,863,778	-
Hotel operators occupation tax		103,781,751	96,506,567	86,564,424
Hotel operators occupation tax - amnesty		181,059	-	-
Private vehicle use tax		5,000,000	5,000,000	5,000,000
Total Build Illinois Fund		<u>\$ 534,844,074</u>	<u>\$ 504,135,924</u>	<u>\$ 468,601,897</u>
Chicago Travel Industry Promotion Fund	0624			
Hotel operators occupation tax		<u>\$ 7,520,925</u>	<u>\$ -</u>	<u>\$ -</u>
Clean Air Act (CAA) Permit Fund	0091			
Retailers' occupation (sales) tax		<u>\$ 2,000,000</u>	<u>\$ -</u>	<u>\$ -</u>
Coal Technology Development Assistance Fund	0925			
Public utility tax		<u>\$ 5,513,801</u>	<u>\$ 5,045,924</u>	<u>\$ 5,580,266</u>
County and Mass Transit District Fund	0188			
Retailers' occupation (sales) tax		<u>\$ 335,065,949</u>	<u>\$ 316,510,732</u>	<u>\$ 298,510,057</u>
Debt Collection Fund	0279			
General office		<u>\$ -</u>	<u>\$ 7,888</u>	<u>\$ 22,274</u>
Dram Shop Fund	0821			
Liquor control commission		<u>\$ 6,582,131</u>	<u>\$ 6,717,032</u>	<u>\$ 6,293,428</u>
Drycleaner Environmental Response Trust Fund	0548			
Retailers' occupation (sales) tax		<u>\$ 2,331,183</u>	<u>\$ 2,525,149</u>	<u>\$ 2,675,378</u>
Emergency Public Health Fund	0240			
Retailers' occupation (sales) tax		<u>\$ 3,440,932</u>	<u>\$ 3,550,718</u>	<u>\$ 3,417,312</u>
Energy Efficiency Trust Fund	0571			
Public utility tax		<u>\$ 3,487,815</u>	<u>\$ 2,855,673</u>	<u>\$ 3,257,104</u>
Facilities Management Revolving Fund	0314			
General office		<u>\$ -</u>	<u>\$ 11</u>	<u>\$ -</u>
Horse Racing Fund	0632			
Racing privilege tax		<u>\$ 6,961,479</u>	<u>\$ 6,495,558</u>	<u>\$ 6,833,148</u>
Illinois Affordable Housing Trust Fund	0286			
Real estate transfer tax		<u>\$ 20,990,341</u>	<u>\$ 18,996,410</u>	<u>\$ 20,161,411</u>
Illinois Gaming Law Enforcement Fund	0085			
Pull tabs and jar games tax and license fees		\$ 2,291,201	\$ 2,437,719	\$ 2,535,806
Pull tabs and jar games tax and license fees - amnesty		-	12,244	-
Charitable games tax and license fees		449,739	485,660	561,026
Charitable games tax and license fees - amnesty		-	136	-
Total Illinois Gaming Law Enforcement Fund		<u>\$ 2,740,940</u>	<u>\$ 2,935,759</u>	<u>\$ 3,096,832</u>

STATE OF ILLINOIS
DEPARTMENT OF REVENUE
COMPARATIVE SCHEDULE OF CASH RECEIPTS

Schedule 6

For Fiscal Years Ended June 30, 2012, 2011, and 2010

FUND/TAX SOURCE	FUND	2012	2011	2010
Illinois Racing Quarterhorse Breeder Fund	0631			
Racing privilege tax		\$ 10,963	\$ 12,096	\$ 17,752
Quarterhorse Purse Fund	0785			
Additional racing privilege tax on advance deposit wagering		\$ 260,355	\$ 239,702	\$ 183,194
Illinois Sports Facility Fund	0225			
Hotel operators' occupation tax		\$ 38,100,000	\$ 38,100,000	\$ 34,500,000
Illinois State Fair Fund	0438			
General office		\$ -	\$ -	\$ 3,755
Illinois Tax Increment Fund	0281			
Retailers' occupation (sales) tax		\$ 20,860,730	\$ 19,247,915	\$ 18,207,894
Retailers' occupation (sales) tax - amnesty		-	479,859	-
Total Tax Increment Fund		<u>\$ 20,860,730</u>	<u>\$ 19,727,774</u>	<u>\$ 18,207,894</u>
Illinois Veterans Assistance Fund	0236			
Lottery ticket sales		\$ 73,074	\$ 1,052,547	\$ 1,136,669
International Tourism Fund	0621			
Hotel operators occupation tax		\$ 4,585,750	\$ 8,685,591	\$ 7,770,313
Hotel operators occupation tax - amnesty		16,295	-	-
Total International Tourism Fund		<u>\$ 4,602,045</u>	<u>\$ 8,685,591</u>	<u>\$ 7,770,313</u>
Local Government Tax Fund	0189			
Retailers' occupation (sales) tax		\$ 1,610,751,514	\$ 1,575,850,655	\$ 1,495,486,590
Local Tourism Fund	0969			
Hotel operators occupation tax		\$ 13,838,763	\$ 15,441,051	\$ 13,850,308
Hotel operators occupation tax - amnesty		28,969	-	-
Total Local Tourism Fund		<u>\$ 13,867,732</u>	<u>\$ 15,441,051</u>	<u>\$ 13,850,308</u>
Long Term Care Provider Fund	0345			
Cigarette tax		\$ 123,899,944	\$ 123,132,525	\$ 128,834,161
Cigarette tax - amnesty		-	21,639	-
Other tobacco		28,997,468	27,377,242	24,006,352
Other tobacco - amnesty		-	51,744	-
Cigarette use tax		39,469,928	23,135,157	14,381,936
Total Long-Term Provider Fund		<u>\$ 192,367,340</u>	<u>\$ 173,718,307</u>	<u>\$ 167,222,449</u>
Mental Health Fund	0050			
Bingo tax		\$ 995,370	\$ 1,058,214	\$ 1,139,036
Bingo tax - amnesty		-	326	-
Total Mental Health Fund		<u>\$ 995,370</u>	<u>\$ 1,058,540</u>	<u>\$ 1,139,036</u>
Motor Fuel Tax Fund	0012			
Motor fuel tax		\$ 1,221,517,109	\$ 1,245,685,716	\$ 1,269,104,245
Motor fuel tax - amnesty		-	711,761	-
General office		972	-	-
Total Motor Fuel Fund		<u>\$ 1,221,518,081</u>	<u>\$ 1,246,397,477</u>	<u>\$ 1,269,104,245</u>
Municipal Economic Development Fund	0650			
Solid waste facilities		\$ 68,095	\$ 83,849	\$ 82,502

STATE OF ILLINOIS
DEPARTMENT OF REVENUE
COMPARATIVE SCHEDULE OF CASH RECEIPTS

Schedule 6

For Fiscal Years Ended June 30, 2012, 2011, and 2010

FUND/TAX SOURCE	FUND	2012	2011	2010
Multiple Sclerosis Research Fund	0429			
Lottery ticket sales		\$ 279,879	\$ 1,288,032	\$ 1,249,858
Military Affairs Trust Fund	0043			
Pepsi agreement		\$ -	\$ 17,635	\$ 17,925
Natural Areas Acquisition Fund	0298			
Real estate transfer tax		\$ 6,297,102	\$ 5,698,923	\$ 6,048,423
Open Space Lands Acquisition and Development Fund	0299			
Real estate transfer tax		\$ 14,693,239	\$ 13,297,487	\$ 14,112,988
Personal Property Tax Replacement Fund	0802			
Income tax		\$ 1,021,045,411	\$ 980,297,285	\$ 835,408,333
Income tax - amnesty		-	146,047,542	-
Public utility tax		222,040,828	201,668,884	179,709,122
Public utility tax - amnesty		13,968	1,048,176	-
Total Personal Property Tax Replacement Fund		<u>\$ 1,243,100,207</u>	<u>\$ 1,329,061,887</u>	<u>\$ 1,015,117,455</u>
Public Utility Fund	0059			
Public utility tax		\$ 12,179,725	\$ 12,513,439	\$ 11,954,423
Public utility tax - amnesty		-	1,539	-
Total Public Utility Fund		<u>\$ 12,179,725</u>	<u>\$ 12,514,978</u>	<u>\$ 11,954,423</u>
Quality of Life Endowment Fund	0437			
Lottery ticket sales		\$ 162,103	\$ 884,779	\$ 1,031,345
Renewable Energy Resources Trust Fund	0564			
Public utility tax		\$ 5,513,797	\$ 5,045,924	\$ 5,580,265
Rental Housing Support Program Fund	0150			
Real estate transfer tax		\$ 18,061,793	\$ 18,227,531	\$ 17,210,153
School Infrastructure Fund	0568			
Public utility tax		\$ 77,241,850	\$ 96,437,838	\$ 93,211,590
Public utility tax - amnesty		65,335	3,091,002	-
Cigarette tax		53,536,221	47,873,374	48,236,064
Cigarette use tax		6,463,779	12,126,626	11,763,936
Total School Infrastructure Fund		<u>\$ 137,307,185</u>	<u>\$ 159,528,840</u>	<u>\$ 153,211,590</u>
Senior Citizens Real Estate Deferred Tax Revolving Fund	0930			
Deferred real estate tax Reimbursements		\$ 5,846,276	\$ 4,557,011	\$ 3,813,721
State and Local Sales Tax Reform Fund	0186			
Retailers' occupation (sales) tax		\$ 275,096,649	\$ 259,865,913	\$ 230,107,688
Retailers' occupation (sales) tax - amnesty		-	5,672,389	-
Total State and Local Sales Tax Reform Fund		<u>\$ 275,096,649</u>	<u>\$ 265,538,302</u>	<u>\$ 230,107,688</u>
State Lottery Fund	0711			
Lottery ticket sales		\$ 299,049,067	\$ 1,099,715,961	\$ 1,069,778,471
Supplemental Low Income Energy Fund	0550			
Public utility tax		\$ 96,305,111	\$ 94,434,436	\$ 121,231,209

STATE OF ILLINOIS
DEPARTMENT OF REVENUE
COMPARATIVE SCHEDULE OF CASH RECEIPTS

Schedule 6

For Fiscal Years Ended June 30, 2012, 2011, and 2010

FUND/TAX SOURCE	FUND	2012	2011	2010
Tax Compliance and Administration Fund	0384			
Public utility tax		\$ 1,503,521	\$ 1,391,745	\$ 1,463,739
Public utility tax - amnesty		13,057	627,301	-
Retailers' occupation (sales) tax		1,344,209	1,041,398	684,938
Retailers' occupation (sales) tax - amnesty		-	3,783,451	-
Motor fuel tax		191,474	406,240	329,095
Motor fuel tax - amnesty		-	14,526	-
Cigarette tax		1,416	4,133	5,208
Cigarette tax - amnesty		-	442	-
Cigarette use tax - amnesty		4,128	-	-
Automobile renting tax - amnesty		-	563	-
Income tax - amnesty		-	9,782,697	-
Liquor tax - amnesty		-	2,236	-
Underground storage tax - amnesty		-	802	-
Other tobacco - amnesty		-	1,056	-
Pull tabs & jar games tax and license fees - amnesty		-	500	-
Charitable games act - amnesty		-	3	-
Bingo tax - amnesty		-	13	-
Hotel operators occupation tax - amnesty		10,675	-	-
Total Tax Compliance and Administration Fund		<u>\$ 3,068,480</u>	<u>\$ 17,057,106</u>	<u>\$ 2,482,980</u>
Carolyn Adams Ticket for the Cure Fund	0208			
Lottery ticket sales		<u>\$ 322,535</u>	<u>\$ 872,170</u>	<u>\$ 822,218</u>
Underground Storage Tank Fund	0072			
Underground storage tax		\$ 69,538,615	\$ 71,124,460	\$ 70,815,962
Underground storage tax - amnesty		-	39,305	-
Total Underground Storage Tank Fund		<u>\$ 69,538,615</u>	<u>\$ 71,163,765</u>	<u>\$ 70,815,962</u>
Used Tire Management Fund	0294			
Retailers' occupation (sales) tax		<u>\$ 13,075,542</u>	<u>\$ 13,492,728</u>	<u>\$ 12,985,785</u>
Wireless Service Emergency Fund	0612			
Public utility tax		<u>\$ 1,069,158</u>	<u>\$ -</u>	<u>\$ -</u>
State Trust Funds:				
Business District Retailers' Occupation Tax Fund	0160			
Retailers' occupation (sales) tax		<u>\$ 10,129,299</u>	<u>\$ 9,336,374</u>	<u>\$ 8,609,473</u>
County Auto Renting Tax Fund	0869			
Automobile renting tax		<u>\$ 270,706</u>	<u>\$ 181,344</u>	<u>\$ 232,514</u>
County Option Motor Fuel Tax Fund	0190			
Retailers' occupation (sales) tax		<u>\$ 33,248,743</u>	<u>\$ 32,544,137</u>	<u>\$ 31,503,313</u>
County Public Safety ROT Fund	0219			
Retailers' occupation (sales) tax		<u>\$ 85,904,681</u>	<u>\$ 85,740,283</u>	<u>\$ 75,737,652</u>
County Water Commission Tax Fund	0084			
Retailers' occupation (sales) tax		<u>\$ 32,143,498</u>	<u>\$ 28,582,009</u>	<u>\$ 29,979,994</u>
Deferred Lottery Prize Winners Fund	0978			
Interest income (Lottery)		<u>\$ 18,182,000</u>	<u>\$ 93,990,852</u>	<u>\$ 116,663,925</u>
Flood Prevention Occupation Fund	0558			
Retailers' occupation (sales) tax		<u>\$ 11,522,864</u>	<u>\$ 13,040,124</u>	<u>\$ 10,976,960</u>

STATE OF ILLINOIS
DEPARTMENT OF REVENUE
COMPARATIVE SCHEDULE OF CASH RECEIPTS

Schedule 6

For Fiscal Years Ended June 30, 2012, 2011, and 2010

FUND/TAX SOURCE	FUND	2012	2011	2010
Home Rule County ROT Fund	0139			
Retailers' occupation (sales) tax		\$ 521,833,199	\$ 551,190,146	\$ 646,329,270
Retailers' occupation (sales) tax - amnesty		-	1,783,070	-
Total Home Rule County ROT Fund		<u>\$ 521,833,199</u>	<u>\$ 552,973,216</u>	<u>\$ 646,329,270</u>
Home Rule Municipal ROT Fund	0138			
Retailers' occupation (sales) tax		\$ 812,776,945	\$ 791,387,401	\$ 710,280,455
Retailers' occupation (sales) tax - amnesty		-	1,965,137	-
Total Home Rule Municipal ROT Fund		<u>\$ 812,776,945</u>	<u>\$ 793,352,538</u>	<u>\$ 710,280,455</u>
Home Rule Municipal Soft Drink ROT Fund	0097			
Retailers' occupation (sales) tax		\$ 9,603,761	\$ 9,123,569	\$ 8,667,145
Illinois Racing Board Charity Fund	0271			
Annual charity assessment		\$ -	\$ -	\$ (27,060)
Illinois Tourism Tax Fund	0452			
Hotel operators occupation tax		\$ 19,978,114	\$ 16,226,151	\$ 15,265,123
Hotel operators occupation tax - amnesty		30,442	-	-
Total Illinois Tourism Tax Fund		<u>\$ 20,008,556</u>	<u>\$ 16,226,151</u>	<u>\$ 15,265,123</u>
McCormick Place Expansion Project Fund	0377			
Retailers' occupation (sales) tax		\$ 35,270,492	\$ 29,237,207	\$ 69,284,235
Metro East Mass Transit District Tax Fund	0841			
Retailers' occupation (sales) tax		\$ 29,706,887	\$ 29,525,566	\$ 28,636,726
Metro East Park and Recreation Fund	0717			
Retailers' occupation (sales) tax		\$ 4,477,721	\$ 4,488,368	\$ 4,371,001
MPEA Trust Fund	0337			
Retailers' occupation (sales) tax		\$ 38,391,537	\$ 37,312,667	\$ 34,061,744
Hotel operators occupation tax		43,816,561	37,442,819	33,571,291
Hotel operators occupation tax - amnesty		70,248	-	-
Automobile renting tax		28,719,580	26,453,429	25,507,326
Automobile renting tax - amnesty		-	107	-
Total Metropolitan Pier and Exposition Fund		<u>\$ 110,997,926</u>	<u>\$ 101,209,022</u>	<u>\$ 93,140,361</u>
Municipal Auto Renting Tax Fund	0868			
Automobile renting tax		\$ 5,903,019	\$ 5,721,932	\$ 5,381,018
Automobile renting tax - amnesty		-	3,306	-
Total Municipal Auto Renting Tax Fund		<u>\$ 5,903,019</u>	<u>\$ 5,725,238</u>	<u>\$ 5,381,018</u>
Municipal Telecommunications Fund	0719			
Public utility tax		\$ 329,389,032	\$ 254,561,917	\$ 277,616,918
Public utility tax - amnesty		175,227	8,290,043	-
Total Municipal Telecommunications Fund		<u>\$ 329,564,259</u>	<u>\$ 262,851,960</u>	<u>\$ 277,616,918</u>
Non-Home Rule Municipal ROT Fund	0088			
Retailers' occupation (sales) tax		\$ 104,170,932	\$ 94,614,678	\$ 89,359,209
Protest Fund	0401			
Income and replacement tax		\$ 12,544,073	\$ 37,286,685	\$ 28,551,210
Retailers' occupation (sales) tax		10,807,988	30,640,279	4,138,549
Liquor		-	86,015,547	54,541,189
Total Protest Fund		<u>\$ 23,352,061</u>	<u>\$ 153,942,511</u>	<u>\$ 87,230,948</u>

STATE OF ILLINOIS
DEPARTMENT OF REVENUE
COMPARATIVE SCHEDULE OF CASH RECEIPTS

Schedule 6

For Fiscal Years Ended June 30, 2012, 2011, and 2010

FUND/TAX SOURCE	FUND	2012	2011	2010
RTA Sales Tax Fund	0812			
Retailers' occupation (sales) tax		\$ 947,125,874	\$ 925,670,912	\$ 861,992,645
Retailers' occupation (sales) tax - amnesty		-	1,797,299	-
Total RTA Sales Tax Trust Fund		<u>\$ 947,125,874</u>	<u>\$ 927,468,211</u>	<u>\$ 861,992,645</u>
School Facility Occupation Fund	0498			
Retailers' occupation (sales) tax		\$ 42,012,489	\$ 30,468,516	\$ 11,163,359
Sports Facility Tax Fund	0229			
Hotel operators occupation tax		\$ 38,480,573	\$ 33,103,299	\$ 28,808,960
Hotel operators occupation tax - amnesty		60,257	-	-
Total Sports Facility Tax Trust Fund		<u>\$ 38,540,830</u>	<u>\$ 33,103,299</u>	<u>\$ 28,808,960</u>
Tax Suspense Trust Fund	0583			
Tax suspense		\$ 468	\$ 8,260	\$ 15,328
Tennessee Valley Authority Local Trust Fund	0861			
Tennessee valley authority payments		\$ 307,570	\$ 298,235	\$ 280,595
Debt Service Funds:				
Capital Projects Fund	0694			
Retailers' occupation (sales) tax		\$ 52,660,000	\$ 52,000,000	\$ 39,000,000
Liquor		114,835,999	24,868,875	17,324,761
Total Capital Projects Fund		<u>\$ 167,495,999</u>	<u>\$ 76,868,875</u>	<u>\$ 56,324,761</u>
Federal Trust Funds:				
Illinois Department of Revenue Federal Trust Fund	0140			
General office		\$ 43,393	\$ 369,275	\$ 3,894
Rehabilitation Services Elementary and Secondary Education Act Fund	0798			
General office		\$ -	\$ 56,370	\$ 36,002
Total Receipts Collected by the Department		<u>\$ 38,646,600,751</u>	<u>\$ 33,797,283,711</u>	<u>\$ 29,072,627,784</u>
Items not considered collections by the Department:				
Federal Home Investment Trust Fund receipts		\$ 31,712,223	\$ 21,173,835	\$ 8,747,830
Repayment from the Illinois Sports Facility authority		35,883,772	30,892,181	27,512,700
Repayment from the Illinois Housing Development Authority (IHDA) pursuant to law		4,367,341	12,581,290	175,975
Loan Repayment from the IHDA - principal		6,772,651	4,546,094	4,920,606
Transfer from the Local Government Distributive Fund		5,625,000	5,625,000	3,750,000
Prior year warrant voids		10,109,648	2,053,491	9,508,228
Loan repayment from the IHDA - interest		2,023,190	2,083,272	2,008,208
Administrative Fee from the Illinois Sports Facility authority		1,589,941	1,287,174	1,119,455
Prior year refunds		786,179	245,573	1,139,845
Private organization or individual		20,000	27,000	500,000
Unidentified tax source		149,146	106,346	317,702
Yearly payment from Commonwealth Edison to IHDA		500,000	500,000	45,050
Transfer from the Lottery Fund		65,200,000	87,000,000	-
Nonoperating		(625,711)	-	-
		<u>\$ 164,113,380</u>	<u>\$ 168,121,256</u>	<u>\$ 59,745,599</u>
Total Deposits into the State Treasury		<u>\$ 38,810,714,131</u>	<u>\$ 33,965,404,967</u>	<u>\$ 29,132,373,383</u>

STATE OF ILLINOIS
DEPARTMENT OF REVENUE
RECONCILIATION SCHEDULE OF CASH RECEIPTS TO DEPOSITS
REMITTED TO THE STATE COMPTROLLER

Schedule 7

For the Fiscal Years Ended June 30, 2012, 2011, and 2010

Receipts	2012	2011	2010
Tax and fee collections, including assessments, penalties, and interest:			
Income: individual, corporate, and personal property replacement tax	\$ 21,180,192,738	\$ 16,063,471,347	\$ 12,145,654,682
Sales:			
State, municipal, county, county water commission, RTA, MED retailers' and service occupation tax	12,611,399,786	12,166,522,603	11,371,000,169
Public Utilities:			
Message, gas, electric	1,749,940,343	1,823,846,227	1,757,284,685
Motor fuel tax	1,222,013,645	1,246,339,815	1,259,807,572
Other:			
Underground storage tank	69,588,533	71,108,538	70,385,408
Cigarette, cigarette use, and other tobacco products	608,997,557	588,518,360	573,048,712
Racing privilege	7,231,927	6,756,595	6,946,299
Hotel operator and occupation	309,311,789	282,047,420	249,224,689
Liquor	279,232,201	268,339,027	230,149,306
Vehicle use	33,740,576	35,180,964	34,922,306
Real estate transfer	59,448,800	57,037,985	55,743,859
Bingo	2,134,821	2,280,173	2,426,531
Coin operated amusement device	1,740,379	1,890,070	1,748,847
Automobile renting	68,962,440	65,995,068	59,994,445
Charitable games	469,222	507,480	577,427
Pull tabs and jar games	4,591,451	4,912,784	5,054,755
Solid waste	68,175	82,981	84,290
Lottery	318,030,827	1,197,646,699	1,190,663,997
Liquor control commission	13,689,493	13,570,997	13,318,405
Senior citizens real estate tax deferral	5,856,739	4,709,385	-
Miscellaneous collections	3,690,490	4,492,798	10,308,397
Total receipts	\$ 38,550,331,932	\$ 33,905,257,316	\$ 29,038,344,781
Items not considered collections by the Department	165,219,449	167,579,749	67,337,877
Unallocated collections:			
Beginning of the year	57,688,109	23,976,496	67,184,095
End of year	(58,772,280)	(57,688,109)	(23,976,496)
Collections reported, but not yet deposited into clearing:			
Beginning of the year	218,609,335	200,914,766	184,902,318
End of year	(125,452,321)	(218,609,335)	(200,914,766)
Balances in State Treasurer's clearing account:			
Beginning of the year	119,136,052	71,333,341	70,828,915
Remittance clearing account balance*	-	(8,223,205)	-
End of year	(116,046,145)	(119,136,052)	(71,333,341)
Deposits into the State Treasury	\$ 38,810,714,131	\$ 33,965,404,967	\$ 29,132,373,383

* In fiscal year 2011, the Department removed the remittance clearing account balance from the reconciliation process. This was done because the Department is unable to accurately determine the tax type to allocate the amounts in the remittance clearing account until the amounts clear.

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES

For the Fiscal Years Ended June 30, 2012 and 2011

The Department of Revenue's (Department) explanations for significant fluctuations in expenditures greater than 25% of total expenditures for that category and \$250,000 as presented in the Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances are detailed below. Other fluctuations were also included that fell outside of that threshold because they were thought to be qualitatively significant by the auditors.

2010 to 2011

General Revenue Fund – 0001

Personal services, State contributions to Social Security, and operational expenses

The decrease in expenditures is due to the change in the appropriation process by the General Assembly for operating expenses paid out of the General Revenue Fund. In fiscal year 2010 the Department received appropriations designated for specific purposes, while in fiscal year 2011 the Department received two lump sum appropriations for operational expenses.

Grants for the State's share of State's Attorneys' and Assistant State's Attorneys' salaries and Grants for the State's share of County Public Defenders' salaries

The decrease in expenditures is due to the reduction of the appropriation by the General Assembly in Public Act 96-0956 from \$14,067,000 to \$5,575,990 and from \$5,700,000 to \$2,679,988, respectively. The Department expended proportionately to its appropriation authority.

Governor's discretionary appropriation

The increase in expenditures is due to the General Assembly assigning appropriations for expenditures related to the Tax Enforcement Initiative and State's Attorneys' and Public Defenders' salaries in the General Revenue Fund out of the Governor's discretionary appropriation during fiscal year 2011.

Motor Fuel Tax Fund - 0012

Travel

The decrease in expenditures is the result of a cost allocation review by the Department's Budget Office in fiscal year 2011. Based upon this review, the Department determined that more of the travel expenditures should be allocated to the General Revenue Fund instead of the Motor Fuel Tax Fund in fiscal year 2011. The fiscal year 2011 travel expenditures within the General Revenue Fund were paid from the lump sum appropriation received for operational purposes.

Electronic data processing

The decrease in expenditures is due to the implementation of motor fuel tax in the GenTax system in fiscal year 2010. This activity was not carried over into fiscal year 2011.

Reimbursement to International Fuel Tax Agreement member states

The decrease in expenditures is due to the International Fuel Tax Agreement Clearinghouse that was established on January 1, 2010, allowing the Department to net its payments to other jurisdictions with payments owed to the Department by those jurisdictions.

Home Rule County ROT Fund - 0139

Shared revenue payments

The decrease in expenditures is due to a decrease in home rule county sales tax receipts received in fiscal year 2011.

Rental Housing Support Program Fund - 0150

Grants to provide rental assistance to the rental Housing Support Program Fund

The decrease in expenditures is due to the impact of a contingency reserve. In fiscal year 2011, the General Assembly designated a portion of the appropriation to be set aside in a contingency reserve which the Department could not spend until the Governor authorized the removal of the funds from the contingency reserve. The contingency reserve was in effect from July 1, 2010 until January 9, 2011 for any special fund of the State. Once the reserve was lifted, the Department had less than half of the fiscal year remaining to make grants under this program.

Sports Facility Tax Trust Fund – 0229

Interfund transfers and shared revenue payments

The net increase in expenditures is due to the increase in the repayment amount from the Sports Facility Tax Trust Fund to the General Revenue Fund by more than \$4 million in fiscal year 2011. The repayment amount is established by statute and communicated to the Department by the Illinois Sport Facility Authority.

Illinois Affordable Housing Trust Fund – 0286

Administration of the Illinois Affordable Housing Act; grants to other State agencies; and grants, mortgages, loans, or for the purpose of securing bonds

The decrease in expenditures is due to a decrease in appropriations and the impact of the contingency reserve described earlier under Fund 0150. After the reserve was lifted, less than half of the fiscal year remained to carry out the purpose of this program.

Federal HOME Investment Trust Fund – 0338

Illinois HOME Investment Partnerships Program

In fiscal year 2010, federal stimulus funds were awarded to the Illinois Housing Development Authority (IHDA). The federal funds, along with HOME funds, were paid directly to IHDA per the guidance from the U.S. Department of Housing and Urban Development. At the end of fiscal year 2010, this guidance was reversed and the HOME funds were again paid directly to the Department, as they had been in the past. As a result, expenditures increased in fiscal year 2011.

Predatory Lending Database Program Fund – 0478

Grants for the Predatory Lending Database program

The decrease in expenditures is due to the program substantially occurring in fiscal year 2010. The program was completed in fiscal year 2012 with the remaining expenditures paid out in that fiscal year. No expenditures occurred in fiscal year 2011.

School Facility Occupation Fund – 0498

Shared revenue payments

The increase in expenditures is due to additional counties imposing the School Facility Occupation Tax in fiscal year 2011 compared with fiscal year 2010.

State Lottery Fund – 0711

Interfund cash transfers

The increase in expenditures is due to payments made by the Department to Northstar Lottery Group for services performed in fiscal year 2011. Northstar Lottery Group is the private management firm that began managing the Lottery in fiscal year 2011.

Personal Property Tax Replacement Fund– 0802

Shared revenue payments

The increase in expenditures is due to the State's amnesty program in fiscal year 2011 resulting in additional deposits of \$146 million into the Personal Property Tax Replacement Fund. Additionally, the statutory transfer from the Income Tax Refund Fund to the Personal Property Tax Replacement Fund increased \$98.7 million from fiscal year 2010.

Senior Citizens' Real Estate Deferred Tax Revolving Fund – 0930

Payments to counties

The decrease in expenditures is due to payments relating to fiscal year 2009 being carried over to fiscal year 2010 due to an insufficient fund balance. This action was part of Finding 10-31 during the previous compliance examination. Finding 10-31 was not repeated during the current engagement.

Deferred Lottery Prize Winners Fund – 0978

Lottery prizes – monetary

The decrease in expenditures is due to the continuing trend where the majority of prize winners choose lump sum payouts rather than deferred prize winnings.

2011 to 2012

General Revenue – 0001

Personal services; State contributions to Social Security; contractual services; travel; commodities; electronic data processing; telecommunications; lump sums for Shared Services; operation expenses, awards, grants, and permanent improvements; and; operational expenses; and tax refunds

The fluctuations in expenditures in these line items are due to the change in the appropriation process by the General Assembly for operating expenses paid out of the General Revenue Fund. In fiscal year 2011 the Department received two lump sum appropriations for operational expenses. In fiscal year 2012, the Department received appropriations designated for specific purposes.

Grants for the State’s share of State’s Attorneys’ and Assistant State’s Attorneys’ salaries; Grants for the State’s share of County Public Defenders’ salaries; and Governor’s discretionary appropriations

The fluctuations in expenditures in these line items are due to the change in the appropriation process by the General Assembly in fiscal year 2012. In fiscal year 2011, the Department paid for these county official salaries from the General Revenue Fund’s specified line appropriations and the Governor’s discretionary appropriations within the fund. In fiscal year 2012, the Department did not receive funds from the Governor’s discretionary appropriations, but rather from the Personal Property Tax Replacement Fund (0802). In fiscal year 2012, the Department expended more funds for County official salaries out of the General Revenue Fund than the Personal Property Tax Replacement Fund.

Motor Fuel Tax – 0012

State contributions to State Employees’ Retirement System

The increase in expenditures is due to the increase in the contribution rate from 29.43% in fiscal year 2011 to 34.80% in fiscal year 2012.

Reimbursement to International Fuel Tax Agreement member states

The increase in expenditures is due to the timing of the International Fuel Tax Agreement claims received in prior years. In fiscal year 2010, the claims were received early enough that the payments could be processed during the lapse period causing the fiscal year 2011 expenditures to decrease. The claims were not received early enough in fiscal year 2011 to allow the claims to be paid out during the lapse period. Therefore, the claims were paid out during fiscal year 2012.

Sports Facility Tax Trust Fund – 0229

Interfund transfers

The increase in expenditures is due to the increase in the amount that the Illinois Sports Facility Authority must repay to General Revenue Fund in accordance with statute.

Income Tax Refund Fund – 0278

Income tax refunds

The increase in expenditures is due primarily to the increase in corporate tax refunds paid out. In fiscal year 2011, the Department did not have enough cash to pay all corporate tax refunds, and therefore, the refunds were held and interest accumulated until the Department had sufficient cash on hand. In fiscal year 2012, the Department had increased cash due to increased appropriations and therefore paid more corporate tax refunds.

Illinois Affordable Housing Trust Fund – 0286

Administration of the Illinois Affordable Housing Act and grants, mortgages, loans, or for the purpose of securing bonds

As explained earlier, in fiscal year 2011, the General Assembly designated a portion of the appropriation to be set aside in the contingency reserve which the Department could not spend until the Governor authorized the removal of the funds from the contingency reserve. The contingency reserve was in effect from July 1, 2010 until January 9, 2011 for any special fund of the State. When the contingency reserve was lifted, activity increased for both of these lines. For fiscal year 2012 the Department was able to expend from this fund all during the year.

Federal HOME Investment Trust Fund – 0338

Illinois HOME Investment Partnerships Program

As explained previously, ARRA funds under this program went directly to the Illinois Housing Development Authority for a period of time. When the federal guidance on this practice reversed, the funds once again flowed through the Department and the related expenditures increased.

Tax Compliance and Administration Fund – 0384

Electronic data processing

The increase in expenditures is the result of a cost allocation review by the Department's Budget Office in fiscal year 2012. Based upon this review, the Department determined that more of the electronic data processing expenditures should be allocated to the Tax Compliance and Administration Fund instead of the Personal Property Tax Replacement Fund in fiscal year 2012.

School Facility Occupation Fund – 0498

Shared revenue payments

The increase in expenditures is due to an additional five counties imposing the School Facility Occupation Tax in fiscal year 2012 compared with fiscal year 2011.

State Lottery Fund – 0711

Personal services; State contributions to State Employees' Retirement System; State contributions to Social Security; group insurance; contractual services; electronic data processing; telecommunications; Shared Services; and interfund cash transfers

The decrease in expenditures is due to the transfer of all functions performed for the Illinois Lottery to the Illinois Department of Lottery in accordance with Public Act 97-0464 effective October 15, 2011.

Developing and promoting Lottery games

The increase in expenditures is due to payments of management fees before the transfer of functions to the Illinois Department of Lottery. In fiscal year 2012, the Illinois Lottery entered into a contract with a private management company with management fees paid monthly.

Personal Property Tax Replacement Fund – 0802

State contributions to State Employees' Retirement System

The increase in expenditures is due to the increase in the contribution rate from 29.43% in fiscal year 2011 to 34.80% in fiscal year 2012.

Electronic data processing

The decrease in expenditures is the result of a cost allocation review by the Department's Budget Office in fiscal year 2012. Based upon this review, the Department determined that more of the Electronic Data Processing expenditures should be allocated to the Tax Compliance and Administration Fund instead of the Personal Property Tax Replacement Fund in fiscal year 2012.

Grants for the State's share of State's Attorneys' and Assistant State's Attorneys' salaries; Grants for the State's share of County Public Defenders' salaries; grants for the State's share of County Supervisors of Assessments or County Assessors' Salaries; grants for additional compensation for County Treasurers; Grants for annual stipend for Sheriffs, and grants for stipend to County Coroner

As stated earlier, the Department received its appropriation for these functions in two funds in fiscal year 2012 rather than all within the General Revenue Fund (0001). As a result, the expenditures within these line items in this fund increased in fiscal year 2012.

Foreclosure Prevention Program Fund – 0891

Awards and grants, lump sums and other purposes

The increase in expenditures is due to the establishment of the Foreclosure Prevention Program and the General Assembly appropriating funding for the first time in fiscal year 2012.

Build Illinois Bond Fund – 0971

Affordable housing grants, loans, and investments for low-income families, senior citizens, persons with disabilities, and at risk displaced veterans, affordable housing grants, loans, and investments for low-income persons with disabilities, and at risk displaced veterans

The increase in expenditures is due to fiscal year 2012 being the first year in which Build Illinois Bond Fund expenditures were incurred. Appropriations not used in prior fiscal years were reappropriated to fiscal year 2012 when expenditures were first incurred.

Deferred Lottery Prize Winners Fund – 0978

Lottery prizes – monetary

The decrease in expenditures is due to the transfer of all functions performed for the Illinois Lottery to the Illinois Department of Lottery in accordance with Public Act 97-0464 effective October 15, 2011.

ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS

For the Fiscal Years Ended June 30, 2012 and 2011

The Department of Revenue's (Department) explanations for significant fluctuations in receipts greater than 10% of total receipts for that category and \$26,000,000, for the funds presented as General Funds in the Comparative Schedule of Cash Receipts, and \$8,000,000 for the remaining funds in that Schedule are detailed below. Other fluctuations were also included that fell outside of that threshold because they were thought to be qualitatively significant by the auditors.

2010 and 2011

Effective January 1, 2011, the individual tax rates increased from 3 percent to 5 percent and corporate tax rates increased from 4.8 percent to 7 percent. Additionally, the Department collected amnesty taxes in fiscal year 2011 for several taxes, including: income, retailers' occupation, pull tabs and jar games, bingo, liquor, automotive renting, and public utility. For these reasons, receipts increased in fiscal year 2011 from 2010 in the following funds:

- General Revenue Fund – 0001
- Common School Fund – 0412
- Education Assistance Fund – 0007
- Income Tax Refund Fund – 0278
- Personal Property Tax Replacement Fund – 0802
- State and Local Sales Tax Reform Fund – 0186
- Tax Compliance and Administration Fund – 0384
- Home Rule Municipal ROT Fund – 0138

Supplemental Low Income Energy Fund – 0550

The decrease is due to the enactment of Public Act 96-033, which required utilities meeting statutory criteria to make a combined one-time payment of \$22 million in fiscal year 2010.

County Public Safety ROT Fund – 0219

The increase is due to an overall increase in collections, an increase in ordinances imposed during fiscal year 2011, and an increase in fund deposits to cover an increase in expenditures.

Deferred Lottery Prize Winners Fund – 0978

The decrease is due to the majority of lottery prize winners now opting for lump sum payouts rather than deferred prize winnings. As a result, the annual interest earned decreased.

Home Rule County ROT Fund – 0139

The decrease is due to Cook County decreasing its tax rate resulting in a decrease in the daily draft percentage used in calculating the fund distribution amount.

McCormick Place Expansion Project Fund – 0377

The decrease is due to increased deposits in fiscal year 2010 because of deposits of sales taxes, hotel taxes, and automobile renting taxes into the Metropolitan Pier and Exposition Authority (MPEA) Fund (0337) not being sufficient to meet the MPEA bond indebtedness. The shortage was deposited into the 0377 Fund from the State's share of sales taxes in fiscal year 2010.

Protest Fund – 0401

The increase is due to more cases being filed during the amnesty period in fiscal year 2011.

School Facility Occupation Fund – 0498

The increase is due to additional counties imposing the tax in fiscal year 2011 compared with fiscal year 2010. In fiscal year 2010, one county imposed the tax for the full year and one county imposed the tax for six months. In fiscal year 2011, four counties imposed the tax for the full year and one county imposed the tax for six months.

Capital Projects Fund – 0694

The increase is due to the remaining lottery proceeds being deposited into the fund at the end of fiscal year 2011. Additionally, in fiscal year 2011, a full year of retailers' occupation taxes was deposited into the fund compared to only nine months of deposits in fiscal year 2010.

2011 and 2012

The individual and corporate tax rate increase enacted as of January 1, 2011 was effective for all of fiscal year 2012 compared to only six months of fiscal year 2011. For this reason, receipts increased in fiscal year 2012 from 2011 in the following funds:

- General Revenue Fund – 0001
- Education Assistance Fund – 0007
- Income Tax Refund Fund – 0278

Common School Fund – 0412

The decrease is due to the amnesty program (35 ILCS 745/10) in fiscal year 2011 compared to the amnesty program in fiscal year 2012. In fiscal year 2011, the Department collected amnesty taxes for public utility, income, retailers' occupation, pull tabs and jar games, bingo, liquor, and automobile taxes. In fiscal year 2012, the Department only collected amnesty taxes for public utility and hotel operators' occupation taxes.

Long Term Care Provider Fund – 0345

The increase is due to individuals purchasing an increased number of stamps in fiscal year 2012 before the new tax rate went into effect in July 2013. The stamps can still be used after the new rates goes into effect.

School Infrastructure Fund – 0568

The decrease is due to an overall decrease in collections in fiscal year 2012. The amount received by the Department is to be deposited equally in the School Infrastructure Fund and the Common School Fund (0412). Please also see discussion in 0412 Fund.

State Lottery Fund – 0711

The decrease is due to the transfer of all functions performed for the Illinois Lottery to the Illinois Department of Lottery in accordance with Public Act 97-0464 effective October 15, 2011.

Tax Compliance and Administration Fund – 0384

The decrease is due to the amnesty program (35 ILCS 745/10) in fiscal year 2011 compared to the amnesty program in fiscal year 2012. In fiscal year 2011, the Department collected amnesty taxes for public utility, retailers' occupation, motor fuel, cigarette, automobile renting, income, liquor, underground storage, other tobacco, pull tabs and jar games, charitable games, and bingo taxes. In fiscal year 2012, the Department only collected amnesty taxes for cigarette use and hotel operators' occupation taxes.

Deferred Lottery Prize Winners Fund – 0978

The decrease is due to the transfer of all functions performed for the Illinois Lottery to the Illinois Department of Lottery in accordance with Public Act 97-0464 effective October 15, 2011.

Municipal Telecommunications Fund – 0719

The increase is due to various municipalities either imposing the simplified municipal telecommunication tax or increasing their tax rate effective January 1, 2012.

Non-Home Rule Municipal ROT Fund – 0088

The increase is due to an overall increase in collections and an increase in fund deposits to cover an increase in expenditures.

Protest Fund – 0401

The decrease is due to a liquor tax case being resolved and paid out in fiscal year 2011. Additionally, in fiscal year 2011, there were more cases being filed during the amnesty period.

School Facility Occupation Fund – 0498

The increase is due to an increase in the number of school districts imposing the tax and an increase in the daily deposit percentage to cover future liabilities.

Capital Projects Fund – 0694

The increase is due to the net effect of an increase in the liquor tax receipts and a decrease in the Lottery receipts. In fiscal year 2011 the liquor tax receipts decreased due to a protest that was deposited in the Protest Fund. There was no such protest payments in fiscal year 2012. The Lottery receipts decreased due to a decrease in the Lottery proceeds required to be deposited into the fund at the end of the fiscal year.

ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING

For the Fiscal Years Ended June 30, 2012 and 2011

The Department of Revenue's (Department) explanations for significant lapse period spending for amounts greater than 15% and \$500,000 of total expenditures for that category in the Schedule of Appropriations, Expenditures and Lapsed Balances for fiscal years 2012 and 2011 are detailed below. Other fluctuations were also included that fell outside of that threshold because they were thought to be qualitatively significant by the auditors.

2011

General Revenue Fund – 0001

Governor's discretionary appropriations

The Department paid salary reimbursements for State's Attorneys' and Public Defenders' salaries during lapse period after the appropriations for State's Attorneys' and Public Defenders' salaries on those specific lines within the General Revenue Fund were fully expended. This activity was processed during the lapse period.

Motor Fuel Tax Fund – 0012

Electronic data processing

The Department paid Information Technology (IT) bills from the Department of Central Management Services for the months of March, April, May, and June during the lapse period. Additionally, the Department paid an invoice for the completion of the Milestone 5 conversion of Excise Taxes to Gentax during the lapse period.

Rental Housing Support Program Fund – 0150

Grants to provide rental assistance to the Rental Housing Support Program Fund

The Department received fourteen Rental Housing project commitment letters at the end of fiscal year 2011 which were processed during the lapse period.

Illinois Tax Increment Fund – 0281

Grants for distribution to local Tax Increment Finance districts

The Department paid the final quarter Tax Increment Finance (TIF) grant allocation to local governments during the lapse period.

State Lottery Fund – 0711

Contractual services and developing and promoting Lottery games

The Department made payments to Northstar Lottery Group during lapse period for services performed in fiscal year 2011. Northstar Lottery Group is the private management firm that began managing the Lottery in fiscal year 2011.

Personal Property Tax Replacement Fund – 0802

Electronic data processing

The Department paid an invoice for the completion of the Milestone 5 conversion of excise taxes to Gentax during the lapse period.

2012

Motor Fuel Tax Fund – 0012

Electronic data processing

The Department paid Information Technology (IT) bills from the Department of Central Management Services for February, March, April, May, and June during the lapse period due to a delay in the verification of the bills.

Illinois Tax Increment Fund – 0281

Grants for distribution to local Tax Increment Finance districts

The Department paid the final quarter Tax Increment Finance (TIF) grant allocation to local governments during the lapse period.

Personal Property Tax Replacement Fund – 0802

Grants for the State's share of County Public Defenders' salaries

The Department paid salary reimbursements for Public Defenders' salaries in May and June during the lapse period. Additional appropriations for Public Defenders' salaries in the General Revenue Fund were already fully expended.

Foreclosure Prevention Program Fund – 0891

Awards and grants, lump sums and other purposes

The Department received two commitment letters for projects late in fiscal year 2011. These commitment letters were processed during the lapse period.

STATE OF ILLINOIS
DEPARTMENT OF REVENUE
ANALYSIS OF ACCOUNTS RECEIVABLE

Schedule 11

For the Fiscal Year Ended June 30, 2012
(In Thousands)

Accounts Receivable Relating to Taxes Receivable

	Retailer Occupation Tax (ROT)	Business Income Tax (BIT)	Withholding Income Tax (WIT)	Individual Income Tax (IIT)	Excise Tax	Totals
Non-Protest						
Current:	\$ -	\$ -	\$ -	\$ -	\$ 50,259	\$ 50,259
Past Due:						
1-90 days	\$ 22,611	\$ 29,538	\$ 10,663	\$ 37,139	\$ 1,034	\$ 100,985
91-180 days	17,991	12,776	10,737	18,714	4,265	64,483
181 days - 1 year	47,596	15,558	9,326	26,545	1,664	100,689
1 year <= 2 years	67,845	15,972	8,982	81,191	5,155	179,145
2 years <= 3 years	74,676	13,809	8,242	41,960	9,703	148,390
3 years <= 4 years	34,633	4,417	7,211	30,616	8,735	85,612
4 years <= 5 years	19,802	3,239	4,610	32,176	2,317	62,144
5 years <= 10 years	62,510	12,091	10,886	59,999	24,843	170,329
10 years <= 20 years	17,880	984	3,540	26,389	5,499	54,292
> 20 years	11,497	223	495	2,840	1,035	16,090
Total Past Due	\$ 377,041	\$ 108,607	\$ 74,692	\$ 357,569	\$ 64,250	\$ 982,159
Gross Receivables	\$ 377,041	\$ 108,607	\$ 74,692	\$ 357,569	\$ 114,509	\$ 1,032,418
Estimated Uncollectible	\$ (335,164)	\$ (61,423)	\$ (59,972)	\$ (298,493)	\$ (60,637)	\$ (815,689)
Total Net Receivables	\$ 41,877	\$ 47,184	\$ 14,720	\$ 59,076	\$ 53,872	\$ 216,729
	Retailer Occupation Tax (ROT)	Business Income Tax (BIT)	Withholding Income Tax (WIT)	Individual Income Tax (IIT)	Excise Tax	Totals
Protest						
Current:	\$ -	\$ -	\$ -	\$ -	\$ 52	\$ 52
Past Due:						
1-90 days	\$ 33,501	\$ 5,304	\$ 1,293	\$ 1,827	\$ 1,784	\$ 43,709
91-180 days	5,955	5,165	11	190	2	11,323
181 days - 1 year	14,448	64,698	69	232	4,690	84,137
1 year <= 2 years	26,133	35,015	1	336	10	61,495
2 years <= 3 years	12,520	4,196	37	81	1	16,835
3 years <= 4 years	11,524	8,221	-	48	-	19,793
4 years <= 5 years	922	126	-	2	-	1,050
5 years <= 10 years	113	-	-	28	-	141
10 years <= 20 years	-	-	-	-	-	-
> 20 years	-	-	-	-	-	-
Sub-total: Over 180 days	\$ 105,116	\$ 122,725	\$ 1,411	\$ 2,744	\$ 6,487	\$ 238,483
Gross Receivables	\$ 105,116	\$ 122,725	\$ 1,411	\$ 2,744	\$ 6,539	\$ 238,535
Estimated Uncollectible	\$ (67,699)	\$ (88,030)	\$ (113)	\$ (842)	\$ (4,170)	\$ (160,854)
Total Net Receivables	\$ 37,417	\$ 34,695	\$ 1,298	\$ 1,902	\$ 2,369	\$ 77,681

Note: See the Reconciliation of the Analysis of Accounts Receivable to the Taxes Receivable Footnote in the Financial Statements in Schedule 12.

STATE OF ILLINOIS
DEPARTMENT OF REVENUE
ANALYSIS OF ACCOUNTS RECEIVABLE

Schedule 11

For the Fiscal Year Ended June 30, 2011
(In Thousands)

Accounts Receivable Relating to Taxes Receivable

	Retailer Occupation Tax (ROT)	Business Income Tax (BIT)	Withholding Income Tax (WIT)	Individual Income Tax (IIT)	Excise Tax	Totals
Non-Protest						
Current:	\$ -	\$ -	\$ -	\$ -	\$ 47,701	\$ 47,701
Past Due:						
1-90 days	\$ 23,838	\$ 22,993	\$ 6,500	\$ 45,525	\$ 3,165	\$ 102,021
91-180 days	24,163	4,874	4,685	24,426	2,231	60,379
181 days - 1 year	39,140	13,213	6,417	34,818	3,615	97,203
1 year <= 2 years	85,777	13,555	10,818	54,049	8,561	172,760
2 years <= 3 years	43,248	5,094	11,885	34,064	8,712	103,003
3 years <= 4 years	25,733	6,565	8,728	34,596	2,251	77,873
4 years <= 5 years	19,762	6,011	7,351	20,705	954	54,783
5 years <= 10 years	62,284	6,520	12,832	53,179	17,064	151,879
10 years <= 20 years	16,886	792	4,614	27,619	3,895	53,806
> 20 years	13,028	226	394	1,799	852	16,299
Total Past Due	\$ 353,859	\$ 79,843	\$ 74,224	\$ 330,780	\$ 51,300	\$ 890,006
Gross Receivables	\$ 353,859	\$ 79,843	\$ 74,224	\$ 330,780	\$ 99,001	\$ 937,707
Estimated Uncollectible	\$ (311,186)	\$ (46,802)	\$ (65,527)	\$ (262,473)	\$ (46,260)	\$ (732,248)
Total Net Receivables	\$ 42,673	\$ 33,041	\$ 8,697	\$ 68,307	\$ 52,741	\$ 205,459
Protest						
Current:	\$ -	\$ -	\$ -	\$ -	\$ 4,019	\$ 4,019
Past Due:						
1-90 days	\$ 34,064	\$ 3,490	\$ 711	\$ 36,954	\$ 585	\$ 75,804
91-180 days	2,857	3,080	23	494	53	6,507
181 days - 1 year	14,029	27,643	1	225	226	42,124
1 year <= 2 years	21,998	5,126	36	274	232	27,666
2 years <= 3 years	14,991	7,985	-	386	541	23,903
3 years <= 4 years	2,891	354	-	841	21	4,107
4 years <= 5 years	6,279	13	-	1,058	1	7,351
5 years <= 10 years	20,940	2,107	-	1,071	2	24,120
10 years <= 20 years	14,671	-	-	-	2	14,673
> 20 years	-	-	-	-	-	-
Sub-total: Over 180 days	\$ 132,720	\$ 49,798	\$ 771	\$ 41,303	\$ 1,663	\$ 226,255
Gross Receivables	\$ 132,720	\$ 49,798	\$ 771	\$ 41,303	\$ 5,682	\$ 230,274
Estimated Uncollectible	(95,314)	(33,978)	(55)	(5,760)	(1,017)	(136,124)
Total Net Receivables	\$ 37,406	\$ 15,820	\$ 716	\$ 35,543	\$ 4,665	\$ 94,150

Note: See the Reconciliation of the Analysis of Accounts Receivable to the Taxes Receivable Footnote in the Financial Statements in Schedule 12.

STATE OF ILLINOIS
DEPARTMENT OF REVENUE
ANALYSIS OF ACCOUNTS RECEIVABLE

Schedule 11

For the Fiscal Year Ended June 30, 2011
(In Thousands)

Other Accounts Receivable

	<u>Lottery- Charges for Sales</u>	
 <u>Non-Protest</u>		
<u>Current:</u>	\$ 11,304	
 <u>Past Due:</u>		
1-90 days	\$ 207	
91-180 days	130	
181 days - 1 year	-	
1 year <= 2 years	9,437	
2 years <= 3 years	-	
3 years <= 4 years	-	
4 years <= 5 years	-	
5 years <= 10 years	-	
10 years <= 20 years	-	
> 20 years	-	
<u>Total Past Due</u>	<u>\$ 9,774</u>	
 Gross Receivables	 \$ 21,078	
 <u>Estimated Uncollectible</u>	 \$ (7,716)	
 <u>Total Net Receivables</u>	 \$ 13,362	
	<u>Retailer Occupation Tax (ROT)</u>	<u>Totals</u>
 <u>Protest</u>		
<u>Current:</u>	\$ -	\$ -
 <u>Past Due:</u>		
1-90 days	\$ -	\$ -
91-180 days	-	-
181 days - 1 year	-	-
1 year <= 2 years	-	-
2 years <= 3 years	-	-
3 years <= 4 years	-	-
4 years <= 5 years	-	-
5 years <= 10 years	-	-
10 years <= 20 years	-	-
> 20 years	-	-
<u>Sub-total: Over 180 days</u>	<u>\$ -</u>	<u>\$ -</u>
 Gross Receivables	 \$ -	 \$ -
 <u>Estimated Uncollectible</u>	 -	 -
 <u>Total Net Receivables</u>	 \$ -	 \$ -

ANALYSIS OF ACCOUNTS RECEIVABLE

For the Fiscal Years Ended June 30, 2012 and 2011

Collection Methods

The Department of Revenue (the Department) utilizes several different methods to collect past due receivables.

The Department has an in-house Collections Bureau consisting of field collectors, researchers, and levy units to collect past due receivables. For small balance and aged receivables, the Department utilizes the services of external private collection agencies on a contingent fee basis.

The Department utilizes several different types of offsets, including:

- internal refund offsets;
- State Comptroller offsets;
- Federal refund offsets with the U.S. Department of the Treasury;
- professional license revocations and holds with other State agencies;
- City of Chicago business license clearances;
- certificate of registration revocations and renewals;
- liquor license revocations and holds;
- Lottery retailer license suspensions, applications and renewals; and,
- auto dealer license renewals with the Office of the Secretary of State.

Further, the Department also utilizes tax liens and assistance from the Office of the Attorney General to collect past due receivables.

Taxes Paid under Protest

Taxes paid under protest are received by the Department and are remitted to the State Treasurer, who holds such monies in a special fund known as the "Protest Fund". The taxpayer making a payment under protest has 30 days to file a complaint in chancery court and secure a temporary injunction. If an injunction is not secured within 30 days of deposit, the State Treasurer transfers the money to the appropriate fund in the State Treasury.

Amounts paid under protest in any one fiscal period do not necessarily bear a direct relationship to such monies in another fiscal period, but depend on the frequency of challenges made by taxpayers to the various aspects of the multiple tax laws and regulations.

STATE OF ILLINOIS
DEPARTMENT OF REVENUE

Schedule 12

RECONCILIATION OF THE ANALYSIS OF ACCOUNTS RECEIVABLE
TO THE TAXES RECEIVABLE FOOTNOTE IN THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2012
(In Thousands)

Analysis of Accounts Receivable

Non-protest gross receivable	\$ 1,032,418	
In protest gross receivable	238,535	
Total Gross Taxes Receivable	<u>238,535</u>	\$ 1,270,953

Miscellaneous Departmental Adjustments

Lapse period collections	\$ 1,335,072	
Agency fund assets	4,808	
Fund 0930 not reported in financial statements	(50,216)	
Funds reported by other agencies	(6,682)	
GAAP reporting adjustment	(37,821)	
Other receivables	(393)	
Total Departmental Adjustments	<u>(97,008)</u>	\$ 1,244,768

Total Gross Taxes Receivable		\$ 2,515,721
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Less: Allowance for uncollectible taxes

Non-protest uncollectible	\$ (815,689)	
In protest uncollectible	(160,854)	
Total Allowance for Uncollectible	<u>(976,543)</u>	\$ (976,543)

Total, Net Taxes Receivable		\$ 1,539,178
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Taxes Receivable per Financial Statement Footnote 4

General Fund		\$ 985,980
Nonmajor Governmental Funds		343,993
Fiduciary Funds		209,205
		<u>\$ 1,539,178</u>

STATE OF ILLINOIS
DEPARTMENT OF REVENUE
RECONCILIATION OF THE ANALYSIS OF ACCOUNTS RECEIVABLE
TO THE TAXES RECEIVABLE FOOTNOTE IN THE FINANCIAL STATEMENTS

Schedule 12

For the Fiscal Year Ended June 30, 2011
(In Thousands)

Analysis of Accounts Receivable		
Non-protest gross receivable	\$ 937,707	
In protest gross receivable	<u>230,274</u>	
Total Gross Taxes Receivable		\$ 1,167,981
 Miscellaneous Departmental Adjustments		
Lapse period collections	\$ 1,188,133	
Agency fund assets	(9,350)	
Fund 0930 not reported in financial statements	(46,856)	
Funds reported by other agencies	(3,158)	
GAAP reporting adjustment	8,853	
Other receivables	<u>(669)</u>	
Total Departmental Adjustments		<u>\$ 1,136,953</u>
Total Gross Taxes Receivable		<u>\$ 2,304,934</u>
 Less: Allowance for uncollectible taxes		
Non-protest uncollectible	\$ (732,248)	
In protest uncollectible	<u>(136,124)</u>	
Total Allowance for Uncollectible		<u>\$ (868,372)</u>
Total, Net Taxes Receivable		<u><u>\$ 1,436,562</u></u>
 Taxes Receivable per Financial Statement Footnote 4*		
General Fund		\$ 973,709
Nonmajor Governmental Funds		335,932
Fiduciary Funds		<u>126,921</u>
		<u><u>\$ 1,436,562</u></u>

* The Department's Financial Statement Report for the fiscal year ending June 30, 2011 has been released under a separate cover.

STATE OF ILLINOIS
DEPARTMENT OF REVENUE

ANALYSIS OF OPERATIONS

AGENCY FUNCTIONS AND PLANNING PROGRAM

For the Fiscal Years Ended June 30, 2012 and 2011

(Unaudited)

General Operations

The Department of Revenue (Department) was established by the Civil Administrative Code of 1917 and is empowered to administer, collect, enforce and determine the distribution of the taxes imposed by the State's major tax acts. The Department collected approximately 80 percent and 62 percent of the receipts deposited into the General Revenue Fund for the years ended June 30, 2012 and 2011.

A significant portion of the Department's total effort relates to the collection of the retailers' occupation and related taxes (ROT), income taxes, and personal property replacement taxes. The revenue collected from these sources approximated 87 percent and 83 percent of taxes collected by the Department for the years ended June 30, 2012 and 2011. The remaining 13 percent and 17 percent of the Department's revenue for the years ended June 30, 2012 and 2011 is derived from the following taxes which the Department is empowered to collect:

Public utilities:

- Electricity excise tax
- Telecommunications excise
- Tax
- Telecommunications infrastructure maintenance fee
- Energy assistance and renewable energy
- Gas and gas use taxes
- Invested capital tax and electricity distribution tax
- Hotel Operators' Occupation Tax
- Automobile renting occupation and use tax
- Tire user fee
- Vehicle use tax
- Motor fuel and motor fuel use
- Taxes cigarette and cigarette use
- Taxes liquor gallonage tax
- Racing privilege tax
- Bingo tax and license fees
- Real estate transfer tax

General Operations – Continued

- Coin-operated amusement device tax
- Dry-leaning solvent tax and license fees
- Charitable games tax and license fees
- Pull tabs and jar games tax and license fees
- Underground storage tank tax and environmental impact fee
- Tobacco products tax
- Qualified solid waste energy facility payments
- Senior citizens real estate tax deferral repayments
- Tennessee Valley Authority payments

The Department administers and enforces the ordinances and resolutions of local governmental units that impose the following taxes:

Tax	Administrative Fee
Business district tax	2 %
Chicago home rule use tax	2 %
Chicago soft drink tax	2 %
County automobile renting tax	2 %
Municipal automobile renting tax	1.6%
County public safety tax	-
County school facility occupation tax	2%
County flood protection district	2%
County supplemental tax	-
County water commission tax	-
County option motor fuel tax	2 %
Home rule county retailers' occupation tax	-
Home rule municipal retailers' occupation tax	-
Illinois Sports Facilities Tax	4 %
Metro East Transit District retailers' occupation tax	2 %
Metropolitan Pier and Exposition Authority tax	2 %
Hotel operators' occupation tax (IL Tourism Fund)	4 %
Municipal hotel operators' occupation (Chicago hotel/motel) tax	4 %
Regional Transportation Authority retailers' occupation tax	-
Tennessee Valley Authority payments	-
Simplified municipal telecommunications tax	0.5%

General Operations – Continued

The administrative fee is withheld to cover the administrative costs in rendering the collection service for the local governmental units.

In 1973, the Department was given the responsibility for administering and enforcing the "Senior Citizens' and Disabled Persons' Property Tax Relief Act" and the "Additional Tax Relief Act." These acts grant relief payments to senior citizens and disabled persons for real estate and other taxes. Contrary to the Department's primary mission of collecting taxes, its responsibility in this regard is to disburse funds.

Operating Expense Analysis

Operating expenses are not reduced for the fees collected by the Department for administering the Metropolitan Pier and Exposition Authority taxes, county water commission retailers' occupation taxes, municipal hotel operators' occupation tax, Illinois Sports Facilities, municipal and county automobile renters' occupation use tax, and municipal replacement vehicle tax. The fees collected are as follows:

<u>Years Ended June 30,</u>	<u>Fees Deposited in General Revenue Fund</u>	<u>Fees Deposited in Tax Compliance and Administrative Fund</u>
2012	\$ 752,335	\$ 1,336,831
2011	679,735	1,041,398
2010	1,650,793	802,590

Operating expenses, derived by using only operations spending, subtracting out the General Revenue Fund transfers into the Senior Citizens Real Estate Deferred Tax Revolving Fund, the Nursing Home Fund, Illinois Affordable Housing Trust, and equipment purchases from appropriated expenditures for the 14 months ended August 31, 2012, 2011, and 2010 per \$1,000 of tax collected is summarized below.

<u>Years Ended June 30,</u>	<u>Tax Collections (in thousands)</u>	<u>Operating Expenses (in thousands)</u>	<u>\$1,000 of Tax Collection</u>
2012	\$ 38,509,816	\$ 185,616	\$ 4.82
2011	32,693,788	178,698	5.47
2010	27,838,029	182,486	6.56

Agency Functions

The mission statement of the Department of Revenue (Department) is to maximize collection of revenues for the State of Illinois and effectively regulate the manufacture, distribution and sale of alcoholic beverages; all in a manner that promotes fair and consistent enforcement of State laws.

The primary responsibility of the Department is to serve as the tax collection agency for State government and for local governments. The Department also regulates the manufacture, distribution and sale of alcoholic beverages. In addition, the Department oversees local property tax assessments and functions as the funding agent for the Illinois Housing Development Authority.

The current Director of the Department is Mr. Brian A. Hamer. The Department's headquarters is located at 101 West Jefferson Street, Springfield, Illinois.

Divisions of the Department

The Department's operations are divided into the following primary areas:

Account Processing Administration

The Account Processing Administration deposits tax payments; receives processes, controls, and stores State tax returns and associated documents.

Audit Bureau/Criminal Investigations/Collections

Through field and in-house audit activities, the Audit Bureau promotes voluntary compliance with State tax laws by examining taxpayer records to ensure the establishment and payment of all taxes due. The Criminal Investigations area promotes voluntary compliance through determination of non-compliance with criminal and civil tax laws and refers recommendations for prosecution of criminal violations of State tax law. The Collections function pursues the collection of delinquent tax liabilities.

Taxpayer Services

This area answers taxpayer telephone calls, correspondence and registers taxpayer accounts.

Information Technology

This area provides application development, oversees automation support, and maintains daily computer operations.

Agency Functions – Continued

Administrative Services

Administrative Services includes major support functions for the Department including: Human Resource Management, Revenue Accounting, and Property Management. Human Resource Management is responsible for training, benefit coordination, Equal Employment Opportunity advocacy, labor relations and coordination of personnel and payroll. Administrative Services also coordinates the purchase and payment of items procured through a voucher processing system, as well as centralized printing, mail, and facility coordination services.

In addition, there are other support areas including Legal Services, Labor Relations, Equal Employment Opportunity, Research, Information Security, Communications, and Budget.

Other Divisions of the Department

Liquor Control Commission

The Liquor Control Commission regulates the manufacture, distribution, and sale of alcoholic beverages.

The Department has various taxpayer appeal divisions: the Informal Conference Board, the Board of Appeals Office, and the Administrative Hearings Office.

Lottery

The Lottery program administers Lottery wagering activities in Illinois. By Public Act 97-0464, the Division of the Lottery separated from the Department and became the Department of Lottery, effective October 15, 2011.

Planning Program

The Department's mission is "to maximize collections of revenues for the State of Illinois; ensure the integrity of the state's wagering activities; and effectively regulate the manufacture, distribution and sale of alcoholic beverages; all in a manner that promotes fair and consistent enforcement of State laws." In order to meet this goal, the Department adopted a four-year strategic plan covering fiscal years 2008 through 2011. The Department identified the following key priorities under this plan:

- 1) Enforcement
 - a) Enhance identification of underreporting and non-filing by expanding data capture, incorporating third-party data sources, and improving analysis
 - b) Expand audit coverage across tax types to increase voluntary compliance
 - c) Employ tailored collection strategies to recover tax debt owed to the State
 - d) Improve efforts to identify, investigate and prosecute tax fraud

- 2) Efficiency and Effectiveness
 - a) Improve processing workflow, taxpayer service and compliance by replacing core tax processing systems with an integrated solution
 - b) Increase front-end processing efficiency through increased electronic filing and data capture technology
 - c) Upgrade call center technology to improve taxpayer service, automate delinquent tax debt collection, and improve Lottery player hotline functionality
 - d) Increase transfers to the Common School Fund through new and revitalized games, innovative marketing and an increased retailer base

- 3) Sound Policy
 - a) Develop and advocate legislation to eliminate unfair and unsound tax advantages
 - b) Continue underage drinking compliance effort targeted at and tailored for identified problem areas

Each week, the Department's Associate Director, Chief of Staff, Chief Financial Officer, Chief Counsel, and various managers (Audit, Collections, Information Services, Account Processing, Administrative Services, Communications/Policy, and Labor Relations) have meetings to discuss the status of the Department's plans and identify improvements that can be made to improve the Department's operations.

Each quarter, the Department monitors the Strategic Plan's implementation progress through a Quarterly Management Report. The Quarterly Management Report reports on recent progress in achieving the Department's goals, key performance metrics, and benchmarks to check the Department's progress in meeting its goals.

Planning Program – Continued

The Department held a strategic planning session in September 2012 to develop a new three year strategic plan. The Department adopted the following five goals under the new plan:

- 1) Leverage technology
- 2) Operate efficiently within constraints
- 3) Ensure a good taxpayer experience
- 4) Collect all revenues due
- 5) Identify and implement good tax policy

Each goal has programs that will help achieve the desired results. A team with a leader was designated to meet and choose the programs that could be met or initiated in calendar year 2013. Each program was assigned a leader who would be responsible for creating an implementation team if necessary that would meet and outline the steps to develop the program. Some of the programs have been successfully completed, some are ongoing and some are in the planning stages.

STATE OF ILLINOIS
DEPARTMENT OF REVENUE
AVERAGE NUMBER OF EMPLOYEES

For the Fiscal Years Ended June 30, 2012, 2011, and 2010
(Unaudited)

The following information was prepared from Department records and represents the average full-time equivalent number of employees by division, for the fiscal years ended June 30, 2012, 2011, and 2010.

	Fiscal Year		
	2012	2011	2010
Tax Operations			
General Revenue	1,143	1,254	1,230
Motor Fuel Tax	228	226	237
County Motor Fuel Tax	6	4	6
Illinois Gaming Law Enforcement	6	5	4
Personal Property Tax Replacement	161	163	160
Underground Storage Tank	12	11	11
Home Rule Municipal Retailers' Occupation Tax	6	5	6
Illinois Tax Increment	4	4	4
Tax Compliance and Administration	26	31	36
Total Tax Operations	<u>1,592</u>	<u>1,703</u>	<u>1,694</u>
Shared Services			
General Revenue	19	23	29
Motor Fuel Tax	6	7	6
Dram Shop	1	1	1
Horse Racing	0 *	0 *	1
State Gaming	0 *	0 *	2
State Lottery	0 *	3	4
Total Shared Services	<u>26</u>	<u>34</u>	<u>43</u>
Illinois State Lottery			
State Lottery	<u>0 *</u>	<u>173</u>	<u>176</u>
Liquor Control Commission			
Dram Shop	<u>42</u>	<u>41</u>	<u>42</u>
TOTAL DEPARTMENT	<u>1,660</u>	<u>1,951</u>	<u>1,955</u>

* The reduction in headcount reflects the separation of the Illinois Gaming Board and the Illinois Racing Board from the Department of Revenue on July 1, 2009; and the separation of the Department of Lottery from the Department of Revenue on October 15, 2011.

STATE OF ILLINOIS
DEPARTMENT OF REVENUE
EMERGENCY PURCHASES

For Fiscal Year Ended June 30, 2012

(Unaudited)

<u>Description</u>	<u>Amount</u>
The Department is pursuing an emergency procurement to extend its contract with Com Microfilm Company for scanning services. The service is compatible with the State's imaging/archival system and it is not economically feasible to establish a new vendor contract. The service is considered vital to security, safety, and accountability for the Shared Service Center at the Department.	\$ 5,400 *
This emergency procurement allows for the continued retention of scanning and imaging services by Com Microfilm for the Shared Services Center at the Department.	9,664
The Department is pursuing an emergency contract with Manpower to provide temporary workers during the busy season. The State master contract vendor cannot provide the number of temps needed by the Department.	<u>241,000 *</u>
	<u>\$ 256,064</u>

* Estimated cost

STATE OF ILLINOIS
DEPARTMENT OF REVENUE
EMERGENCY PURCHASES

For Fiscal Year Ended June 30, 2011

(Unaudited)

<u>Description</u>	<u>Amount</u>
Public Act 96-1435 provides that the Department shall establish an amnesty program for taxpayers owing tax to the State of Illinois. The amnesty period was in effect from October 1, 2010 to November 8, 2010. This emergency procurement allowed the Department to inform the taxpayers of the amnesty period through a statewide media plan through OMNI Media Group.	\$ 100,000
The Department is pursuing an emergency contract with IGOR the Watchdog Corporation beginning May 1, 2011 to ensure the continued availability of Illinois Lottery instant game tickets at retail locations throughout Illinois. The emergency procurement is necessary to preserve the \$800,000 in daily net revenues from instant game tickets.	999,266
The Department is pursuing an emergency contract extension with Scientific Games International Inc. beginning May 1, 2011 to ensure the continued availability of Illinois Lottery instant game tickets at retail locations throughout Illinois. The emergency purchase is necessary to preserve the approximately \$800,000 in daily net revenues from instant game ticket sales.	1,100,000 *
The Department previously entered into an emergency purchase with IGOR to ensure delivery of Illinois Lottery instant tickets starting May 1, 2011. The Department is pursuing an extension of that contract until such time that the new central gaming system is deployed and ticket distribution begins under the Scientific Games subcontract or October 27, 2011, whichever comes first.	<u>1,415,735</u>
	<u>\$ 3,615,001</u>

* Estimated cost

STATE OF ILLINOIS
DEPARTMENT OF REVENUE

AUDIT COLLECTIONS STATISTICS

For the Fiscal Years Ended June 30, 2012 and 2011
(Unaudited)

The following tables provide an analysis of the revenue collected by audit staff of the Department compared to the costs associated with the audit:

Audit Collections per Audit Staff:

	<u>Revenue Collections (Audits)</u>	<u>Audit Staff (Average)</u>	<u>Revenue / Audit Staff</u>
FY05	\$205,616,197	437	\$470,518
FY06	\$214,020,180	464	\$461,250
FY07	\$290,791,333	476	\$610,906
FY08	\$284,833,027	495	\$575,420
FY09	\$183,863,341	492	\$373,706
FY10	\$235,650,635	493	\$477,993
FY11	\$198,627,593	510	\$389,466
FY12	\$145,056,769	483	\$300,325

Audit Collections per Audit Related Expenditures:

	<u>Revenue Collections</u>	<u>Audit Related Expenditures</u>	<u>Revenue / \$ Spent</u>
FY05	\$205,616,197	\$37,131,256	\$5.5
FY06	\$214,020,180	\$38,033,371	\$5.6
FY07	\$290,791,333	\$41,707,747	\$7.0
FY08	\$284,833,027	\$47,275,341	\$6.0
FY09	\$183,863,341	\$50,165,301	\$3.7
FY10	\$235,650,635	\$38,916,363	\$6.1
FY11	\$198,627,593	\$53,569,512	\$3.7
FY12	\$145,056,769	\$56,779,930	\$2.6

STATE OF ILLINOIS
DEPARTMENT OF REVENUE

SERVICE EFFORTS AND ACCOMPLISHMENTS

For the Fiscal Years Ended June 30, 2012 and 2011
(Unaudited)

Administer State and Local Tax Laws:

Mission Statement: To maximize collection of revenues for the State of Illinois.

Program Goals:

Objectives:

1. Enhance tax enforcement.
 - a. Re-deploy resources to focus on enforcement.
2. Improve efficiency and effectiveness.
 - a. Expand electronic filing and payment offerings.
3. Advocate sound tax policies.
 - a. Close tax loopholes and eliminate unjustified tax avoidance schemes.
 - b. Develop accurate revenue forecasts.
4. Improve the quality and accessibility of taxpayer education and information.
 - a. Increase self-help and interactive tax assistance options.

Funds:

- General Revenue Fund
- Motor Fuel Tax
- Transportation Regulatory Fund
- Underground Storage Tank Fund
- Home Rule Municipal Retailers' Occupation Tax Fund
- Illinois Department of Revenue Federal Trust Fund
- State and Local Sales Tax Reform Fund
- Regional Transportation Authority Occupation and Use Tax Replacement Fund
- County Option Motor Fuel Tax Fund
- Income Tax Refund Fund
- Debt Collection Fund
- Illinois Tax Increment Fund
- Tax Compliance and Administration Fund
- Local Government Distributive Fund
- Municipal Telecommunications Fund
- Personal Property Tax Replacement Fund

Statutory Authority: 35 ILCS

STATE OF ILLINOIS
DEPARTMENT OF REVENUE

SERVICE EFFORTS AND ACCOMPLISHMENTS

For the Fiscal Years Ended June 30, 2012 and 2011
(Unaudited)

Administer State and Local Tax Laws

	<u>Fiscal Year 2010 Actual</u>	<u>Fiscal Year 2011 Actual</u>	<u>Fiscal Year 2012 Target/ Projected</u>	<u>Fiscal Year 2012 Actual</u>	<u>Fiscal Year 2013 Target/ Projected</u>
<u>Input Indicators</u>					
Total Expenditures – all sources (in thousands)	\$3,990,259	\$4,424,544	\$5,882,883	\$4,940,280	\$6,279,430
Total Expenditures – state appropriated funds (in thousands)	\$448,216	\$457,478	\$539,788	\$467,431	\$611,325
Average monthly full-time equivalents	1,682	1,691	1,824	1,582	1,686
Total expenditures – operations (state appropriated funds – in thousands)	\$171,279	\$175,259	\$175,372	\$181,226	\$190,925
Total expenditures – grants and refunds (state appropriated funds in thousands)	\$276,937	\$282,219	\$364,416	\$286,205	\$420,400
<u>Output Indicators</u>					
Number of State and local taxes administered	70	71	71	73	73
State and local tax and fee collections (in millions)	\$29,132	\$32,597	\$34,500	\$38,352	\$39,450
Number of tax return documents processed - includes alternatively filed methods	17,238,162	17,524,999	17,500,000	17,710,354	17,725,000
Number of individual income tax returns processed	5,946,127	5,961,385	5,965,000	5,961,003	5,960,000
Number of individual income tax refunds issued	3,978,800	4,165,109	4,150,000	3,326,886	3,500,000
Number of direct deposits	2,418,002	2,683,912	2,850,000	2,453,803	2,650,000
Number of new registration applications processed	100,831	91,977	92,000	102,687	103,000
Number of active registration accounts	951,156	988,090	995,000	1,015,504	1,020,000
Delinquent tax debt cases closed	359,779	397,529	400,000	468,272	400,000
Delinquent tax debt collections (in thousands)	\$461,808	\$509,780	\$515,000	\$540,518	\$550,000
Number of phone calls answered on toll-free taxpayer assistance lines	982,233	1,094,457	1,100,000	970,182	1,000,000

STATE OF ILLINOIS
DEPARTMENT OF REVENUE

SERVICE EFFORTS AND ACCOMPLISHMENTS

For the Fiscal Years Ended June 30, 2012 and 2011
(Unaudited)

Administer State and Local Tax Laws – (Continued)

	<u>Fiscal Year 2010 Actual</u>	<u>Fiscal Year 2011 Actual</u>	<u>Fiscal Year 2012 Target/ Projected</u>	<u>Fiscal Year 2012 Actual</u>	<u>Fiscal Year 2013 Target/ Projected</u>
<u>Outcome Indicators</u>					
Number of individual income tax returns filed electronically	3,585,127	4,215,536	4,500,000	4,648,566	4,929,000
Percent of individual income tax returns filed electronically	60%	71%	75%	78%	83%
Percent of tax and fee collections received via Electronic Funds Transfer (EFT)	67%	76%	78%	81%	82%
Total tax and fee collections received via Electronic Funds Transfer (EFT) (in millions)	\$19,407	\$24,553	\$25,500	\$31,216	\$32,500
Average number of days from receipt of registration application to mailing of certificate	8.1	5.9	7.8	3.4	4.4
Average number of days from receipt of payment until deposit	1.0	1.0	1.0	1.0	1.0
Percentage of dollars deposited on same day as receipt	94%	94%	94%	96%	97%
Percent of accurately and timely filed individual income tax returns	90%	89%	90%	89%	90%
Average number of days to issue an Individual income tax refund	43.4	23.4	23.0	22.1	23.0
<u>Efficiency/Cost Effectiveness</u>					
Cost to collect \$1,000 of tax and fees (in dollars)	\$5.90	\$5.40	\$5.10	\$5.00	\$4.60
Tax and fee collections per staff (in millions)	\$17.3	\$19.4	\$19.0	\$24.2	\$23.4
Delinquent tax debt collections per dollar spent on delinquent debt collection process (in dollars)	\$29	\$30	\$30	\$32	\$32

STATE OF ILLINOIS
DEPARTMENT OF REVENUE

SERVICE EFFORTS AND ACCOMPLISHMENTS

For the Fiscal Years Ended June 30, 2012 and 2011
(Unaudited)

Liquor Control Commission:

Mission Statement: To effectively regulate the manufacture, distribution, and sale of alcoholic beverages, and reduce youth access to tobacco products.

Program Goals:

Objectives:

1. Ensure Statewide compliance with the provisions, rules and regulations of the Liquor Control Act of 1934.
2. Reduce youth access to tobacco products in Illinois.
3. Review and determine eligibility of business entities to hold a liquor license in the State of Illinois.
4. Develop a public awareness campaign related to minimum-age liquor laws and to educate retail liquor establishments on how to guard against illegal sales and services to minors.

Funds: Dram Shop Fund

Statutory Authority: 235 ILCS 5/1-1 et seq.

STATE OF ILLINOIS
DEPARTMENT OF REVENUE

SERVICE EFFORTS AND ACCOMPLISHMENTS

For the Fiscal Years Ended June 30, 2012 and 2011
(Unaudited)

Liquor Control Commission

	<u>Fiscal Year 2010 Actual</u>	<u>Fiscal Year 2011 Actual</u>	<u>Fiscal Year 2012 Target/ Projected</u>	<u>Fiscal Year 2012 Actual</u>	<u>Fiscal Year 2013 Target/ Projected</u>
<u>Input Indicators</u>					
Total Expenditures – all sources (in thousands)	\$5,886	\$5,980	\$8,569	\$7,008	\$9,732
Total Expenditures – state appropriated funds (in thousands)	\$5,886	\$5,980	\$8,569	\$7,008	\$9,732
Average monthly full-time equivalents	42.0	42.0	50.0	43.0	50.0
<u>Output Indicators</u>					
Inspections – total	17,466	17,706	17,800	16,628	16,750
Licenses issued	28,643	29,336	29,500	29,694	29,800
<u>Outcome Indicators</u>					
Liquor inspections compliance rate	65.5%	61.4%	65.0%	62.3%	63.0%
Tobacco retailers compliance rate on State annual survey	94.0%	94.0%	94.0%	84.5%	94.0%

STATE OF ILLINOIS
DEPARTMENT OF REVENUE

SERVICE EFFORTS AND ACCOMPLISHMENTS

For the Fiscal Years Ended June 30, 2012 and 2011
(Unaudited)

Lottery:

Mission Statement: To help generate revenue for public education through the sale of entertaining lottery tickets.

Program Goals:

Objectives:

1. To develop and market lottery games that maximizes public participation and focus public attention on the Lottery as the preferred choice for legal gaming.
 - a. Develop a multi-faceted public relations/earned media campaign that builds public awareness and approval of the Lottery's role in public education funding.
 - b. Develop game and/or marketing changes to enhance sales of under performing online game portfolio.
 - c. Continue to grow game sales by increasing the use and proliferation of later point-of-purchase technology.

2. To award all prizes and incentives in a timely, efficient and secure manner.

Funds: State Lottery Fund

Statutory Authority: 20 ILCS 1605

By Public Act 97-0464, the Division of the Lottery separated from the Department and became the Department of Lottery, effective October 15, 2011.

STATE OF ILLINOIS
DEPARTMENT OF REVENUE

SERVICE EFFORTS AND ACCOMPLISHMENTS

For the Fiscal Years Ended June 30, 2012 and 2011
(Unaudited)

Lottery

	<u>Fiscal Year 2010 Actual</u>	<u>Fiscal Year 2011 Actual</u>	<u>Fiscal Year 2012 Target/ Projected</u>	<u>Fiscal Year 2012 Actual</u>	<u>Fiscal Year 2013 Target/ Projected</u>
<u>Input Indicators</u>					
Total Expenditures – all sources (in thousands)	\$2,196,644	\$2,278,760	\$2,893,891	\$0	\$0
Total Expenditures – state appropriated funds (in thousands) (a)	\$401,784	\$422,260	\$949,185	\$96,700	\$0
Average monthly full-time equivalents	176.0	174.0	205.0	0	0
Operating Expenses (in millions)	\$60.8	\$61.0	\$199.1	N/A	N/A
<u>Output Indicators</u>					
Sales (in millions)	\$2,197	\$2,279	\$2,894	N/A	N/A
<u>Outcome Indicators</u>					
Transfers to the Common School Fund (in millions)	\$625.0	\$631.9	\$639.9	N/A	N/A
Percentages of sales transferred to the Common School Fund	28.5%	27.7%	22.1%	N/A	N/A

(a) The \$95,699.9 in fiscal year 2012 expenditures are expenditures that occurred between July 1, 2011 and October 15, 2011 when the Department of Lottery was still under the authority of the Illinois Department of Revenue. P.A. 97-0464 abolished the Division of Lottery within the Department of Revenue.