

**State of Illinois  
Department of Revenue**

Financial Audit  
For the Year Ended June 30, 2018

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



**State of Illinois  
Department of Revenue**

**Financial Audit**

**For the Year Ended June 30, 2018**

**Table of Contents**

---

|   | <u>Page</u> |
|---|-------------|
| Agency Officials  | 1 - 3       |
| Financial Statement Report  |             |
| Summary   | 4           |
| Independent Auditor's Report  | 5 - 7       |
| Basic Financial Statements  |             |
| Statement of Net Position   | 8           |
| Statement of Activities   | 9           |
| Balance Sheet – Governmental Funds  | 10          |
| Reconciliation of Governmental Funds Balance Sheet to<br>Statement of Net Position  | 11          |
| Statement of Revenues, Expenditures and Changes in<br>Fund Balances – Governmental Funds  | 12          |
| Reconciliation of Statement of Revenues, Expenditures and Changes in<br>Fund Balances of Governmental Funds to Statement of Activities  | 13          |
| Statement of Fiduciary Net Position   | 14          |
| Notes to Financial Statements   | 15 - 47     |
| Supplementary Information   |             |
| Combining Schedule of Accounts – General Fund   | 48          |
| Combining Schedule of Revenues, Expenditures and Changes in<br>Fund Balance – General Fund  | 49          |
| Combining Balance Sheet – Nonmajor Governmental Funds   | 50 - 54     |
| Combining Statement of Revenues, Expenditures and Changes in<br>Fund Balance – Nonmajor Governmental Funds  | 55 - 59     |
| Combining Statement of Fiduciary Net Position – Agency Funds  | 60 - 63     |
| Combining Statement of Changes in Assets and Liabilities –<br>Agency Funds  | 64 - 69     |
| Independent Auditor's Report on Internal Control Over Financial Reporting<br>and on Compliance and Other Matters Based on an Audit of Financial<br>Statements Performed in Accordance with <i>Government Auditing Standards</i> | 70 - 71     |
| Schedule of Findings  | 72 - 77     |

**State of Illinois  
Department of Revenue**

**Financial Audit**

**For the Year Ended June 30, 2018**

**Agency Officials**

---

|                            |  |
|----------------------------|--|
| Director                   | David Harris, Acting (1/22/19 – present)<br>Edward Buckles, Acting (1/1/19 – 1/21/19)<br>Constance Beard (through 12/31/18)  |
| Assistant Director         | Vacant (1/1/19 – present)<br>Edward Buckles (through 12/31/18)   |
| Associate Director         | Vacant (10/11/18 – present)<br>Chimaobi Enyia (through 10/10/18)   |
| Chief of Staff             | Jim Nichelson (3/8/19 – present)<br>Vacant (1/1/19 – 3/7/19)<br>Kevin Conner (through 12/31/18)  |
| Policy Advisor             | Hans Zigmund (3/16/19 – present)<br>Vacant (8/1/18 – 3/15/19)<br>Vince Cacioppo (1/25/18 – 7/31/18)<br>Vacant (7/1/17 – 1/24/18)   |
| Enforcement Policy Advisor | Vince Cacioppo (8/1/18 – present)<br>Vacant (7/1/17 – 7/31/18)   |
| Chief Financial Officer    | Cory Staley  |
| Chief Internal Auditor     | Nikki Lanier (7/1/18 – present)<br>Vacant (6/27/18 – 6/30/18)<br>Barbara Ringler, Acting (75 day 1/11/18 – 6/26/18)<br>Vacant (1/1/18 – 1/10/18)<br>Barbara Ringler (through 12/31/17) |
| Liquor Control Commission  | Chimaobi Enyia, Acting (4/11/18 – present)<br>Donovan Borvan (through 4/10/18)   |
| Program Administrators:    |  |
| Administrative Services    | Joe Romang   |
| Account Processing         | Kevin Richards   |
| Administrative Hearings    | Terry Charlton   |
| Audit                      | Daniel Hall  |
| Board of Appeals           | Brian Wolfberg   |

**State of Illinois  
Department of Revenue**

**Financial Audit**

**For the Year Ended June 30, 2018**

**Agency Officials (Continued)**

---

Program Administrators (Continued):

|                              |   |
|------------------------------|---|
| Collections                  | Steven Hayes, Acting (1/26/18 – present)<br>Vacant (1/25/18)<br>Vince Cacioppo (through 1/24/18)  |
| Communications Officer       | Terrence Horstman (5/1/18 – present)<br>Darlene Logdson (through 4/30/18)   |
| Criminal Investigations      | Vacant (5/2/18 – Present)<br>Brian Cooper, Acting (through 5/1/18)  |
| Equal Employment Opportunity | John Nelson   |
| General Counsel              | Brian Fliflet, Acting (3/8/19 – present)<br>Jim Nichelson, Acting (1/7/19 – 3/7/19)<br>Vacant (1/1/19 – 1/6/19)<br>Mark Dyckman (through 12/31/18)  |
| Informal Conference Board    | Vacant  |
| Information Technology       | Debbie Price (through present)<br><i>Effective 10/1/17, this position was transferred<br/>to the Department of the Innovation and<br/>Technology</i>  |
| Internal Affairs             | Patrick Ross (2/1/19 – present)<br>Kasey Cook, Acting (8/6/18 – 1/31/19)<br>Vacant (8/4/18 – 8/5/18)<br>Stephen Peters (through 8/3/18)   |
| Labor Relations              | Dave Mack, Acting (10/23/18 – present)<br>Vacant (7/16/18 – 10/22/18)<br>Kari Rothermich (3/16/18 – 7/15/18)<br>Vacant (3/4/18 – 3/15/18)<br>Jeffrey McNeal, Acting (11/16/17 – 3/3/18)<br>Catherine Lacey (through 11/15/17) |

**State of Illinois  
Department of Revenue**

**Financial Audit**

**For the Year Ended June 30, 2018**

**Agency Officials (Continued)**

---

|  |   |
|--|---|
| Human Resources  | Julie Moscardelli   |
| Legislative Office                                     | Richard Sgro  |
| Research Office  | Marty Johnson, Acting (3/5/19 – present)<br>Vacant (3/1/19 – 3/4/19)<br>Marty Johnson, Acting (8/30/17 – 2/28/19)<br>Vacant (8/28/17 – 8/29/17)<br>Hans Zigmund (through 8/27/17) |
| Taxpayer Services                                      | Brenda Towers   |
| Liquor Control Board Members<br>(as of March 11, 2019) | Constance Beard, Chair<br>Thomas Gibbons<br>Patricia Pulido Sanchez<br>Gerald Gorman<br>Donald G. O’Connell<br>Cynthia Cronin Cahill<br>Ann Deters                                |

Department Offices are located at:

**Springfield, Illinois**

Willard Ice Building  
101 West Jefferson Street  
Springfield, Illinois 62702

**Des Plaines, Illinois**

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

**Marion, Illinois**

2309 West Main Street, Suite 114  
Marion, Illinois 62959

**Paramus, New Jersey**

45 Eisenhower Drive, Suite 2  
Paramus, New Jersey 07652

**Chicago, Illinois**

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

**Fairview Heights, Illinois**

15 Executive Drives, Suite 2  
Fairview Heights, Illinois 62208

**Rockford, Illinois**

200 South Wyman Street  
Rockford, Illinois 61101

**State of Illinois  
Department of Revenue**

**Financial Audit**

**For the Year Ended June 30, 2018**

---

**FINANCIAL STATEMENT REPORT**

**SUMMARY**

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

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

**SUMMARY OF FINDINGS**

The auditors identified matters involving the Department's internal control over financial reporting that they considered to be material weaknesses or significant deficiencies. The material weaknesses are described in the accompanying Schedule of Findings on pages 72-75 of this report as item 2018-001 (Inadequate Controls over Changes to GenTax) and item 2018-002 (Inadequate Internal Control over Access to GenTax). The significant deficiency is described in the accompanying Schedule of Findings on pages 76-77 of this report as item 2018-003 (Inadequate Controls over Tax Abatements).

**EXIT CONFERENCE**

Department officials waived an exit conference in correspondence from Nikki Lanier, Chief Internal Auditor, dated April 4, 2019. The responses to the recommendations were provided by Nikki Lanier, Chief Internal Auditor, in correspondence dated April 18, 2019.

## Independent Auditor's Report

RSM US LLP

Honorable Frank J. Mautino  
Auditor General  
State of Illinois

### Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the State of Illinois, Department of Revenue (Department), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Department, as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 2, the financial statements of the Department are intended to present the financial position and the changes in financial position of only that portion of the governmental activities, each major fund, and the aggregate remaining fund information of the State that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the State of Illinois as of June 30, 2018, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 12, the Department has the following fund deficits as of June 30, 2018: The General Fund \$1.359 billion, the Road Fund \$30.065 million, and the following nonmajor governmental funds had fund deficits at June 30, 2018, as noted: Public Utility \$15 thousand, Illinois Gaming Law Enforcement \$295 thousand, State and Local Sales Tax Reform \$181 thousand, Local Government Distributive \$13.828 million, School Infrastructure \$903 thousand, and Personal Property Tax Replacement \$196.985 million. The Department's plan to eliminate these deficits is dependent on the collection and allocation of future State revenues to the Department. Our opinion is not modified with respect to this matter.

As discussed in Note 15, during the year ended June 30, 2018, the Department adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of this statement resulted in a restatement of the June 30, 2017, net position, as described in Note 15. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

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

#### ***Other Information***

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

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



### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 1, 2019 on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

### **Restricted Use of this Auditor's Report**

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

**SIGNED ORIGINAL ON FILE**

Schaumburg, Illinois  
May 1, 2019

**State of Illinois**  
**Department of Revenue**  
**Statement of Net Position**  
June 30, 2018 (Expressed in Thousands)

|  | <b>Governmental<br/>Activities</b> |
|--|------------------------------------|
| <b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>           |                                    |
| Unexpended appropriations                                  | \$ 15,700                          |
| Cash equity in State Treasury                              | 1,801,285                          |
| Cash and cash equivalents                                  | 9                                  |
| Securities lending collateral equity with State Treasurer  | 80,750                             |
| Taxes receivable, net                                      | 1,869,433                          |
| Intergovernmental receivables                              | 644                                |
| Other receivables, net of allowance of \$1,838             | 20,158                             |
| Due from State fiduciary funds                             | 3,954                              |
| Due from State funds                                       | 2,207                              |
| Loans and notes receivable, long-term                      | 38,277                             |
| Due from State of Illinois component units                 | 335,979                            |
| Prepaid expenses   | 1,177                              |
| Capital assets being depreciated/amortized, net            | 22,002                             |
| <b>Total assets</b>  | <b>4,191,575</b>                   |
| Deferred outflow of resources - pension                    | 250,905                            |
| Deferred outflow of resources - OPEB                       | 36,761                             |
| <b>Total assets and deferred outflows of resources</b>     | <b>4,479,241</b>                   |
| <b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>       |                                    |
| Accounts payable and accrued liabilities                   | 370,274                            |
| Income tax refunds payable                                 | 1,575,044                          |
| Intergovernmental payables                                 | 964,145                            |
| Obligations under securities lending of State Treasurer    | 80,750                             |
| Due to Department fiduciary funds                          | 36,471                             |
| Due to other State fiduciary funds                         | 2,698                              |
| Due to other State funds                                   | 622,920                            |
| Due to State of Illinois component units                   | 19,077                             |
| Unearned revenue   | 1,080,667                          |
| Long-term obligations:                                     |                                    |
| Portion due or payable within one year                     | 1,402                              |
| Portion due or payable after one year                      | 1,611,957                          |
| <b>Total liabilities</b>                                   | <b>6,365,405</b>                   |
| Deferred inflow of resources - pension                     | 124,771                            |
| Deferred inflow of resources - OPEB                        | 95,871                             |
| <b>Total liabilities and deferred inflows of resources</b> | <b>6,586,047</b>                   |
| <b>NET POSITION (DEFICIT)</b>                              |                                    |
| Invested in capital assets                                 | 22,002                             |
| Restricted - other   | 9                                  |
| Unrestricted   | (2,128,817)                        |
| <b>Total net position (deficit)</b>                        | <b>\$ (2,106,806)</b>              |

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, 2018 (Expressed in Thousands)

| Functions/Programs                                   | Expenses            | Program Revenues     |                                    | Net (Expense)                        |
|--|---------------------|----------------------|------------------------------------|--------------------------------------|
|  |                     | Charges for Services | Operating Grants and Contributions | Revenues and Changes in Net Position |
|  |                     |                      |                                    | Governmental Activities              |
| <b>Governmental activities</b>                       |                     |                      |                                    |                                      |
| General government                                   | \$ 411,814          | \$ 57,402            | \$ 65                              | \$ (354,347)                         |
| Health and social services                           | 14,513              | -                    | -                                  | (14,513)                             |
| Education  | 1,619               | -                    | -                                  | (1,619)                              |
| Employment and economic development                  | 5,000               | -                    | -                                  | (5,000)                              |
| Environmental and business regulation                | 6,123               | -                    | -                                  | (6,123)                              |
| Public protection and justice                        | 736                 | -                    | -                                  | (736)                                |
| Intergovernmental-revenue sharing                    | 5,247,014           | -                    | -                                  | (5,247,014)                          |
| Total governmental activities                        | <u>\$ 5,686,819</u> | <u>\$ 57,402</u>     | <u>\$ 65</u>                       | <u>\$ (5,629,352)</u>                |
| <b>General revenues</b>                              |                     |                      |                                    |                                      |
| Taxes:   |                     |                      |                                    |                                      |
| Income taxes   |                     |                      |                                    | 22,432,279                           |
| Sales taxes  |                     |                      |                                    | 11,381,440                           |
| Motor fuel taxes                                     |                     |                      |                                    | 1,323,359                            |
| Public utility taxes                                 |                     |                      |                                    | 1,263,609                            |
| Other taxes  |                     |                      |                                    | 1,061,742                            |
| Interest and investment income                       |                     |                      |                                    | 5,590                                |
| Other revenues (expenses)                            |                     |                      |                                    | 7,705                                |
| Appropriations from State resources                  |                     |                      |                                    | 185,661                              |
| Lapsed appropriations                                |                     |                      |                                    | (21,832)                             |
| Receipts collected and transmitted to State Treasury |                     |                      |                                    | (29,450,713)                         |
| Amount of SAMS transfers-in                          |                     |                      |                                    | (2,142,097)                          |
| Amount of SAMS transfers-out                         |                     |                      |                                    | 605,683                              |
| <b>Transfers-in</b>                                  |                     |                      |                                    | 219                                  |
| <b>Transfers-out</b>                                 |                     |                      |                                    | (121,147)                            |
| Total general revenues and transfers                 |                     |                      |                                    | <u>6,531,498</u>                     |
| Change in net position (deficit)                     |                     |                      |                                    | 902,146                              |
| Net position (deficit), July 1, 2017 (as restated)   |                     |                      |                                    | (3,008,952)                          |
| Net position (deficit), June 30, 2018                |                     |                      |                                    | <u>\$ (2,106,806)</u>                |

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

**State of Illinois**  
**Department of Revenue**

**Balance Sheet -**  
**Governmental Funds**

June 30, 2018 (Expressed in Thousands)

|  | <u>General Fund</u> | <u>Road Fund</u> | <u>Nonmajor Funds</u> | <u>Eliminations</u> | <u>Total Governmental Funds</u> |
|--|---------------------|------------------|-----------------------|---------------------|---------------------------------|
| <b>ASSETS</b>  |                     |                  |                       |                     |                                 |
| Unexpended appropriations  | \$ 4,461            | \$ -             | \$ 11,239             | \$ -                | \$ 15,700                       |
| Cash equity in State Treasury  | 756,657             | -                | 1,044,628             | -                   | 1,801,285                       |
| Cash and cash equivalents  | -                   | -                | 9                     | -                   | 9                               |
| Securities lending collateral equity with State Treasurer                            | -                   | -                | 80,750                | -                   | 80,750                          |
| Taxes receivable, net  | 1,416,592           | -                | 452,841               | -                   | 1,869,433                       |
| Intergovernmental receivables  | -                   | -                | 644                   | -                   | 644                             |
| Other receivables, net of allowance of \$1,838                                       | 405                 | -                | 19,753                | -                   | 20,158                          |
| Due from other State fiduciary funds   | -                   | -                | 3,954                 | -                   | 3,954                           |
| Due from other Department funds  | 30,748              | -                | -                     | (30,748)            | -                               |
| Due from other State funds   | 2,146               | -                | 61                    | -                   | 2,207                           |
| Loans and notes receivable, long-term  | -                   | -                | 38,277                | -                   | 38,277                          |
| Due from State of Illinois component units   | -                   | -                | 335,979               | -                   | 335,979                         |
| <b>Total assets</b>  | <u>\$ 2,211,009</u> | <u>\$ -</u>      | <u>\$ 1,988,135</u>   | <u>\$ (30,748)</u>  | <u>\$ 4,168,396</u>             |
| <b>LIABILITIES</b>   |                     |                  |                       |                     |                                 |
| Accounts payable and accrued liabilities   | \$ 310,539          | \$ -             | \$ 59,735             | \$ -                | \$ 370,274                      |
| Income tax refunds payable   | 1,575,044           | -                | -                     | -                   | 1,575,044                       |
| Intergovernmental payables   | 8,488               | -                | 955,657               | -                   | 964,145                         |
| Obligations under securities lending of State Treasurer                              | -                   | -                | 80,750                | -                   | 80,750                          |
| Due to other Department fiduciary funds  | -                   | -                | 36,471                | -                   | 36,471                          |
| Due to other State fiduciary funds   | -                   | -                | 2,698                 | -                   | 2,698                           |
| Due to other Department funds  | -                   | -                | 30,748                | (30,748)            | -                               |
| Due to other State funds   | 592,010             | 30,065           | 845                   | -                   | 622,920                         |
| Due to State of Illinois component units   | -                   | -                | 19,077                | -                   | 19,077                          |
| Unearned revenue   | 814,573             | -                | 266,094               | -                   | 1,080,667                       |
| <b>Total liabilities</b>   | <u>3,300,654</u>    | <u>30,065</u>    | <u>1,452,075</u>      | <u>(30,748)</u>     | <u>4,752,046</u>                |
| <b>DEFERRED INFLOWS OF RESOURCES</b>   |                     |                  |                       |                     |                                 |
| Unavailable revenue  | 269,844             | -                | 47,338                | -                   | 317,182                         |
| <b>Total deferred inflows of resources</b>   | <u>269,844</u>      | <u>-</u>         | <u>47,338</u>         | <u>-</u>            | <u>317,182</u>                  |
| <b>Total liabilities and deferred inflows of resources</b>                           | <u>3,570,498</u>    | <u>30,065</u>    | <u>1,499,413</u>      | <u>(30,748)</u>     | <u>5,069,228</u>                |
| <b>FUND BALANCES (DEFICITS)</b>  |                     |                  |                       |                     |                                 |
| Restricted   | -                   | -                | 9                     | -                   | 9                               |
| Committed  | 216,768             | -                | 700,920               | -                   | 917,688                         |
| Unassigned   | (1,576,257)         | (30,065)         | (212,207)             | -                   | (1,818,529)                     |
| Total fund balances (deficits)   | <u>(1,359,489)</u>  | <u>(30,065)</u>  | <u>488,722</u>        | <u>-</u>            | <u>(900,832)</u>                |
| <b>Total liabilities, deferred inflows of resources and fund balances (deficits)</b> | <u>\$ 2,211,009</u> | <u>\$ -</u>      | <u>\$ 1,988,135</u>   | <u>\$ (30,748)</u>  | <u>\$ 4,168,396</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 Position**  
**June 30, 2018**  
**(Expressed in Thousands)**

**Total fund balances (deficits) - governmental funds** \$ (900,832)

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. 22,002

Prepaid expenses for governmental activities are current uses of financial resources for governmental funds. 1,177

Revenues in the Statement of Activities that do not provide current financial resources are deferred inflows in the governmental funds. 317,182

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

|  |           |
|--|-----------|
| Deferred outflows of resources related to pensions | 250,905   |
| Deferred outflows of resources related to OPEB     | 36,761    |
| Deferred inflows of resources related to pensions  | (124,771) |
| Deferred inflows of resources related to OPEB      | (95,871)  |

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

|                       |             |
|-----------------------|-------------|
| Compensated absences  | (9,973)     |
| Net pension liability | (1,036,183) |
| OPEB liability        | (567,203)   |

**Net position (deficit) of governmental activities** \$ (2,106,806)

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, 2018 (Expressed in Thousands)

|  | General Fund          | Road Fund          | Nonmajor funds     | Eliminations | Total Governmental Funds |
|--|-----------------------|--------------------|--------------------|--------------|--------------------------|
| <b>REVENUES</b>  |                       |                    |                    |              |                          |
| Federal operating grants   | \$ -                  | \$ -               | \$ 65              | \$ -         | \$ 65                    |
| Income taxes   | 19,900,286            | -                  | 2,487,137          | -            | 22,387,423               |
| Sales taxes  | 7,906,156             | -                  | 3,475,877          | -            | 11,382,033               |
| Motor fuel taxes   | -                     | -                  | 1,322,392          | -            | 1,322,392                |
| Public utility taxes   | 883,775               | -                  | 380,013            | -            | 1,263,788                |
| Other taxes  | 687,982               | -                  | 372,288            | -            | 1,060,270                |
| Licenses and fees  | 8,753                 | -                  | 41,485             | -            | 50,238                   |
| Other charges for services                                       | 1,966                 | -                  | 4,971              | -            | 6,937                    |
| Interest and other investment income                             | -                     | -                  | 5,276              | -            | 5,276                    |
| Other  | 1,386                 | -                  | 6,319              | -            | 7,705                    |
| <b>Total revenues</b>  | <b>29,390,304</b>     | <b>-</b>           | <b>8,095,823</b>   | <b>-</b>     | <b>37,486,127</b>        |
| <b>EXPENDITURES</b>  |                       |                    |                    |              |                          |
| General government   | 77,734                | -                  | 278,834            | -            | 356,568                  |
| Health and social services                                       | -                     | -                  | 14,513             | -            | 14,513                   |
| Education  | -                     | -                  | 1,619              | -            | 1,619                    |
| Employment and economic development                              | 5,000                 | -                  | -                  | -            | 5,000                    |
| Environmental and business regulation                            | -                     | -                  | 6,142              | -            | 6,142                    |
| Public protection and justice                                    | -                     | -                  | 736                | -            | 736                      |
| Intergovernmental  | -                     | -                  | 5,247,014          | -            | 5,247,014                |
| Capital outlay   | 2,265                 | -                  | 3,478              | -            | 5,743                    |
| <b>Total expenditures</b>  | <b>84,999</b>         | <b>-</b>           | <b>5,552,336</b>   | <b>-</b>     | <b>5,637,335</b>         |
| <b>Excess (deficiency) of revenues over (under) expenditures</b> | <b>29,305,305</b>     | <b>-</b>           | <b>2,543,487</b>   | <b>-</b>     | <b>31,848,792</b>        |
| <b>OTHER SOURCES (USES) OF FINANCIAL RESOURCES</b>               |                       |                    |                    |              |                          |
| Appropriations from State resources                              | 86,274                | -                  | 99,387             | -            | 185,661                  |
| Lapsed appropriations  | (13,002)              | -                  | (8,830)            | -            | (21,832)                 |
| Receipts collected and transmitted to State Treasury             | (27,179,946)          | -                  | (2,270,767)        | -            | (29,450,713)             |
| Amount of SAMS transfers-in                                      | (2,104,291)           | -                  | (37,806)           | -            | (2,142,097)              |
| Amount of SAMS transfers-out                                     | 504,922               | 100,000            | 761                | -            | 605,683                  |
| Transfers-in   | 36,343                | -                  | 10,369             | (46,493)     | 219                      |
| Transfers-out  | (11,059)              | (102,257)          | (54,324)           | 46,493       | (121,147)                |
| <b>Net other sources (uses) of financial resources</b>           | <b>(28,680,759)</b>   | <b>(2,257)</b>     | <b>(2,261,210)</b> | <b>-</b>     | <b>(30,944,226)</b>      |
| <b>Net change in fund balances</b>                               | <b>624,546</b>        | <b>(2,257)</b>     | <b>282,277</b>     | <b>-</b>     | <b>904,566</b>           |
| Fund balances (deficits), July 1, 2017                           | (1,984,035)           | (27,808)           | 206,445            | -            | (1,805,398)              |
| <b>FUND BALANCES (DEFICITS), JUNE 30, 2018</b>                   | <b>\$ (1,359,489)</b> | <b>\$ (30,065)</b> | <b>\$ 488,722</b>  | <b>\$ -</b>  | <b>\$ (900,832)</b>      |

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, 2018**  
**(Expressed in Thousands)**

|  |           |                |
|--|-----------|----------------|
| <b>Net change in fund balances</b>   | \$        | 904,566        |
| <p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>  |           |                |
| <p>Governmental funds report capital outlays as expenditures while governmental activities report depreciation/amortization and allocate those amounts over the life of the assets. This is the amount by which capital outlays in the current period exceeded depreciation.</p> |           |                |
|  |           | 1,019          |
| <p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds. This amount represents the increase in unavailable revenue over the prior year.</p>   |           |                |
|  |           | 47,064         |
| <p>Prepaid expenses in the Statement of Activities are reported as expenditures in governmental funds. Prepaid expenses decreased by this amount during the year.</p>  |           |                |
|  |           | (89)           |
| <p>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.</p>   |           |                |
| Decrease in compensated absences obligation  |           | 376            |
| Decrease in net pension liability  |           | 70,039         |
| Decrease in OPEB liability   |           | 49,263         |
| Change in deferred outflows of resources related to pensions   |           | (68,766)       |
| Change in deferred outflows of resources related to OPEB   |           | 28,971         |
| Change in deferred inflows of resources related to pensions  |           | (34,426)       |
| Change in deferred inflows of resources related to OPEB  |           | (95,871)       |
|  |           | (95,871)       |
| <b>Change in net position (deficit) of governmental activities</b>   | <b>\$</b> | <b>902,146</b> |

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

**State of Illinois**  
**Department of Revenue**

---

**Statement of Fiduciary Net Position**

June 30, 2018 (Expressed in Thousands)

|   | <u>Agency Funds</u> |
|---|---------------------|
| <b>ASSETS</b>   |                     |
| Cash equity in State Treasury                             | \$ 665,623          |
| Cash and cash equivalents                                 | 272                 |
| Securities lending collateral equity with State Treasurer | 202,428             |
| Taxes receivable, net                                     | 169,435             |
| Other receivables, net                                    | 1,238               |
| Due from other Department funds                           | 36,471              |
| <b>Total assets</b>                                       | <u>\$ 1,075,467</u> |
| <b>LIABILITIES</b>  |                     |
| Intergovernmental payables                                | \$ 872,765          |
| Obligations under securities lending of State Treasurer   | 202,428             |
| Other liabilities   | 274                 |
| <b>Total liabilities</b>                                  | <u>\$ 1,075,467</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, 2018

**(1) Organization**

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

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

**(2) Summary of Significant Accounting Policies**

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

**(a) Financial Reporting Entity**

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

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

Based upon the required criteria, the Department has no component units and is not a component unit of any other entity. However, because the Department is not legally separate from the State of Illinois, the financial statements of the Department are incorporated into the financial statements of the State of Illinois. The State of Illinois' Comprehensive Annual Financial Report may be obtained by writing to the State Comptroller's Office, Division of Financial Reporting, 325 West Adams Street, Springfield, Illinois 62704-1871.

**STATE OF ILLINOIS  
DEPARTMENT OF REVENUE**

Notes to Financial Statements

June 30, 2018

**(b) Basis of Presentation**

The financial statements of the State of Illinois, Department of Revenue, are intended to present the financial position and changes in financial position of only that portion of the governmental activities, each major governmental fund of the State of Illinois, and the aggregate remaining fund information of the State of Illinois that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the State of Illinois as of June 30, 2018 and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

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

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

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

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

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

**STATE OF ILLINOIS  
DEPARTMENT OF REVENUE**

Notes to Financial Statements

June 30, 2018

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

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

**Governmental Fund Types:**

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

**Fiduciary Fund Types:**

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

**(c) Measurement Focus and Basis of Accounting**

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

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

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

**STATE OF ILLINOIS  
DEPARTMENT OF REVENUE**

Notes to Financial Statements

June 30, 2018

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

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

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

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

***(d) Shared Fund Presentation***

The financial statement presentation for the General Revenue Fund, Education Assistance Fund, Road Fund, Motor Fuel Tax Fund, Public Utility Fund, Underground Storage Tank Fund, Compassionate Use of Medical Cannabis Fund, Illinois Gaming Law Enforcement Fund, Emergency Public Health Fund, Used Tire Management Fund, Natural Areas Acquisition Fund, Open Space Lands Acquisition and Development Fund, Common School Fund, Drycleaner Environmental Response Trust Fund, Supplemental Low Income Energy Assistance Fund, Renewable Energy Resources Trust Fund, School Infrastructure Fund, International Tourism Fund, Fund for the Advancement of Education, Commitment to Human Services Fund, Budget Stabilization 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, 2018

Appropriations from State Resources

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

Lapsed Appropriations

Lapsed appropriations are the legally adopted appropriations less net warrants issued for the 14-month period from July to August of the following year and re-appropriations to subsequent years according to SAMS records. For fiscal year 2018, the lapse period was extended through October.

Receipts Collected and Transmitted to State Treasury

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

Amount of SAMS Transfers-In

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

Amount of SAMS Transfers-Out

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

**(e) Eliminations**

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

**(f) Cash and Cash Equivalents**

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

**STATE OF ILLINOIS  
DEPARTMENT OF REVENUE**

Notes to Financial Statements

June 30, 2018

**(g) Prepaid Items**

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

**(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 statement of net position.

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

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

**(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 acquisition value at the time received. Capital assets are depreciated/amortized using the straight-line method. The capitalization threshold for internally generated intangible assets is \$1 million, and the threshold for all other intangible assets is \$25,000 and the estimated useful life is 3-25 years. The capitalization threshold for capital assets is \$5,000 and the estimated useful life is 3-15 years.

**STATE OF ILLINOIS  
DEPARTMENT OF REVENUE**

Notes to Financial Statements

June 30, 2018

**(j) *Compensated Absences***

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

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

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

**(k) *Fund Balances***

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

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

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

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

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

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

**STATE OF ILLINOIS  
DEPARTMENT OF REVENUE**

Notes to Financial Statements

June 30, 2018

**(l) Net Position**

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

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

***Restricted*** – This consists of amounts that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the State’s policy to use restricted resources first, then unrestricted resources when they are needed. Restricted net position and restricted fund balance resulting from enabling legislation consists of \$9 to be used for general government at June 30, 2018.

***Unrestricted*** – This consists of amounts 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, deferred outflows of resources, liabilities, deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**(n) Pensions and Other Postemployment Benefits**

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

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

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



**STATE OF ILLINOIS  
DEPARTMENT OF REVENUE**

Notes to Financial Statements

June 30, 2018

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

**(o) New Accounting Pronouncements**

Effective for the year ending June 30, 2018, the Department adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which establishes standards to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The implementation of this Statement significantly impacted the Department's government-wide financial statements and footnote disclosures with the recognition of an OPEB liability, deferred outflows of resources and deferred inflows of resources on the Statement of Net Position, as well as appropriations from State resources and OPEB expense on the Statement of Activities. Additionally, the requirements of this Statement resulted in the restatement of beginning net position. Information regarding the Department's participation in OPEB is disclosed in Note 10.

Effective for the year ending June 30, 2018, the Department adopted GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, which requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. This Statement enhances the comparability of financial statements by providing accounting and financial reporting guidance for irrevocable split-interest agreements in which a government is a beneficiary. The implementation of this Statement had no impact on the Department's financial statements.

Effective for the year ending June 30, 2018, the Department adopted GASB Statement No. 85, *Omnibus 2017*, which addresses practice issues that have been identified during implementation and application of certain GASB statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The requirements of this statement enhance consistency in the application of accounting and financial reporting requirements. The implementation of this Statement did not have a material impact on the Department's financial statements.

Effective for the year ending June 30, 2018, the Department adopted GASB Statement No. 86, *Certain Debt Extinguishment Issues*, which establishes standards to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of this Statement had no impact on the Department's financial statements.

**STATE OF ILLINOIS  
DEPARTMENT OF REVENUE**

Notes to Financial Statements

June 30, 2018

**(p) Future Adoption of GASB Statements**

Effective for the year ending June 30, 2019, the Department will adopt GASB Statement No. 83, *Certain Asset Retirement Obligations*, which establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (AROs). This Statement will enhance comparability of financial statements among governments by establishing uniform criteria for governments to recognize and measure certain AROs, including obligations that may not have been previously reported. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring disclosures related to those AROs. Management has not yet determined the impact this pronouncement will have on the Department's financial statements; however, it is not expected to be material.

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

Effective for the year ending June 30, 2021, the Department will adopt GASB Statement No. 87, *Leases*, which establishes standards to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Management has not yet determined the impact this pronouncement will have on the Department's financial statements; however, it may be material.

Effective for the year ending June 30, 2019, the Department will adopt GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. It defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. It also requires that additional essential information related to debt be disclosed in notes to financial statements. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. Management has not yet determined the impact this pronouncement will have on the Department's financial statements; however, it is not expected to be material.

**STATE OF ILLINOIS  
DEPARTMENT OF REVENUE**

Notes to Financial Statements

June 30, 2018

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

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

**(3) Deposits and Investments**

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

**(a) Deposits**

Deposits in the custody of the State Treasurer are pooled and invested with other State funds in accordance with the Deposit of State Moneys Act of the Illinois Compiled Statutes (15 ILCS 520/11). Funds held by the State Treasurer have not been categorized as to credit risk because

**STATE OF ILLINOIS  
DEPARTMENT OF REVENUE**

Notes to Financial Statements

June 30, 2018

the Department does not own individual securities. Detail on the nature of these deposits and investments is available within the State of Illinois' Comprehensive Annual Financial Report.

**(b) *Securities Lending Transactions***

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

During fiscal year 2018, Deutsche Bank AG lent U.S. Agency securities and U.S. Treasury securities and received as collateral U.S. dollar denominated cash. Borrowers were required to deliver collateral for each loan equal to at least 100% of the aggregate fair value of the loaned securities. Loans are marked to market daily. If the fair value of collateral falls below 100%, the borrower must provide additional collateral to raise the fair value to 100%.

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

During fiscal year 2018, the State Treasurer and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested in repurchase agreements with approved counterparties collateralized with securities approved by Deutsche Bank AG and marked to market daily at no less than 102%. Because the loans are terminable at will, their duration did not generally match the duration of the investments made with cash collateral. The State Treasurer had no credit risk as a result of its securities lending program as the collateral held exceeded the fair value of the securities lent.

In accordance with GASB Codification I60: *Investments – Security Lending*, the Office of the State Treasurer has allocated the assets and obligations at June 30, 2018, arising from securities lending agreements to the various funds of the State. The total allocated to the Department was \$283.178 million at June 30, 2018, including \$202.428 million allocated to agency funds administered by the Department.

**STATE OF ILLINOIS  
DEPARTMENT OF REVENUE**

Notes to Financial Statements

June 30, 2018

**(4) Taxes Receivable**

Taxes receivable (amounts expressed in thousands) at June 30, 2018, are as follows:

|   | General<br>Fund     | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds | Fiduciary<br>Funds |
|---|---------------------|-----------------------------------|--------------------------------|--------------------|
| Taxes receivable:                       |                     |                                   |                                |                    |
| Income                                  | \$ 1,329,317        | \$ 191,071                        | \$ 1,520,388                   | \$ -               |
| Sales                                   | 698,753             | 249,380                           | 948,133                        | 144,566            |
| Motor Fuel Tax                          | -                   | 132,445                           | 132,445                        | 4,789              |
| Public Utility                          | 12,568              | 10,462                            | 23,030                         | 2,261              |
| Other                                   | 45,206              | 33,034                            | 78,240                         | 90,458             |
| Total taxes receivable                  | <u>2,085,844</u>    | <u>616,392</u>                    | <u>2,702,236</u>               | <u>242,074</u>     |
| Less: allowance for uncollectible taxes | <u>669,252</u>      | <u>163,551</u>                    | <u>832,803</u>                 | <u>72,639</u>      |
| Taxes receivable, net                   | <u>\$ 1,416,592</u> | <u>\$ 452,841</u>                 | <u>\$ 1,869,433</u>            | <u>\$ 169,435</u>  |

**(5) Loans and Notes Receivable**

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

Loans receivable (amounts expressed in thousands) at June 30, 2018, are as follows:

|  |                                    |
|--|------------------------------------|
|  | <u>Governmental<br/>Activities</u> |
| Senior Citizens Real Estate Deferred Tax | <u>\$ 38,277</u>                   |

**STATE OF ILLINOIS  
DEPARTMENT OF REVENUE**

Notes to Financial Statements

June 30, 2018

**(6) Interfund Balances and Activity**

*(a) Balances Due from/to Other Funds*

The following balances (amounts expressed in thousands) at June 30, 2018, represent amounts due from other Department and State funds.

| <b>Fund</b>                 | <b>Due From</b>                       |                                  |  | <b>Description/Purpose</b>   |
|-----------------------------|---------------------------------------|----------------------------------|--|--|
|                             | <b>Other<br/>Department<br/>Funds</b> | <b>Other<br/>State<br/>Funds</b> | <b>Other State<br/>Fiduciary<br/>Funds</b> |  |
| General                     | \$ 30,748                             | \$ 2,146                         | \$ -                                       | Due from other Department funds pursuant to statutory tax allocations, for administrative cost reimbursements, and from other State funds pursuant to statutory tax allocations. |
| Nonmajor governmental funds | -                                     | 61                               | 3,954                                      | Due from other State funds and other State fiduciary funds pursuant to statutory tax allocations.  |
| Fiduciary funds             | 36,471                                | -                                | -  | Due from other Department funds pursuant to statutory tax allocations.   |
|                             | <u>\$ 67,219</u>                      | <u>\$ 2,207</u>                  | <u>\$ 3,954</u>                            |  |

**STATE OF ILLINOIS  
DEPARTMENT OF REVENUE**

Notes to Financial Statements

June 30, 2018

The following (amounts expressed in thousands) at June 30, 2018, represent amounts due to other Department and other State funds.

| <b>Due to</b>               |                                       |                                  |   |  |  |
|-----------------------------|---------------------------------------|----------------------------------|---|--|--|
| <b>Fund</b>                 | <b>Other<br/>Department<br/>Funds</b> | <b>Other<br/>State<br/>Funds</b> | <b>Other<br/>Department<br/>Fiduciary<br/>Funds</b> | <b>Other<br/>State<br/>Fiduciary<br/>Funds</b> | <b>Description/Purpose</b>   |
| General                     | \$ -                                  | \$ 592,010                       | \$ -  | \$ -   | Due to other State funds pursuant to statutory tax allocations and administrative expenses.  |
| Road Fund                   | -                                     | 30,065                           | -   | -  | Due to other State funds pursuant to statutory tax and fee allocations.  |
| Nonmajor governmental funds | 30,748                                | 845                              | 36,471  | 2,698  | 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>\$ 30,748</u>                      | <u>\$ 622,920</u>                | <u>\$ 36,471</u>                                    | <u>\$ 2,698</u>                                |  |

**STATE OF ILLINOIS  
DEPARTMENT OF REVENUE**

Notes to Financial Statements

June 30, 2018

**(b) Transfers from/to Other Funds**

Interfund transfers in (amounts expressed in thousands) for the year ended June 30, 2018, were as follows:

| <b>Fund</b>                 | <b>Transfers in from</b>              |                              | <b>Description/Purpose</b>   |
|-----------------------------|---------------------------------------|------------------------------|--|
|                             | <b>Other<br/>Department<br/>Funds</b> | <b>Other State<br/>Funds</b> |  |
| General                     | \$ 36,343                             | \$ -                         | Transfers from other Department funds pursuant to statutory tax allocations.                 |
| Nonmajor governmental funds | 10,150                                | 219                          | Transfers from other Department and other State funds pursuant to statutory tax allocations. |
|                             | <u>\$ 46,493</u>                      | <u>\$ 219</u>                |  |

Interfund transfers out (amounts expressed in thousands) for the year ended June 30, 2018, were as follows:

| <b>Fund</b>                 | <b>Transfers out to</b>               |                              | <b>Description/Purpose</b>   |
|-----------------------------|---------------------------------------|------------------------------|--|
|                             | <b>Other<br/>Department<br/>Funds</b> | <b>Other State<br/>Funds</b> |  |
| General                     | \$ 10,150                             | \$ 909                       | Transfers to other Department funds and other State funds pursuant to statutory tax allocations. |
| Road                        | -                                     | 102,257                      | Transfers to other State funds pursuant to statutory tax allocations.                            |
| Nonmajor governmental funds | 36,343                                | 17,981                       | Transfers to other Department and other State funds pursuant to statutory tax allocations.       |
|                             | <u>\$ 46,493</u>                      | <u>\$ 121,147</u>            |  |



**STATE OF ILLINOIS  
DEPARTMENT OF REVENUE**

Notes to Financial Statements

June 30, 2018

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

The Illinois Housing Development Authority owed the Department's nonmajor governmental funds \$335.979 million at June 30, 2018, for advances on loan programs. The Department's Nonmajor Funds owe \$19.077 million at June 30, 2018, to State of Illinois Component Units for reimbursements for expenses incurred.

**(7) Capital Assets**

Capital asset activity (amounts expressed in thousands) for the year ended June 30, 2018, was as follows:

|   | <b>Balance<br/>July 1, 2017</b> | <b>Additions</b> | <b>Deletions</b> | <b>Net<br/>Transfers</b> | <b>Balance<br/>June 30, 2018</b> |
|---|---------------------------------|------------------|------------------|--------------------------|----------------------------------|
| <b>Governmental activities:</b>             |                                 |                  |                  |                          |                                  |
| Capital assets being depreciated/amortized: |                                 |                  |                  |                          |                                  |
| Equipment                                   | \$ 3,310                        | \$ 201           | \$ (718)         | \$ -                     | \$ 2,793                         |
| Capital leases-equipment                    | -                               | -                | -                | -                        | -                                |
| Internally generated computer software      | 40,839                          | 5,542            | -                | -                        | 46,381                           |
|   | <u>44,149</u>                   | <u>5,743</u>     | <u>(718)</u>     | <u>-</u>                 | <u>49,174</u>                    |
| Less accumulated depreciation/amortization: |                                 |                  |                  |                          |                                  |
| Equipment                                   | 3,225                           | 66               | (698)            | -                        | 2,593                            |
| Capital leases-equipment                    | -                               | -                | -                | -                        | -                                |
| Internally generated computer software      | 19,941                          | 4,638            | -                | -                        | 24,579                           |
|   | <u>23,166</u>                   | <u>4,704</u>     | <u>(698)</u>     | <u>-</u>                 | <u>27,172</u>                    |
| Governmental activity capital assets, net   | <u>\$ 20,983</u>                | <u>\$ 1,039</u>  | <u>\$ (20)</u>   | <u>\$ -</u>              | <u>\$ 22,002</u>                 |

Depreciation/amortization expense for governmental activities (amounts expressed in thousands) for the year ended June 30, 2018, was charged to functions as follows:

|                    |                 |
|--------------------|-----------------|
| General government | <u>\$ 4,704</u> |
|--------------------|-----------------|

**STATE OF ILLINOIS  
DEPARTMENT OF REVENUE**

Notes to Financial Statements

June 30, 2018

**(8) Long-Term Obligations**

Changes in long-term obligations (amounts expressed in thousands) for the year ended June 30, 2018, were as follows:

|                                      | <b>Balance<br/>July 1,<br/>2017</b> | <b>Additions</b> | <b>Deletions</b>  | <b>Balance<br/>June 30,<br/>2018</b> | <b>Amounts<br/>Due Within<br/>One Year</b> |
|--------------------------------------|-------------------------------------|------------------|-------------------|--------------------------------------|--|
| <b>Governmental activities:</b>      |                                     |                  |                   |                                      |  |
| Net Pension Liability                | \$1,106,222                         | \$ -             | \$ 70,039         | \$ 1,036,183                         | \$ -                                       |
| OPEB Liability                       | 616,466                             | -                | 49,263            | 567,203                              | -  |
| Compensated Absences                 | 10,349                              | 12,944           | 13,320            | 9,973                                | 1,402                                      |
| <b>Total governmental activities</b> | <b>\$1,733,037</b>                  | <b>\$ 12,944</b> | <b>\$ 132,622</b> | <b>\$1,613,359</b>                   | <b>\$ 1,402</b>                            |

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

**(9) Defined Benefit Pension Plan**

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

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

**STATE OF ILLINOIS  
DEPARTMENT OF REVENUE**

Notes to Financial Statements

June 30, 2018

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

| <b>Regular Formula Tier 1</b>   | <b>Regular Formula Tier 2</b>   |
|---|---|
| <p>A member must have a minimum of 8 years of service credit and may retire at:</p> <ul style="list-style-type: none"> <li>• Age 60, with 8 years of service credit.</li> <li>• Any age, when the member's age (years &amp; whole months) plus years of service credit (years &amp; whole months) equal 85 years (1,020 months) (Rule of 85) with eight years of credited service.</li> <li>• Between ages 55-60 with 25-30 years of service credit (reduced 1/2 of 1% for each month under age 60).</li> </ul> <p>The retirement benefit is based on final average compensation and credited service. Final average compensation is the 48 highest consecutive months of service within the last 120 months of service.</p> <p>Under the Rule of 85, a member is eligible for the first 3% increase on January 1 following the first full year of retirement, even if the member is not age 60. If the member retires at age 60 or older, he/she will receive a 3% pension increase every year on January 1, following the first full year of retirement.</p> <p>If the member retires before age 60 with a reduced retirement benefit, he/she will receive a 3% pension increase every January 1 after the member turns age 60 and has been retired at least one full year. These pension increases are not limited by the 75% maximum.</p> | <p>A member must have a minimum of 10 years of credited service and may retire at:</p> <ul style="list-style-type: none"> <li>• Age 67, with 10 years of credited service.</li> <li>• Between ages 62-67 with 10 years of credited service (reduced 1/2 of 1% for each month under age 67).</li> </ul> <p>The retirement benefit is based on final average compensation and credited service. For regular formula employees, final average compensation is the average of the 96 highest consecutive months of service within the last 120 months of service. The retirement benefit is calculated on a maximum salary of \$106,800. This amount increases annually by 3% or one-half of the Consumer Price Index, whichever is less.</p> <p>If the member retires at age 67 or older, he/she will receive a pension increase of 3% or one-half of the Consumer Price Index for the preceding calendar year, whichever is less, every year on January 1, following the first full year of retirement. The calendar year 2017 rate is \$112,408.</p> <p>If the member retires before age 67 with a reduced retirement benefit, he/she will receive a pension increase of 3% or one-half of the Consumer Price Index for the preceding calendar year, whichever is less, every January 1 after the member turns age 67 and has been retired at least one full year. These pension increases are not limited by the 75% maximum.</p> |

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

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

**STATE OF ILLINOIS  
DEPARTMENT OF REVENUE**

Notes to Financial Statements

June 30, 2018

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

**Contributions.** Contribution requirements of active employees and the State are established in accordance with Chapter 40, section 5/14-133 of the Illinois Compiled Statutes. Member contributions are based on fixed percentages of covered payroll ranging between 4.00% and 12.50%. Employee contributions are fully refundable, without interest, upon withdrawal from State employment. Tier 1 members contribute based on total annual compensation. Tier 2 members contribute based on an annual compensation rate not to exceed \$106,800 with limitations for future years increased by the lesser of 3% or one-half of the annual percentage increase in the Consumer Price Index. For 2018, this amount was \$113,645.

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

For fiscal year 2018, the required employer contributions were computed in accordance with the State's funding plan. This funding legislation provides for a systematic 50-year funding plan with an ultimate goal to achieve 90% funding of the plan's liabilities. In addition, the funding plan provided for a 15-year phase-in period to allow the State to adapt to the increased financial commitment. Since the 15-year phase-in period ended June 30, 2010, the State's contribution will remain at a level percentage of payroll for the next 35 years until the 90% funded level is achieved. For fiscal year 2018, the employer contribution rate was 47.342%. The Department's contribution amount for fiscal year 2018 was \$56.631 million. In addition, the Department recorded \$18.783 million of revenue and expenditures in the General Revenue account of the General Fund to account for State-wide General Revenue Fund payments to SERS for Department employees.

**Pension liability, deferred outflows of resources, deferred inflows of resources and expense related to pensions.** At June 30, 2018, the Department reported a liability of \$1,036.183 million for its proportionate share of the State's net pension liability for SERS on the statement of net position. The net pension liability was measured as of June 30, 2017 (current year measurement date), and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Department's portion of the net pension liability was based on the Department's proportion of employer contributions relative to all employer contributions made to the plan during the year ended June 30, 2017. As of the current year measurement date of June 30, 2017, the Department's proportion was 3.1488%, which was a decrease of 0.0909 from its proportion measured as of the prior year measurement date (3.2397%).

**STATE OF ILLINOIS  
DEPARTMENT OF REVENUE**

Notes to Financial Statements

June 30, 2018

For the year ended June 30, 2018, the Department recognized pension expense of \$137.278 million which is reported in the general government function of the Statement of Activities. The Department recognized revenue for a portion of this amount (\$18.8 million) which is reported in appropriations from State resources in the General Revenue Fund as well as the general revenues section of the Statement of Activities. At June 30, 2018, the Department reported deferred outflows and deferred inflows of resources related to the pension liability from the following sources (amounts expressed in thousands):

|   | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|---|---|--|
| Differences between expected and actual experience  | \$ 610  | \$ 32,819                                    |
| Changes of assumptions  | 106,874                                       | 21,604                                       |
| Net difference between projected and actual investment earnings on pension plan investments | 904   | -  |
| Changes in proportion   | 67,103  | 70,348                                       |
| Department contributions subsequent to the measurement date                                 | <u>75,413</u>                                 | <u>-</u>                                     |
| <b>Total</b>  | <u>\$ 250,905</u>                             | <u>\$ 124,771</u>                            |

\$75.413 million reported as deferred outflows of resources related to pensions resulting from Department contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized as pension expense as follows (amounts expressed in thousands):

| <u>Year ended June 30,</u> |                  |
|----------------------------|------------------|
| 2019                       | \$ 38,063        |
| 2020                       | 23,373           |
| 2021                       | 1,598            |
| 2022                       | <u>( 12,313)</u> |
| Total                      | <u>\$ 50,721</u> |

**STATE OF ILLINOIS  
DEPARTMENT OF REVENUE**

Notes to Financial Statements

June 30, 2018

***Actuarial Methods and Assumptions.*** The total pension liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

Mortality: 105 percent of the RP 2014 Healthy Annuitant mortality table, sex distinct, with rates projected to 2015; generational mortality improvement factors were added.

Inflation: 2.75%

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

Salary increases: Salary increase rates based on age related productivity and merit rates plus inflation.

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

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

**STATE OF ILLINOIS  
DEPARTMENT OF REVENUE**

Notes to Financial Statements

June 30, 2018

The long-term expected real rate of return on pension plan investments was determined using the best estimates of geometric real rates of return for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. For each major asset class that is included in the pension plan's target asset allocation, calculated as of the measurement date of June 30, 2017, the best estimates of the geometric real rates of return are summarized in the following table:

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

**Discount Rate.** A discount rate of 6.78% was used to measure the total pension liability as of the measurement date of June 30, 2017, as compared to a discount rate of 6.64% used to measure the total liability as of the prior year measurement date. The June 30, 2017, single blended discount rate was based on the expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.56%, based on an index of 20-year general obligation bonds with an average AA credit rating as published by the Fidelity Index's "20-Year Municipal GO AA Index". The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions will be made based on the statutorily required rates under Illinois law. Based on these assumptions, the pension plan's fiduciary net position and future contributions will be sufficient to finance the benefit payments through the year 2073. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2073, and the municipal bond rate was applied to all benefit payments after that date.

**STATE OF ILLINOIS  
DEPARTMENT OF REVENUE**

Notes to Financial Statements

June 30, 2018

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

|  | <b>1%<br/>Decrease<br/>(5.78%)</b> | <b>Discount<br/>Rate<br/>(6.78%)</b> | <b>1%<br/>Increase<br/>(7.78%)</b> |
|--|------------------------------------|--------------------------------------|------------------------------------|
| Department's proportionate share of<br>the net pension liability | \$ 1,253,804                       | \$ 1,036,183                         | \$ 858,081                         |

***Payables to the pension plan.*** At June 30, 2018, the Department reported a payable of \$2.305 million to SERS for the outstanding amount of contributions to the pension plans required for the year ended June 30, 2018.

**(10) Other Postemployment Benefit Plan**

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

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

***Benefits provided.*** The health, dental, and vision benefits provided to and contribution amounts required from annuitants are the result of collective bargaining between the State and the various unions representing the State's and the university component units' employees in accordance with limitations established in the Act. Therefore, the benefits provided and contribution amounts are subject to periodic change. Coverage through SEGIP becomes secondary to Medicare after Medicare eligibility has been reached. Members must enroll in Medicare Parts A and B to receive the subsidized SEGIP premium available to Medicare eligible participants. The Act requires the



**STATE OF ILLINOIS  
DEPARTMENT OF REVENUE**

Notes to Financial Statements

June 30, 2018

State to provide life insurance benefits for annuitants equal to their annual salary as of the last day of employment until age 60, at which time, the benefit amount becomes \$5,000.

***Funding policy and annual other postemployment benefit cost.*** OPEB offered through SEGIP are financed through a combination of retiree premiums, State contributions and Federal government subsidies from the Medicare Part D program. Contributions are deposited in the Health Insurance Reserve Fund, which covers both active State employees and retired members. Annuitants may be required to contribute towards health and vision benefits with the amount based on factors such as date of retirement, years of credited service with the State, whether the annuitant is covered by Medicare, and whether the annuitant has chosen a managed health care plan. Annuitants who retired prior to January 1, 1998, and who are vested in the State Employee's Retirement System do not contribute toward health and vision benefits. For annuitants who retired on or after January 1, 1998, the annuitant's contribution amount is reduced five percent for each year of credited service with the State allowing those annuitants with twenty or more years of credited service to not have to contribute towards health and vision benefits. All annuitants are required to pay for dental benefits regardless of retirement date. The Director of Central Management Services shall, on an annual basis, determine the amount the State shall contribute toward the basic program of group health benefits. State contributions are made primarily from the General Revenue Fund on a pay-as-you-go basis. For fiscal year 2018, the annual cost of the basic program of group health, dental, and vision benefits before the State's contribution was \$10,926.24 (\$6,145.92 if Medicare eligible) if the annuitant chose benefits provided by a health maintenance organization and \$14,939.04 (\$5,165.04 if Medicare eligible) if the annuitant chose other benefits. The State is not required to fund the plan other than the pay-as-you-go amount necessary to provide the current benefits to retirees.

***Total OPEB liability, deferred outflows of resources, deferred inflows of resources and expense related to OPEB.*** The total OPEB liability, as reported at June 30, 2018, was measured as of June 30, 2017 (measurement date), based on an actuarial valuation performed as of June 30, 2016. Update procedures were used to roll forward the total OPEB liability to the measurement date. At June 30, 2018, the Department recorded a liability of \$567.203 million for its proportionate share of the State's total OPEB liability. The Department's portion of the OPEB liability was based on the Department's proportion of employer contributions relative to all employer contributions made to the plan during the year ended June 30, 2017. As of the current year measurement date, the Department's proportion was 1.3725%, which was a decrease of 0.0446 from its proportion measured as of the prior year measurement date (1.4170%).

**STATE OF ILLINOIS  
DEPARTMENT OF REVENUE**

Notes to Financial Statements

June 30, 2018

The Department recognized OPEB expense for the year ended June 30, 2018, of \$24.874 million. At June 30, 2018, the Department reported deferred outflows and deferred inflows of resources, as of the measurement date of June 30, 2017, from the following sources (amounts expressed in thousands):

|   | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|---|---|--|
| Differences between expected and actual experience  | \$ 182  | \$ -   |
| Changes of assumptions  | -   | 53,856                                       |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 26,173  | 42,015                                       |
| Department contributions subsequent to the measurement date   | <u>10,406</u>                                 | <u>-</u>                                     |
| <b>Total</b>  | <u>\$ 36,761</u>                              | <u>\$ 95,871</u>                             |

The amounts reported as deferred outflows of resources related to OPEB resulting from Department contributions subsequent to the measurement date will be recognized as a reduction to the OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (amounts expressed in thousands):

| <u>Year ended June 30,</u> |                     |
|----------------------------|---------------------|
| 2019                       | \$ (15,627)         |
| 2020                       | (15,627)            |
| 2021                       | (15,627)            |
| 2022                       | (15,627)            |
| 2023                       | <u>( 7,008)</u>     |
| Total                      | <u>\$ ( 69,516)</u> |

**Actuarial methods and assumptions.** The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions, applied to all periods included in the measurement unless otherwise specified. The actuarial valuation for the SEGIP was based on GARS, JRS, SERS, TRS, and SURS active, inactive, and retiree data as of June 30, 2016, for eligible SEGIP employees, and SEGIP retiree data as of June 30, 2016.

**STATE OF ILLINOIS  
DEPARTMENT OF REVENUE**

Notes to Financial Statements

June 30, 2018

|  |   |
|--|---|
| <b>Valuation Date</b>  | June 30, 2016   |
| <b>Measurement Date</b>  | June 30, 2017   |
| <b>Actuarial Cost Method</b>   | Entry Age Normal  |
| <b>Inflation Rate</b>  | 2.75%   |
| <b>Projected Salary Increases*</b>   | 3.00% - 15.00%  |
| <b>Discount Rate</b>   | 3.56%   |
| <b>Healthcare Cost Trend Rate:</b>   |   |
| Medical (Pre-Medicare)   | 8.0% grading down 0.5% in the first year to 7.5%, then grading down 0.01% in the second year to 7.49%, followed by grading down of 0.5% per year over 5 years to 4.99% in year 7  |
| Medical (Post-Medicare)  | 9.0% grading down 0.5% per year over 9 years to 4.5%  |
| Dental   | 7.5% grading down 0.5% per year over 6 years to 4.5%  |
| Vision   | 3.00%   |
| <b>Retirees' Share of Benefit-Related Costs</b>  | Healthcare premium rates for members depend on the date of retirement and the years of service earned at retirement. Members who retired before January 1, 1998, are eligible for single coverage at no cost to the member. Members who retire after January 1, 1998, are eligible for single coverage provided they pay a portion of the premium equal to 5 percent for each year of service under 20 years. Eligible dependents receive coverage provided they pay 100 percent of the required dependent premium. Premiums for plan year 2017 and 2018 are based on actual premiums. Premiums after 2018 were projected base on the healthcare cost trend rates applied to per capital claim costs but excluding the additional trend rate that estimates the impact of the Excise Tax. |
| * Dependent upon service and participation in the respective retirement systems. Includes inflation rate listed. |   |

**STATE OF ILLINOIS  
DEPARTMENT OF REVENUE**

Notes to Financial Statements

June 30, 2018

Additionally, the demographic assumptions used in the OPEB valuation are identical to those used in the June 30, 2016 valuations for GARS, JRS, SERS, TRS, and SURS as follows:

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

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

<sup>^^</sup> Mortality rates are based on mortality tables published by the Society of Actuaries' Retirement Plans Experience Committee.

**STATE OF ILLINOIS  
DEPARTMENT OF REVENUE**

Notes to Financial Statements

June 30, 2018

**Discount rate.** Because plan benefits are financed on a pay-as-you-go basis, the single discount rate is based on a tax-exempt municipal bond rate index of 20-year general obligation bonds with an average AA credit rating as published by the Fidelity Index “20-year Municipal GO AA Index” as of the measurement date. A single discount rate of 2.85% at June 30, 2016, and 3.56% at June 30, 2017, was used to measure the total OPEB liability.

**Sensitivity of total OPEB liability to changes in the single discount rate.** The following presents the plan’s total OPEB liability, calculated using a Single Discount Rate of 3.56%, as well as what the plan’s total OPEB liability would be if it were calculated using a Single Discount rate that is one percentage point higher (4.56%) or lower (2.56%) than the current rate (amounts expressed in thousands):

|   | <b>1%<br/>Decrease<br/>(2.56%)</b> | <b>Current Single<br/>Discount Rate<br/>Assumption<br/>(3.56%)</b> | <b>1%<br/>Increase<br/>(4.56%)</b> |
|---|------------------------------------|--|------------------------------------|
| Department's proportionate share of<br>total OPEB liability | \$ 643,487                         | \$ 567,203   | \$ 491,348                         |

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

|   | <b>1%<br/>Decrease</b> | <b>Current Healthcare<br/>Cost Trend Rate<br/>Assumption</b> | <b>1%<br/>Increase</b> |
|---|------------------------|--|------------------------|
| Department's proportionate share of<br>total OPEB liability | \$ 484,670             | \$ 567,203   | \$ 635,340             |

**STATE OF ILLINOIS  
DEPARTMENT OF REVENUE**

Notes to Financial Statements

June 30, 2018

**(11) Tax Abatements**

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

Under the Economic Development for a Growing Economy Tax Credit Act (35 ILCS 10/), special tax incentives are provided to encourage businesses to locate or expand operations in Illinois when there is active consideration of a competing location in another state. EDGE Program can provide tax credits to qualifying businesses equal to the amount of state income taxes withheld from the salaries of employees in the newly created jobs. Non-refundable credits can be used against corporate income taxes paid or individual income taxes paid if the business is organized as a pass-through entity. Abatements are obtained through application by a business to the Department of Commerce and Economic Opportunity and claimed on tax returns filed with the Department of Revenue. Applicants must show that if not for the credit, the project would not occur in Illinois by demonstrating that at least one other State is being considered for the project and receipt of tax credits is essential to the applicant's decision to create and/or retain jobs in the State. An applicant must agree to make an investment of at least \$5 million in capital improvements and create a minimum of 25 new full time jobs in Illinois. For a company with 100 or fewer employees, a business must agree to make a capital investment of \$1 million and create at least 5 new full time jobs in Illinois. Credits awarded may be carried forward for 10 taxable years. The Act provides for the recapture of abated taxes in the event a taxpayer does not fulfill the commitment it makes in return for the tax abatement. A taxpayer claiming the credit must hold the investment in the State for the full term of the agreement. If, during the term of the agreement, the project is moved from the State or otherwise ceased, the State can recapture the abated tax requiring the taxpayer to repay the full value of the credit previously claimed.

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

For the fiscal year ended June 30, 2018, the State abated income taxes totaling \$187.917 million and \$7.453 million under the EDGE and Angel Investment Credit Programs, respectively. The State Revenue Sharing Act (30 ILCS 115/) requires specific portions of income tax revenues to be shared with Illinois municipalities and counties. Taxes abated under the EDGE Program reduced the amount shared by \$8.015 million. Taxes abated under the Angel Investment Credit Program reduced the amount shared by \$0.330 million.

**STATE OF ILLINOIS  
DEPARTMENT OF REVENUE**

Notes to Financial Statements

June 30, 2018

**(12) Fund Balance**

*(a) Fund Balances*

At June 30, 2018, the Department's fund balance restrictions (amounts expressed in thousands) were for the following purposes:

|  | <b>General<br/>Fund</b> | <b>Road<br/>Fund</b> | <b>Nonmajor<br/>Special<br/>Revenue<br/>Funds</b> | <b>Total</b> |
|--|-------------------------|----------------------|---|--------------|
| Restricted purpose:                    |                         |                      |   |              |
| General Government                     | \$ -                    | \$ -                 | \$ 9  | \$ 9         |
| Committed purpose:                     |                         |                      |   |              |
| General Government                     | -                       |                      | 35,326  | 35,326       |
| Health and Social Services             | 47,319                  | -                    | 469,839   | 517,158      |
| Employment and Economic<br>Development | -                       | -                    | 4,456   | 4,456        |
| Environment and Business<br>Regulation | -                       | -                    | 27,217  | 27,217       |
| Education                              | 152,344                 | -                    | -   | 152,344      |
| Capital Outlay                         | 17,105                  | -                    | 164,082   | 181,187      |
| Total Committed                        | 216,768                 | -                    | 700,920   | 917,688      |
| Total Unassigned                       | (1,576,257)             | (30,065)             | (212,207)   | (1,818,529)  |
| Total fund balances<br>(deficit)       | \$ (1,359,489)          | \$ (30,065)          | \$ 488,722  | \$ (900,832) |

**STATE OF ILLINOIS  
DEPARTMENT OF REVENUE**

Notes to Financial Statements

June 30, 2018

**(b) Fund Deficits**

The General Fund (\$1.359) billion, the Road Fund (\$30.065) million, and the following nonmajor governmental funds had fund deficits at June 30, 2018, as noted: Public Utility (\$15) thousand, Illinois Gaming Law Enforcement (\$295) thousand, State and Local Sales Tax Reform (\$181) thousand, Local Government Distributive (\$13.828) million, School Infrastructure (\$903) thousand, and Personal Property Tax Replacement (\$196.985) million. The fund deficit in the General Fund will be managed through the collection and allocation of future State revenues to the Department. The fund deficit of the Road, Public Utility, Illinois Gaming Law Enforcement, State and Local Sales Tax Reform, Local Government Distributive, School Infrastructure, and the Personal Property Tax Replacement funds will be managed through future revenues earned.

**(13) Risk Management**

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

The Department's risk management activities are financed through appropriations to the Illinois Department of Central Management Services and are accounted for in the general fund of the State. The claims are not considered to be a liability of the Department; and accordingly, have not been reported in the Department's financial statements for the year ended June 30, 2018.

**(14) 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 \$1.356 million for the year ended June 30, 2018. The minimum lease payments under these operating leases that have noncancelable lease terms in excess of one year are as follows:

| <u>Year Ended</u> | <u>Amount</u> |
|-------------------|---------------|
| 2019              | \$329         |
| 2020              | 193           |
| 2021              | 105           |
| 2022              | 95            |
| 2023              | 5             |
| Total             | <u>\$727</u>  |

**(b) Litigation**

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



**STATE OF ILLINOIS  
DEPARTMENT OF REVENUE**

Notes to Financial Statements

June 30, 2018

**(15) Restatement**

In accordance with the Department's adoption of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the other postemployment benefit (OPEB) liability, deferred outflows of resources, deferred inflows of resources and OPEB expense have been recognized in the financial statements. See Note 10. Therefore, the financial statements have been restated as of July 1, 2017, as follows:

|  | <u>Governmental<br/>Activities</u> |
|--|------------------------------------|
| Net position, June 30, 2017, as previously reported  | (\$2,400,276)                      |
| Reporting of other postemployment benefit liability  | (616,466)                          |
| Reporting of deferred outflows of resources for<br>contributions subsequent to the measurement<br>date | <u>7,790</u>                       |
| Net position, July 1, 2017, as restated  | <u><u>(\$3,008,952)</u></u>        |

The restatement does not include other deferred inflows and outflows related to the measurement of the total OPEB liability as permitted by Statement No. 75.

**State of Illinois**  
**Department of Revenue**  
**Combining Schedule of Accounts**  
**General Fund**

June 30, 2018 (Expressed in Thousands)

|  | General<br>Revenue<br>Account<br>0001 | Common<br>School<br>Special<br>0005 | Education<br>Assistance<br>0007 | Illinois<br>Sports<br>Facility<br>0225 | Income Tax<br>Refund<br>0278 | Common<br>School<br>0412 | Fund for the<br>Advancement<br>of Education<br>0640 | Commitment<br>to Human<br>Services<br>0644 | Budget<br>Stabilization<br>0686 | Capital<br>Projects<br>0694 | Eliminations        | Total               |
|--|---------------------------------------|-------------------------------------|---------------------------------|--|------------------------------|--------------------------|---|--|---------------------------------|-----------------------------|---------------------|---------------------|
| <b>ASSETS</b>  |                                       |                                     |                                 |  |                              |                          |   |  |                                 |                             |                     |                     |
| Unexpended appropriations  | \$ 4,461                              | \$ -                                | \$ -                            | \$ -                                   | \$ -                         | \$ -                     | \$ -  | \$ -                                       | \$ -                            | \$ -                        | \$ -                | \$ 4,461            |
| Cash equity in State Treasury  | 325,302                               | 38,641                              | 14,515                          | 15,042                                 | 360,087                      | 3,048                    | -   | -  | -                               | 22                          | -                   | 756,657             |
| Taxes receivable, net  | 981,213                               | 123,791                             | 58,972                          | 1,771                                  | 108,283                      | 1,371                    | 61,724  | 61,771                                     | -                               | 17,696                      | -                   | 1,416,592           |
| Other receivables, net   | 405                                   | -                                   | -                               | -                                      | -                            | -                        | -   | -  | -                               | -                           | -                   | 405                 |
| Due from other Department funds  | 327,300                               | -                                   | -                               | -                                      | 30,573                       | -                        | -   | -  | -                               | -                           | (327,125)           | 30,748              |
| Due from other State funds   | -                                     | -                                   | -                               | -                                      | 2,146                        | -                        | -   | -  | -                               | -                           | -                   | 2,146               |
| <b>Total assets</b>  | <b>\$ 1,638,681</b>                   | <b>\$ 162,432</b>                   | <b>\$ 73,487</b>                | <b>\$ 16,813</b>                       | <b>\$ 501,089</b>            | <b>\$ 4,419</b>          | <b>\$ 61,724</b>                                    | <b>\$ 61,771</b>                           | <b>\$ -</b>                     | <b>\$ 17,718</b>            | <b>\$ (327,125)</b> | <b>\$ 2,211,009</b> |
| <b>LIABILITIES</b>   |                                       |                                     |                                 |  |                              |                          |   |  |                                 |                             |                     |                     |
| Accounts payable and accrued liabilities   | \$ 240,941                            | \$ 63,563                           | \$ 1,280                        | \$ -                                   | \$ 1,884                     | \$ 2,508                 | \$ -  | \$ -                                       | \$ -                            | \$ 363                      | \$ -                | \$ 310,539          |
| Income tax refunds payable   | -                                     | -                                   | -                               | -                                      | 1,575,044                    | -                        | -   | -  | -                               | -                           | -                   | 1,575,044           |
| Intergovernmental payables   | 844                                   | -                                   | -                               | 7,644                                  | -                            | -                        | -   | -  | -                               | -                           | -                   | 8,488               |
| Due to other Department funds  | -                                     | -                                   | -                               | -                                      | 327,125                      | -                        | -   | -  | -                               | -                           | (327,125)           | -                   |
| Due to other State funds   | 581,208                               | -                                   | -                               | 9,169                                  | 1,633                        | -                        | -   | -  | -                               | -                           | -                   | 592,010             |
| Unearned revenue   | 578,996                               | -                                   | 49,717                          | -                                      | 174,268                      | -                        | 5,796   | 5,796                                      | -                               | -                           | -                   | 814,573             |
| <b>Total liabilities</b>   | <b>1,401,989</b>                      | <b>63,563</b>                       | <b>50,997</b>                   | <b>16,813</b>                          | <b>2,079,954</b>             | <b>2,508</b>             | <b>5,796</b>  | <b>5,796</b>                               | <b>-</b>                        | <b>363</b>                  | <b>(327,125)</b>    | <b>3,300,654</b>    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>   |                                       |                                     |                                 |  |                              |                          |   |  |                                 |                             |                     |                     |
| Unavailable revenue  | 200,962                               | 164                                 | 18,024                          | -                                      | 33,122                       | 2                        | 8,664   | 8,656                                      | -                               | 250                         | -                   | 269,844             |
| <b>Total deferred inflows of resources</b>   | <b>200,962</b>                        | <b>164</b>                          | <b>18,024</b>                   | <b>-</b>                               | <b>33,122</b>                | <b>2</b>                 | <b>8,664</b>  | <b>8,656</b>                               | <b>-</b>                        | <b>250</b>                  | <b>-</b>            | <b>269,844</b>      |
| <b>Total liabilities and deferred inflows of resources</b>                           | <b>1,602,951</b>                      | <b>63,727</b>                       | <b>69,021</b>                   | <b>16,813</b>                          | <b>2,113,076</b>             | <b>2,510</b>             | <b>14,460</b>                                       | <b>14,452</b>                              | <b>-</b>                        | <b>613</b>                  | <b>(327,125)</b>    | <b>3,570,498</b>    |
| <b>FUND BALANCES (DEFICITS)</b>  |                                       |                                     |                                 |  |                              |                          |   |  |                                 |                             |                     |                     |
| Committed  | -                                     | 98,705                              | 4,466                           | -                                      | -                            | 1,909                    | 47,264  | 47,319                                     | -                               | 17,105                      | -                   | 216,768             |
| Unassigned   | 35,730                                | -                                   | -                               | -                                      | (1,611,987)                  | -                        | -   | -  | -                               | -                           | -                   | (1,576,257)         |
| Total fund balances (deficits)   | 35,730                                | 98,705                              | 4,466                           | -                                      | (1,611,987)                  | 1,909                    | 47,264  | 47,319                                     | -                               | 17,105                      | -                   | (1,359,489)         |
| <b>Total liabilities, deferred inflows of resources and fund balances (deficits)</b> | <b>\$ 1,638,681</b>                   | <b>\$ 162,432</b>                   | <b>\$ 73,487</b>                | <b>\$ 16,813</b>                       | <b>\$ 501,089</b>            | <b>\$ 4,419</b>          | <b>\$ 61,724</b>                                    | <b>\$ 61,771</b>                           | <b>\$ -</b>                     | <b>\$ 17,718</b>            | <b>\$ (327,125)</b> | <b>\$ 2,211,009</b> |

**State of Illinois**  
**Department of Revenue**

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

For the Year Ended June 30, 2018 (Expressed in Thousands)

|  | General<br>Revenue<br>Account<br>0001 | Common<br>School<br>Special<br>0005 | Education<br>Assistance<br>0007 | Illinois<br>Sports<br>Facility<br>0225 | Income Tax<br>Refund<br>0278 | Common<br>School<br>0412 | Fund for the<br>Advancement<br>of Education<br>0640 | Commitment to<br>Human<br>Services<br>0644 | Budget<br>Stabilization<br>0686 | Capital<br>Projects<br>0694 | Eliminations | Total                 |
|--|---------------------------------------|-------------------------------------|---------------------------------|--|------------------------------|--------------------------|---|--|---------------------------------|-----------------------------|--------------|-----------------------|
| <b>REVENUES</b>  |                                       |                                     |                                 |  |                              |                          |   |  |                                 |                             |              |                       |
| Income taxes   | \$ 17,062,718                         | \$ -                                | \$ 1,526,774                    | \$ -                                   | \$ 49,334                    | \$ -                     | \$ 630,730  | \$ 630,730                                 | \$ -                            | \$ -                        | \$ -         | \$ 19,900,286         |
| Sales taxes  | 5,809,815                             | 2,037,217                           | -                               | -                                      | -                            | -                        | -   | -  | -                               | 59,124                      | -            | 7,906,156             |
| Public utility taxes   | 816,276                               | -                                   | -                               | -                                      | -                            | 67,499                   | -   | -  | -                               | -                           | -            | 883,775               |
| Other taxes  | 483,561                               | -                                   | -                               | 9,169                                  | -                            | 72,164                   | -   | -  | -                               | 123,088                     | -            | 687,982               |
| Licenses and fees  | 8,592                                 | -                                   | -                               | -                                      | -                            | 161                      | -   | -  | -                               | -                           | -            | 8,753                 |
| Other charges for services   | 1,966                                 | -                                   | -                               | -                                      | -                            | -                        | -   | -  | -                               | -                           | -            | 1,966                 |
| Other  | 1,386                                 | -                                   | -                               | -                                      | -                            | -                        | -   | -  | -                               | -                           | -            | 1,386                 |
| <b>Total revenues</b>  | <b>24,184,314</b>                     | <b>2,037,217</b>                    | <b>1,526,774</b>                | <b>9,169</b>                           | <b>49,334</b>                | <b>139,824</b>           | <b>630,730</b>                                      | <b>630,730</b>                             | <b>-</b>                        | <b>182,212</b>              | <b>-</b>     | <b>29,390,304</b>     |
| <b>EXPENDITURES</b>  |                                       |                                     |                                 |  |                              |                          |   |  |                                 |                             |              |                       |
| General government   | 77,691                                | -                                   | -                               | -                                      | 36                           | -                        | -   | -  | 7                               | -                           | -            | 77,734                |
| Employment and economic development                                  | -                                     | -                                   | -                               | 5,000                                  | -                            | -                        | -   | -  | -                               | -                           | -            | 5,000                 |
| Capital outlay   | 2,265                                 | -                                   | -                               | -                                      | -                            | -                        | -   | -  | -                               | -                           | -            | 2,265                 |
| <b>Total expenditures</b>  | <b>79,956</b>                         | <b>-</b>                            | <b>-</b>                        | <b>5,000</b>                           | <b>36</b>                    | <b>-</b>                 | <b>-</b>  | <b>-</b>                                   | <b>7</b>                        | <b>-</b>                    | <b>-</b>     | <b>84,999</b>         |
| <b>Excess (deficiency) of revenues<br/>over (under) expenditures</b> | <b>24,104,358</b>                     | <b>2,037,217</b>                    | <b>1,526,774</b>                | <b>4,169</b>                           | <b>49,298</b>                | <b>139,824</b>           | <b>630,730</b>                                      | <b>630,730</b>                             | <b>(7)</b>                      | <b>182,212</b>              | <b>-</b>     | <b>29,305,305</b>     |
| <b>OTHER SOURCES (USES) OF<br/>FINANCIAL RESOURCES</b>               |                                       |                                     |                                 |  |                              |                          |   |  |                                 |                             |              |                       |
| Appropriations from State resources                                  | 86,274                                | -                                   | -                               | -                                      | -                            | -                        | -   | -  | -                               | -                           | -            | 86,274                |
| Lapsed appropriations  | (13,002)                              | -                                   | -                               | -                                      | -                            | -                        | -   | -  | -                               | -                           | -            | (13,002)              |
| Receipts collected and transmitted to State Treasury                 | (24,094,293)                          | -                                   | (1,525,791)                     | -                                      | -                            | (143,240)                | (616,908)   | (616,853)                                  | -                               | (182,861)                   | -            | (27,179,946)          |
| Amount of SAMS transfers-in  | (3,359)                               | -                                   | -                               | -                                      | -                            | (2,100,932)              | -   | -  | -                               | -                           | -            | (2,104,291)           |
| Amount of SAMS transfers-out   | 504,922                               | -                                   | -                               | -                                      | -                            | -                        | -   | -  | -                               | -                           | -            | 504,922               |
| Transfers-in   | 337,143                               | -                                   | -                               | 5,000                                  | 30,573                       | 2,100,932                | -   | -  | -                               | -                           | (2,437,305)  | 36,343                |
| Transfers-out  | -                                     | (2,100,932)                         | -                               | (9,169)                                | (338,263)                    | -                        | -   | -  | -                               | -                           | 2,437,305    | (11,059)              |
| <b>Net other sources (uses) of<br/>financial resources</b>           | <b>(23,182,315)</b>                   | <b>(2,100,932)</b>                  | <b>(1,525,791)</b>              | <b>(4,169)</b>                         | <b>(307,690)</b>             | <b>(143,240)</b>         | <b>(616,908)</b>                                    | <b>(616,853)</b>                           | <b>-</b>                        | <b>(182,861)</b>            | <b>-</b>     | <b>(28,680,759)</b>   |
| <b>Net change in fund balances</b>                                   | <b>922,043</b>                        | <b>(63,715)</b>                     | <b>983</b>                      | <b>-</b>                               | <b>(258,392)</b>             | <b>(3,416)</b>           | <b>13,822</b>                                       | <b>13,877</b>                              | <b>(7)</b>                      | <b>(649)</b>                | <b>-</b>     | <b>624,546</b>        |
| Fund balances (deficits), July 1, 2017                               | (886,313)                             | 162,420                             | 3,483                           | -                                      | (1,353,595)                  | 5,325                    | 33,442  | 33,442                                     | 7                               | 17,754                      | -            | (1,984,035)           |
| <b>FUND BALANCES (DEFICITS), JUNE 30, 2018</b>                       | <b>\$ 35,730</b>                      | <b>\$ 98,705</b>                    | <b>\$ 4,466</b>                 | <b>\$ -</b>                            | <b>\$ (1,611,987)</b>        | <b>\$ 1,909</b>          | <b>\$ 47,264</b>                                    | <b>\$ 47,319</b>                           | <b>\$ -</b>                     | <b>\$ 17,105</b>            | <b>\$ -</b>  | <b>\$ (1,359,489)</b> |

State of Illinois  
Department of Revenue

Combining Balance Sheet -  
Nonmajor Governmental Funds

June 30, 2018 (Expressed in Thousands)

|  | Nonmajor Special Revenue  |                        |                                     |   |   |                                  |   |
|--|---------------------------|------------------------|-------------------------------------|---|---|----------------------------------|---|
|  | Motor Fuel<br>Tax<br>0012 | Public Utility<br>0059 | Underground<br>Storage Tank<br>0072 | Compassionate<br>Use of Medical<br>Cannabis<br>0075 | Illinois Gaming<br>Law<br>Enforcement<br>0085 | IDOR<br>Federal<br>Trust<br>0140 | Rental<br>Housing<br>Support<br>Program<br>0150 |
| <b>ASSETS</b>  |                           |                        |                                     |   |   |                                  |   |
| Unexpended appropriations  | \$ 11,170                 | \$ -                   | \$ 69                               | \$ -  | \$ -  | \$ -                             | \$ -  |
| Cash equity in State Treasury  | 665                       | -                      | 71                                  | 13  | 18  | 28                               | 16,991  |
| Cash and cash equivalents  | -                         | -                      | -                                   | -   | -   | -                                | -   |
| Securities lending collateral equity with State Treasurer                            | -                         | -                      | -                                   | -   | -   | -                                | -   |
| Taxes receivable, net  | 113,198                   | -                      | 6,335                               | 440   | 298   | -                                | -   |
| Intergovernmental receivables  | -                         | -                      | -                                   | -   | -   | -                                | -   |
| Other receivables, net   | -                         | -                      | -                                   | -   | -   | -                                | -   |
| Due from other State fiduciary funds   | 798                       | -                      | 34                                  | -   | -   | -                                | -   |
| Due from other Department funds  | -                         | -                      | -                                   | -   | -   | -                                | -   |
| Due from other State funds   | -                         | 1                      | -                                   | -   | -   | -                                | -   |
| Loans and notes receivable, long-term  | -                         | -                      | -                                   | -   | -   | -                                | -   |
| Due from State of Illinois component units   | -                         | -                      | -                                   | -   | -   | -                                | -   |
| <b>Total assets</b>  | <b>\$ 125,831</b>         | <b>\$ 1</b>            | <b>\$ 6,509</b>                     | <b>\$ 453</b>                                       | <b>\$ 316</b>                                 | <b>\$ 28</b>                     | <b>\$ 16,991</b>                                |
| <b>LIABILITIES</b>   |                           |                        |                                     |   |   |                                  |   |
| Accounts payable and accrued liabilities   | \$ 12,838                 | \$ 16                  | \$ 39                               | \$ -  | \$ 23   | \$ -                             | \$ -  |
| Intergovernmental payables   | 64                        | -                      | 3                                   | -   | 588   | -                                | -   |
| Obligations under securities lending of State Treasurer                              | -                         | -                      | -                                   | -   | -   | -                                | -   |
| Due to other Department fiduciary funds  | -                         | -                      | -                                   | -   | -   | -                                | -   |
| Due to other State fiduciary funds   | 587                       | -                      | 27                                  | -   | -   | -                                | -   |
| Due to other Department funds  | -                         | -                      | -                                   | -   | -   | -                                | -   |
| Due to other State funds   | 327                       | -                      | -                                   | -   | -   | -                                | -   |
| Due to State of Illinois component units   | -                         | -                      | -                                   | -   | -   | -                                | 10,538  |
| Unearned revenue   | -                         | -                      | -                                   | -   | -   | 28                               | -   |
| <b>Total liabilities</b>   | <b>13,816</b>             | <b>16</b>              | <b>69</b>                           | <b>-</b>  | <b>611</b>                                    | <b>28</b>                        | <b>10,538</b>                                   |
| <b>DEFERRED INFLOWS OF RESOURCES</b>   |                           |                        |                                     |   |   |                                  |   |
| Unavailable revenue  | 1,021                     | -                      | -                                   | 1   | -   | -                                | -   |
| <b>Total deferred inflows of resources</b>   | <b>1,021</b>              | <b>-</b>               | <b>-</b>                            | <b>1</b>  | <b>-</b>                                      | <b>-</b>                         | <b>-</b>  |
| <b>Total liabilities and deferred inflows of resources</b>                           | <b>14,837</b>             | <b>16</b>              | <b>69</b>                           | <b>1</b>  | <b>611</b>                                    | <b>28</b>                        | <b>10,538</b>                                   |
| <b>FUND BALANCES (DEFICITS)</b>  |                           |                        |                                     |   |   |                                  |   |
| Restricted   | -                         | -                      | -                                   | -   | -   | -                                | -   |
| Committed  | 110,994                   | -                      | 6,440                               | 452   | -   | -                                | 6,453   |
| Unassigned   | -                         | (15)                   | -                                   | -   | (295)   | -                                | -   |
| Total fund balances (deficits)   | 110,994                   | (15)                   | 6,440                               | 452   | (295)   | -                                | 6,453   |
| <b>Total liabilities, deferred inflows of resources and fund balances (deficits)</b> | <b>\$ 125,831</b>         | <b>\$ 1</b>            | <b>\$ 6,509</b>                     | <b>\$ 453</b>                                       | <b>\$ 316</b>                                 | <b>\$ 28</b>                     | <b>\$ 16,991</b>                                |

(Continued)

State of Illinois  
Department of Revenue

Combining Balance Sheet -  
Nonmajor Governmental Funds

June 30, 2018 (Expressed in Thousands)

|  | Nonmajor Special Revenue                     |  |                                  |                           |                                    |  |                                 |                                      |
|--|--|--|----------------------------------|---------------------------|------------------------------------|--|---------------------------------|--------------------------------------|
|  | State & Local<br>Sales Tax<br>Reform<br>0186 | RTA Occupation<br>and Use Tax<br>Replacement<br>0187 | County &<br>Mass Transit<br>0188 | Local Govt<br>Tax<br>0189 | Emergency<br>Public Health<br>0240 | Illinois<br>Affordable<br>Housing<br>Trust<br>0286 | Used Tire<br>Management<br>0294 | Natural Areas<br>Acquisition<br>0298 |
| <b>ASSETS</b>  |  |  |                                  |                           |                                    |  |                                 |                                      |
| Unexpended appropriations  | \$ -   | \$ -   | \$ -                             | \$ -                      | \$ -                               | \$ -   | \$ -                            | \$ -                                 |
| Cash equity in State Treasury  | 51,700                                       | -  | 76,548                           | 351,306                   | 2                                  | 71,380   | 7                               | 504                                  |
| Cash and cash equivalents  | -  | -  | -                                | -                         | -                                  | -  | -                               | -                                    |
| Securities lending collateral equity with State Treasurer                            | -  | -  | -                                | -                         | -                                  | 27,202   | -                               | -                                    |
| Taxes receivable, net  | 51,472                                       | -  | 20,426                           | 77,712                    | -                                  | -  | -                               | -                                    |
| Intergovernmental receivables  | -  | -  | -                                | -                         | -                                  | -  | -                               | -                                    |
| Other receivables, net   | -  | -  | -                                | -                         | 844                                | 109  | 3,278                           | -                                    |
| Due from other State fiduciary funds   | -  | -  | -                                | -                         | -                                  | -  | -                               | -                                    |
| Due from other Department funds  | -  | 6,897  | -                                | -                         | -                                  | -  | -                               | -                                    |
| Due from other State funds   | -  | -  | -                                | -                         | -                                  | -  | -                               | -                                    |
| Loans and notes receivable, long-term  | -  | -  | -                                | -                         | -                                  | -  | -                               | -                                    |
| Due from State of Illinois component units   | -  | -  | -                                | -                         | -                                  | 335,979  | -                               | -                                    |
| <b>Total assets</b>  | <b>\$ 103,172</b>                            | <b>\$ 6,897</b>                                      | <b>\$ 96,974</b>                 | <b>\$ 429,018</b>         | <b>\$ 846</b>                      | <b>\$ 434,670</b>                                  | <b>\$ 3,285</b>                 | <b>\$ 504</b>                        |
| <b>LIABILITIES</b>   |  |  |                                  |                           |                                    |  |                                 |                                      |
| Accounts payable and accrued liabilities   | \$ -   | \$ -   | \$ -                             | \$ -                      | \$ -                               | \$ 335   | \$ -                            | \$ 89                                |
| Intergovernmental payables   | 21,220                                       | 6,897  | 60,503                           | 429,018                   | -                                  | -  | -                               | -                                    |
| Obligations under securities lending of State Treasurer                              | -  | -  | -                                | -                         | -                                  | 27,202   | -                               | -                                    |
| Due to other Department fiduciary funds  | -  | -  | 36,471                           | -                         | -                                  | -  | -                               | -                                    |
| Due to other State fiduciary funds   | -  | -  | -                                | -                         | -                                  | -  | -                               | -                                    |
| Due to other Department funds  | 81,952                                       | -  | -                                | -                         | -                                  | -  | 174                             | -                                    |
| Due to other State funds   | -  | -  | -                                | -                         | -                                  | -  | -                               | -                                    |
| Due to State of Illinois component units   | -  | -  | -                                | -                         | -                                  | 8,188  | -                               | -                                    |
| Unearned revenue   | -  | -  | -                                | -                         | -                                  | -  | -                               | -                                    |
| <b>Total liabilities</b>   | <b>103,172</b>                               | <b>6,897</b>   | <b>96,974</b>                    | <b>429,018</b>            | <b>-</b>                           | <b>35,725</b>                                      | <b>174</b>                      | <b>89</b>                            |
| <b>DEFERRED INFLOWS OF RESOURCES</b>   |  |  |                                  |                           |                                    |  |                                 |                                      |
| Unavailable revenue  | 181  | -  | -                                | -                         | -                                  | -  | -                               | -                                    |
| <b>Total deferred inflows of resources</b>   | <b>181</b>                                   | <b>-</b>   | <b>-</b>                         | <b>-</b>                  | <b>-</b>                           | <b>-</b>   | <b>-</b>                        | <b>-</b>                             |
| <b>Total liabilities and deferred inflows of resources</b>                           | <b>103,353</b>                               | <b>6,897</b>   | <b>96,974</b>                    | <b>429,018</b>            | <b>-</b>                           | <b>35,725</b>                                      | <b>174</b>                      | <b>89</b>                            |
| <b>FUND BALANCES (DEFICITS)</b>  |  |  |                                  |                           |                                    |  |                                 |                                      |
| Restricted   | -  | -  | -                                | -                         | -                                  | -  | -                               | -                                    |
| Committed  | -  | -  | -                                | -                         | 846                                | 398,945  | 3,111                           | 415                                  |
| Unassigned   | (181)  | -  | -                                | -                         | -                                  | -  | -                               | -                                    |
| Total fund balances (deficits)   | (181)  | -  | -                                | -                         | 846                                | 398,945  | 3,111                           | 415                                  |
| <b>Total liabilities, deferred inflows of resources and fund balances (deficits)</b> | <b>\$ 103,172</b>                            | <b>\$ 6,897</b>                                      | <b>\$ 96,974</b>                 | <b>\$ 429,018</b>         | <b>\$ 846</b>                      | <b>\$ 434,670</b>                                  | <b>\$ 3,285</b>                 | <b>\$ 504</b>                        |

(Continued)

State of Illinois  
Department of Revenue

Combining Balance Sheet -  
Nonmajor Governmental Funds

June 30, 2018 (Expressed in Thousands)

|  | Nonmajor Special Revenue                                    |   |   |   |   |   |                                  |                                  |
|--|---|---|---|---|---|---|----------------------------------|----------------------------------|
|  | Open Space<br>Lands<br>Acquisition &<br>Development<br>0299 | Tax Compliance<br>and<br>Administration<br>0384 | Local<br>Government<br>Distributive<br>0515 | Drycleaner<br>Environmental<br>Response<br>0548 | Supplemental Low<br>Income Energy<br>Assistance<br>0550 | Renewable<br>Energy<br>Resource<br>0564 | School<br>Infrastructure<br>0568 | International<br>Tourism<br>0621 |
| <b>ASSETS</b>  |   |   |   |   |   |   |                                  |                                  |
| Unexpended appropriations  | \$ -  | \$ -  | \$ -  | \$ -  | \$ -  | \$ -                                    | \$ -                             | \$ -                             |
| Cash equity in State Treasury  | 1,176   | 32,408  | 121,896                                     | 1   | 12  | 1                                       | 612                              | 317                              |
| Cash and cash equivalents  | -   | -   | -   | -   | -   | -                                       | -                                | -                                |
| Securities lending collateral equity with State Treasurer                            | -   | 9,892   | -   | -   | -   | -                                       | -                                | -                                |
| Taxes receivable, net  | -   | 6,057   | 46,740                                      | 64  | 8,262   | -                                       | 937                              | 734                              |
| Intergovernmental receivables  | -   | -   | -   | -   | -   | -                                       | -                                | -                                |
| Other receivables, net   | -   | 56  | -   | -   | -   | 485                                     | -                                | -                                |
| Due from other State fiduciary funds   | -   | 899   | -   | -   | -   | -                                       | -                                | -                                |
| Due from other Department funds  | -   | 162   | 65,443                                      | -   | -   | -                                       | -                                | -                                |
| Due from other State funds   | -   | 60  | -   | -   | -   | -                                       | -                                | -                                |
| Loans and notes receivable, long-term  | -   | -   | -   | -   | -   | -                                       | -                                | -                                |
| Due from State of Illinois component units   | -   | -   | -   | -   | -   | -                                       | -                                | -                                |
| <b>Total assets</b>  | <b>\$ 1,176</b>   | <b>\$ 49,534</b>                                | <b>\$ 234,079</b>                           | <b>\$ 65</b>                                    | <b>\$ 8,274</b>   | <b>\$ 486</b>                           | <b>\$ 1,549</b>                  | <b>\$ 1,051</b>                  |
| <b>LIABILITIES</b>   |   |   |   |   |   |   |                                  |                                  |
| Accounts payable and accrued liabilities   | \$ 207  | \$ 2,834  | \$ 1,010                                    | \$ -  | \$ 50   | \$ 3                                    | \$ 2,448                         | \$ -                             |
| Intergovernmental payables   | -   | 85  | 192,318                                     | -   | -   | -                                       | -                                | -                                |
| Obligations under securities lending of State Treasurer                              | -   | 9,892   | -   | -   | -   | -                                       | -                                | -                                |
| Due to other Department fiduciary funds  | -   | -   | -   | -   | -   | -                                       | -                                | -                                |
| Due to other State fiduciary funds   | -   | 906   | -   | -   | -   | -                                       | -                                | -                                |
| Due to other Department funds  | -   | -   | -   | -   | -   | -                                       | -                                | -                                |
| Due to other State funds   | -   | 373   | -   | -   | -   | -                                       | -                                | -                                |
| Due to State of Illinois component units   | -   | 37  | -   | -   | -   | -                                       | -                                | -                                |
| Unearned revenue   | -   | -   | 40,751                                      | -   | -   | -                                       | -                                | -                                |
| <b>Total liabilities</b>   | <b>207</b>  | <b>14,127</b>                                   | <b>234,079</b>                              | <b>-</b>  | <b>50</b>   | <b>3</b>                                | <b>2,448</b>                     | <b>-</b>                         |
| <b>DEFERRED INFLOWS OF RESOURCES</b>   |   |   |   |   |   |   |                                  |                                  |
| Unavailable revenue  | -   | 81  | 13,828                                      | -   | -   | -                                       | 4                                | -                                |
| <b>Total deferred inflows of resources</b>   | <b>-</b>  | <b>81</b>                                       | <b>13,828</b>                               | <b>-</b>  | <b>-</b>  | <b>-</b>                                | <b>4</b>                         | <b>-</b>                         |
| <b>Total liabilities and deferred inflows of resources</b>                           | <b>207</b>  | <b>14,208</b>                                   | <b>247,907</b>                              | <b>-</b>  | <b>50</b>   | <b>3</b>                                | <b>2,452</b>                     | <b>-</b>                         |
| <b>FUND BALANCES (DEFICITS)</b>  |   |   |   |   |   |   |                                  |                                  |
| Restricted   | -   | -   | -   | -   | -   | -                                       | -                                | -                                |
| Committed  | 969   | 35,326  | -   | 65  | 8,224   | 483                                     | -                                | 1,051                            |
| Unassigned   | -   | -   | (13,828)                                    | -   | -   | -                                       | (903)                            | -                                |
| Total fund balances (deficits)   | 969   | 35,326  | (13,828)                                    | 65  | 8,224   | 483                                     | (903)                            | 1,051                            |
| <b>Total liabilities, deferred inflows of resources and fund balances (deficits)</b> | <b>\$ 1,176</b>   | <b>\$ 49,534</b>                                | <b>\$ 234,079</b>                           | <b>\$ 65</b>                                    | <b>\$ 8,274</b>   | <b>\$ 486</b>                           | <b>\$ 1,549</b>                  | <b>\$ 1,051</b>                  |

(Continued)

State of Illinois  
Department of Revenue

Combining Balance Sheet -  
Nonmajor Governmental Funds

June 30, 2018 (Expressed in Thousands)

|  | Nonmajor Special Revenue                           |   |                      |   |                                   |  |   |                           |
|--|--|---|----------------------|---|-----------------------------------|--|---|---------------------------|
|  | Rental Purchase<br>Agreement Tax<br>Refund<br>0671 | Personal<br>Property Tax<br>Replacement<br>0802 | Dram<br>Shop<br>0821 | Local<br>Government<br>Video Gaming<br>0842 | Foreclosure<br>Prevention<br>0891 | Abandoned<br>Residential<br>Property<br>Municipality<br>Relief<br>0892 | Senior Citizen<br>Real Estate<br>Deferred Tax<br>0930 | Build<br>Illinois<br>0960 |
| <b>ASSETS</b>  |  |   |                      |   |                                   |  |   |                           |
| Unexpended appropriations  | \$ -   | \$ -  | \$ -                 | \$ -  | \$ -                              | \$ -   | \$ -  | \$ -                      |
| Cash equity in State Treasury  | 1  | 268,783   | 11,846               | 6,254                                       | 2,238                             | 3,859  | 14,665  | 10,299                    |
| Cash and cash equivalents  | -  | -   | -                    | -   | -                                 | -  | -   | -                         |
| Securities lending collateral equity with State Treasurer                            | -  | 43,656  | -                    | -   | -                                 | -  | -   | -                         |
| Taxes receivable, net  | -  | 62,056  | -                    | 6,086                                       | -                                 | -  | -   | 49,646                    |
| Intergovernmental receivables  | -  | -   | -                    | -   | 366                               | 278  | -   | -                         |
| Other receivables, net   | -  | 175   | 186                  | -   | -                                 | -  | 14,620  | -                         |
| Due from other State fiduciary funds   | -  | 2,223   | -                    | -   | -                                 | -  | -   | -                         |
| Due from other Department funds  | -  | -   | -                    | -   | -                                 | -  | -   | 9,450                     |
| Due from other State funds   | -  | -   | -                    | -   | -                                 | -  | -   | -                         |
| Loans and notes receivable, long-term  | -  | -   | -                    | -   | -                                 | -  | 38,277  | -                         |
| Due from State of Illinois component units   | -  | -   | -                    | -   | -                                 | -  | -   | -                         |
| <b>Total assets</b>  | <b>\$ 1</b>  | <b>\$ 376,893</b>                               | <b>\$ 12,032</b>     | <b>\$ 12,340</b>                            | <b>\$ 2,604</b>                   | <b>\$ 4,137</b>  | <b>\$ 67,562</b>                                      | <b>\$ 69,395</b>          |
| <b>LIABILITIES</b>   |  |   |                      |   |                                   |  |   |                           |
| Accounts payable and accrued liabilities   | \$ -   | \$ 23,419                                       | \$ 156               | \$ -  | \$ -                              | \$ -   | \$ -  | \$ 16,268                 |
| Intergovernmental payables   | -  | 232,353   | 268                  | 12,340                                      | -                                 | -  | -   | -                         |
| Obligations under securities lending of State Treasurer                              | -  | 43,656  | -                    | -   | -                                 | -  | -   | -                         |
| Due to other Department fiduciary funds  | -  | -   | -                    | -   | -                                 | -  | -   | -                         |
| Due to other State fiduciary funds   | -  | 1,107   | 71                   | -   | -                                 | -  | -   | -                         |
| Due to other Department funds  | 1  | 30,573  | -                    | -   | -                                 | -  | -   | -                         |
| Due to other State funds   | -  | 78  | 67                   | -   | -                                 | -  | -   | -                         |
| Due to State of Illinois component units   | -  | -   | -                    | -   | 175                               | 139  | -   | -                         |
| Unearned revenue   | -  | 225,315   | -                    | -   | -                                 | -  | -   | -                         |
| <b>Total liabilities</b>   | <b>1</b>   | <b>556,501</b>                                  | <b>562</b>           | <b>12,340</b>                               | <b>175</b>                        | <b>139</b>   | <b>-</b>  | <b>16,268</b>             |
| <b>DEFERRED INFLOWS OF RESOURCES</b>   |  |   |                      |   |                                   |  |   |                           |
| Unavailable revenue  | -  | 17,377  | 186                  | -   | -                                 | -  | 14,620  | 39                        |
| <b>Total deferred inflows of resources</b>   | <b>-</b>   | <b>17,377</b>                                   | <b>186</b>           | <b>-</b>                                    | <b>-</b>                          | <b>-</b>   | <b>14,620</b>   | <b>39</b>                 |
| <b>Total liabilities and deferred inflows of resources</b>                           | <b>1</b>   | <b>573,878</b>                                  | <b>748</b>           | <b>12,340</b>                               | <b>175</b>                        | <b>139</b>   | <b>14,620</b>   | <b>16,307</b>             |
| <b>FUND BALANCES (DEFICITS)</b>  |  |   |                      |   |                                   |  |   |                           |
| Restricted   | -  | -   | -                    | -   | -                                 | -  | -   | -                         |
| Committed  | -  | -   | 11,284               | -   | 2,429                             | 3,998  | 52,942  | 53,088                    |
| Unassigned   | -  | (196,985)                                       | -                    | -   | -                                 | -  | -   | -                         |
| Total fund balances (deficits)   | -  | (196,985)                                       | 11,284               | -   | 2,429                             | 3,998  | 52,942  | 53,088                    |
| <b>Total liabilities, deferred inflows of resources and fund balances (deficits)</b> | <b>\$ 1</b>  | <b>\$ 376,893</b>                               | <b>\$ 12,032</b>     | <b>\$ 12,340</b>                            | <b>\$ 2,604</b>                   | <b>\$ 4,137</b>  | <b>\$ 67,562</b>                                      | <b>\$ 69,395</b>          |

(Continued)

**State of Illinois**  
**Department of Revenue**  
**Combining Balance Sheet -**  
**Nonmajor Governmental Funds**  
June 30, 2018 (Expressed in Thousands)

**Nonmajor Special Revenue**

|  | Local<br>Tourism<br>0969 | Evidence<br>Fund<br>1369 | Eliminations       | Total               |
|--|--------------------------|--------------------------|--------------------|---------------------|
| <b>ASSETS</b>  |                          |                          |                    |                     |
| Unexpended appropriations  | \$ -                     | \$ -                     | \$ -               | \$ 11,239           |
| Cash equity in State Treasury  | 1,027                    | -                        | -                  | 1,044,628           |
| Cash and cash equivalents  | -                        | 9                        | -                  | 9                   |
| Securities lending collateral equity with State Treasurer                            | -                        | -                        | -                  | 80,750              |
| Taxes receivable, net  | 2,378                    | -                        | -                  | 452,841             |
| Intergovernmental receivables  | -                        | -                        | -                  | 644                 |
| Other receivables, net   | -                        | -                        | -                  | 19,753              |
| Due from other State fiduciary funds   | -                        | -                        | -                  | 3,954               |
| Due from other Department funds  | -                        | -                        | (81,952)           | -                   |
| Due from other State funds   | -                        | -                        | -                  | 61                  |
| Loans and notes receivable, long-term  | -                        | -                        | -                  | 38,277              |
| Due from State of Illinois component units   | -                        | -                        | -                  | 335,979             |
| <b>Total assets</b>  | <b>\$ 3,405</b>          | <b>\$ 9</b>              | <b>\$ (81,952)</b> | <b>\$ 1,988,135</b> |
| <b>LIABILITIES</b>   |                          |                          |                    |                     |
| Accounts payable and accrued liabilities   | \$ -                     | \$ -                     | \$ -               | \$ 59,735           |
| Intergovernmental payables   | -                        | -                        | -                  | 955,657             |
| Obligations under securities lending of State Treasurer                              | -                        | -                        | -                  | 80,750              |
| Due to other Department fiduciary funds  | -                        | -                        | -                  | 36,471              |
| Due to other State fiduciary funds   | -                        | -                        | -                  | 2,698               |
| Due to other Department funds  | -                        | -                        | (81,952)           | 30,748              |
| Due to other State funds   | -                        | -                        | -                  | 845                 |
| Due to State of Illinois component units   | -                        | -                        | -                  | 19,077              |
| Unearned revenue   | -                        | -                        | -                  | 266,094             |
| <b>Total liabilities</b>   | <b>-</b>                 | <b>-</b>                 | <b>(81,952)</b>    | <b>1,452,075</b>    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>   |                          |                          |                    |                     |
| Unavailable revenue  | -                        | -                        | -                  | 47,338              |
| <b>Total deferred inflows of resources</b>   | <b>-</b>                 | <b>-</b>                 | <b>-</b>           | <b>47,338</b>       |
| <b>Total liabilities and deferred inflows of resources</b>                           | <b>-</b>                 | <b>-</b>                 | <b>(81,952)</b>    | <b>1,499,413</b>    |
| <b>FUND BALANCES (DEFICITS)</b>  |                          |                          |                    |                     |
| Restricted   | -                        | 9                        | -                  | 9                   |
| Committed  | 3,405                    | -                        | -                  | 700,920             |
| Unassigned   | -                        | -                        | -                  | (212,207)           |
| Total fund balances (deficits)   | 3,405                    | 9                        | -                  | 488,722             |
| <b>Total liabilities, deferred inflows of resources and fund balances (deficits)</b> | <b>\$ 3,405</b>          | <b>\$ 9</b>              | <b>\$ (81,952)</b> | <b>\$ 1,988,135</b> |

(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, 2018 (Expressed in Thousands)

|  | Nonmajor Special Revenue  |                        |                                     |   |   |                                  |   |
|--|---------------------------|------------------------|-------------------------------------|---|---|----------------------------------|---|
|  | Motor Fuel<br>Tax<br>0012 | Public Utility<br>0059 | Underground<br>Storage Tank<br>0072 | Compassionate<br>Use of Medical<br>Cannabis<br>0075 | Illinois Gaming<br>Law<br>Enforcement<br>0085 | IDOR<br>Federal<br>Trust<br>0140 | Rental<br>Housing<br>Support<br>Program<br>0150 |
| <b>REVENUES</b>  |                           |                        |                                     |   |   |                                  |   |
| Federal operating grants   | \$ 54                     | \$ -                   | \$ -                                | \$ -  | \$ -  | \$ 11                            | \$ -  |
| Income taxes   | -                         | -                      | -                                   | -   | -   | -                                | -   |
| Sales taxes  | -                         | -                      | -                                   | 4,162   | -   | -                                | -   |
| Motor fuel taxes   | 1,246,875                 | -                      | 75,517                              | -   | -   | -                                | -   |
| Public utility taxes   | -                         | 6,695                  | -                                   | -   | -   | -                                | -   |
| Other taxes  | -                         | -                      | -                                   | -   | 1,546   | -                                | 13,490  |
| Licenses and fees  | 1,089                     | -                      | -                                   | -   | 249   | -                                | -   |
| Other charges for services   | -                         | -                      | -                                   | -   | -   | -                                | -   |
| Interest and other investment income                                 | -                         | -                      | -                                   | -   | -   | -                                | -   |
| Other  | -                         | -                      | -                                   | -   | -   | -                                | -   |
| <b>Total revenues</b>  | <b>1,248,018</b>          | <b>6,695</b>           | <b>75,517</b>                       | <b>4,162</b>  | <b>1,795</b>                                  | <b>11</b>                        | <b>13,490</b>                                   |
| <b>EXPENDITURES</b>  |                           |                        |                                     |   |   |                                  |   |
| General government   | 40,105                    | -                      | 1,859                               | -   | -   | 11                               | 22,868  |
| Health and social services   | -                         | -                      | -                                   | -   | -   | -                                | -   |
| Education  | -                         | -                      | -                                   | -   | -   | -                                | -   |
| Environmental and business regulation                                | -                         | -                      | -                                   | -   | -   | -                                | -   |
| Public protection and justice  | -                         | -                      | -                                   | -   | -   | -                                | -   |
| Intergovernmental  | -                         | -                      | -                                   | -   | 590   | -                                | -   |
| Capital outlay   | 1,409                     | -                      | -                                   | -   | -   | -                                | -   |
| <b>Total expenditures</b>  | <b>41,514</b>             | <b>-</b>               | <b>1,859</b>                        | <b>-</b>  | <b>590</b>                                    | <b>11</b>                        | <b>22,868</b>                                   |
| <b>Excess (deficiency) of revenues<br/>over (under) expenditures</b> | <b>1,206,504</b>          | <b>6,695</b>           | <b>73,658</b>                       | <b>4,162</b>  | <b>1,205</b>                                  | <b>-</b>                         | <b>(9,378)</b>                                  |
| <b>OTHER SOURCES (USES) OF<br/>FINANCIAL RESOURCES</b>               |                           |                        |                                     |   |   |                                  |   |
| Appropriations from State resources                                  | 96,068                    | -                      | 2,029                               | -   | 1,290   | -                                | -   |
| Lapsed appropriations  | (8,031)                   | -                      | (129)                               | -   | (670)   | -                                | -   |
| Receipts collected and transmitted to State Treasury                 | (1,293,454)               | (6,691)                | (75,532)                            | (3,971)   | (1,763)                                       | -                                | -   |
| Amount of SAMS transfers-in  | -                         | (6)                    | -                                   | -   | -   | -                                | -   |
| Amount of SAMS transfers-out   | -                         | -                      | -                                   | -   | -   | -                                | -   |
| Transfers-in   | -                         | 7                      | -                                   | -   | -   | -                                | -   |
| Transfers-out  | 44                        | -                      | -                                   | -   | -   | -                                | (760)   |
| <b>Net other sources (uses) of<br/>financial resources</b>           | <b>(1,205,373)</b>        | <b>(6,690)</b>         | <b>(73,632)</b>                     | <b>(3,971)</b>                                      | <b>(1,143)</b>                                | <b>-</b>                         | <b>(760)</b>                                    |
| <b>Net change in fund balances</b>                                   | <b>1,131</b>              | <b>5</b>               | <b>26</b>                           | <b>191</b>  | <b>62</b>                                     | <b>-</b>                         | <b>(10,138)</b>                                 |
| Fund balances (deficits), July 1, 2017                               | 109,863                   | (20)                   | 6,414                               | 261   | (357)   | -                                | 16,591  |
| <b>FUND BALANCES (DEFICITS), JUNE 30, 2018</b>                       | <b>\$ 110,994</b>         | <b>\$ (15)</b>         | <b>\$ 6,440</b>                     | <b>\$ 452</b>                                       | <b>\$ (295)</b>                               | <b>\$ -</b>                      | <b>\$ 6,453</b>                                 |

(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, 2018 (Expressed in Thousands)

|  | Nonmajor Special Revenue                     |  |                                  |                           |                                    |   |                                 |                                      |
|--|--|--|----------------------------------|---------------------------|------------------------------------|---|---------------------------------|--------------------------------------|
|  | State & Local<br>Sales Tax<br>Reform<br>0186 | RTA Occupation<br>and Use Tax<br>Replacement<br>0187 | County &<br>Mass Transit<br>0188 | Local Govt<br>Tax<br>0189 | Emergency<br>Public Health<br>0240 | Illinois<br>Affordable<br>Housing Trust<br>0286 | Used Tire<br>Management<br>0294 | Natural Areas<br>Acquisition<br>0298 |
| <b>REVENUES</b>  |  |  |                                  |                           |                                    |   |                                 |                                      |
| Federal operating grants   | \$ -   | \$ -   | \$ -                             | \$ -                      | \$ -                               | \$ -  | \$ -                            | \$ -                                 |
| Income taxes   | -  | -  | -                                | -                         | -                                  | -   | -                               | -                                    |
| Sales taxes  | 168,401                                      | 44,210   | 413,568                          | 2,042,230                 | -                                  | -   | -                               | -                                    |
| Motor fuel taxes   | -  | -  | -                                | -                         | -                                  | -   | -                               | -                                    |
| Public utility taxes   | -  | -  | -                                | -                         | -                                  | -   | -                               | -                                    |
| Other taxes  | -  | -  | -                                | -                         | -                                  | 39,738  | -                               | 11,921                               |
| Licenses and fees  | -  | -  | -                                | -                         | 3,746                              | -   | 14,366                          | -                                    |
| Other charges for services   | -  | -  | -                                | -                         | -                                  | -   | -                               | -                                    |
| Interest and other investment income                                 | -  | -  | -                                | -                         | -                                  | 2,347   | -                               | -                                    |
| Other  | -  | -  | -                                | -                         | -                                  | 6,321   | -                               | -                                    |
| <b>Total revenues</b>  | <b>168,401</b>                               | <b>44,210</b>  | <b>413,568</b>                   | <b>2,042,230</b>          | <b>3,746</b>                       | <b>48,406</b>                                   | <b>14,366</b>                   | <b>11,921</b>                        |
| <b>EXPENDITURES</b>  |  |  |                                  |                           |                                    |   |                                 |                                      |
| General government   | -  | -  | -                                | -                         | -                                  | 22,557  | -                               | -                                    |
| Health and social services   | -  | -  | -                                | -                         | -                                  | 14,057  | -                               | -                                    |
| Education  | -  | -  | -                                | -                         | -                                  | -   | -                               | -                                    |
| Environmental and business regulation                                | -  | -  | -                                | -                         | -                                  | -   | -                               | -                                    |
| Public protection and justice  | -  | -  | -                                | -                         | -                                  | -   | -                               | -                                    |
| Intergovernmental  | 90,208                                       | 44,210   | 373,568                          | 1,870,230                 | -                                  | -   | -                               | -                                    |
| Capital outlay   | -  | -  | -                                | -                         | -                                  | -   | -                               | -                                    |
| <b>Total expenditures</b>  | <b>90,208</b>                                | <b>44,210</b>  | <b>373,568</b>                   | <b>1,870,230</b>          | <b>-</b>                           | <b>36,614</b>                                   | <b>-</b>                        | <b>-</b>                             |
| <b>Excess (deficiency) of revenues<br/>over (under) expenditures</b> | <b>78,193</b>                                | <b>-</b>   | <b>40,000</b>                    | <b>172,000</b>            | <b>3,746</b>                       | <b>11,792</b>                                   | <b>14,366</b>                   | <b>11,921</b>                        |
| <b>OTHER SOURCES (USES) OF<br/>FINANCIAL RESOURCES</b>               |  |  |                                  |                           |                                    |   |                                 |                                      |
| Appropriations from State resources                                  | -  | -  | -                                | -                         | -                                  | -   | -                               | -                                    |
| Lapsed appropriations  | -  | -  | -                                | -                         | -                                  | -   | -                               | -                                    |
| Receipts collected and transmitted to State Treasury                 | -  | -  | -                                | -                         | (3,714)                            | -   | (14,175)                        | (12,046)                             |
| Amount of SAMS transfers-in  | -  | -  | -                                | -                         | -                                  | -   | -                               | -                                    |
| Amount of SAMS transfers-out   | -  | -  | -                                | -                         | -                                  | -   | 761                             | -                                    |
| Transfers-in   | -  | -  | -                                | -                         | -                                  | -   | -                               | -                                    |
| Transfers-out  | (38,374)                                     | -  | -                                | -                         | -                                  | (5,000)   | (769)                           | -                                    |
| <b>Net other sources (uses) of<br/>financial resources</b>           | <b>(38,374)</b>                              | <b>-</b>   | <b>-</b>                         | <b>-</b>                  | <b>(3,714)</b>                     | <b>(5,000)</b>                                  | <b>(14,183)</b>                 | <b>(12,046)</b>                      |
| <b>Net change in fund balances</b>                                   | <b>39,819</b>                                | <b>-</b>   | <b>40,000</b>                    | <b>172,000</b>            | <b>32</b>                          | <b>6,792</b>                                    | <b>183</b>                      | <b>(125)</b>                         |
| Fund balances (deficits), July 1, 2017                               | (40,000)                                     | -  | (40,000)                         | (172,000)                 | 814                                | 392,153   | 2,928                           | 540                                  |
| <b>FUND BALANCES (DEFICITS), JUNE 30, 2018</b>                       | <b>\$ (181)</b>                              | <b>\$ -</b>  | <b>\$ -</b>                      | <b>\$ -</b>               | <b>\$ 846</b>                      | <b>\$ 398,945</b>                               | <b>\$ 3,111</b>                 | <b>\$ 415</b>                        |

(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, 2018 (Expressed in Thousands)

|  | Nonmajor Special Revenue                                    |   |   |   |   |   |                                  |                                  |
|--|---|---|---|---|---|---|----------------------------------|----------------------------------|
|  | Open Space<br>Lands<br>Acquisition &<br>Development<br>0299 | Tax Compliance<br>and<br>Administration<br>0384 | Local<br>Government<br>Distributive<br>0515 | Drycleaner<br>Environmental<br>Response<br>0548 | Supplemental Low<br>Income Energy<br>Assistance<br>0550 | Renewable<br>Energy<br>Resource<br>0564 | School<br>Infrastructure<br>0568 | International<br>Tourism<br>0621 |
| <b>REVENUES</b>  |   |   |   |   |   |   |                                  |                                  |
| Federal operating grants   | \$ -  | \$ -  | \$ -  | \$ -  | \$ -  | \$ -                                    | \$ -                             | \$ -                             |
| Income taxes   | -   | 6,354   | 1,129,547                                   | -   | -   | -                                       | -                                | -                                |
| Sales taxes  | -   | 49,931  | 269,171                                     | -   | -   | -                                       | -                                | -                                |
| Motor fuel taxes   | -   | -   | -   | -   | -   | -                                       | -                                | -                                |
| Public utility taxes   | -   | 1,210   | -   | -   | 98,561  | -                                       | 55,499                           | -                                |
| Other taxes  | 27,816  | 24,282  | -   | 272   | -   | -                                       | 14,648                           | 5,628                            |
| Licenses and fees  | -   | 829   | -   | 1,263   | -   | 5,514                                   | -                                | -                                |
| Other charges for services   | -   | 222   | -   | -   | -   | -                                       | -                                | -                                |
| Interest and other investment income                                 | -   | 279   | -   | -   | -   | -                                       | -                                | -                                |
| Other  | -   | -   | -   | -   | -   | -                                       | -                                | -                                |
| <b>Total revenues</b>  | <b>27,816</b>   | <b>83,107</b>                                   | <b>1,398,718</b>                            | <b>1,535</b>                                    | <b>98,561</b>   | <b>5,514</b>                            | <b>70,147</b>                    | <b>5,628</b>                     |
| <b>EXPENDITURES</b>  |   |   |   |   |   |   |                                  |                                  |
| General government   | -   | 64,530  | -   | -   | -   | -                                       | -                                | -                                |
| Health and social services   | -   | -   | -   | -   | -   | -                                       | -                                | -                                |
| Education  | -   | -   | -   | -   | -   | -                                       | -                                | -                                |
| Environmental and business regulation                                | -   | -   | -   | -   | -   | -                                       | -                                | -                                |
| Public protection and justice  | -   | -   | -   | -   | -   | -                                       | -                                | -                                |
| Intergovernmental  | -   | -   | 1,402,446                                   | -   | -   | -                                       | -                                | -                                |
| Capital outlay   | -   | 829   | -   | -   | -   | -                                       | -                                | -                                |
| <b>Total expenditures</b>  | <b>-</b>  | <b>65,359</b>                                   | <b>1,402,446</b>                            | <b>-</b>  | <b>-</b>  | <b>-</b>                                | <b>-</b>                         | <b>-</b>                         |
| <b>Excess (deficiency) of revenues<br/>over (under) expenditures</b> | <b>27,816</b>   | <b>17,748</b>                                   | <b>(3,728)</b>                              | <b>1,535</b>                                    | <b>98,561</b>   | <b>5,514</b>                            | <b>70,147</b>                    | <b>5,628</b>                     |
| <b>OTHER SOURCES (USES) OF<br/>FINANCIAL RESOURCES</b>               |   |   |   |   |   |   |                                  |                                  |
| Appropriations from State resources                                  | -   | -   | -   | -   | -   | -                                       | -                                | -                                |
| Lapsed appropriations  | -   | -   | -   | -   | -   | -                                       | -                                | -                                |
| Receipts collected and transmitted to State Treasury                 | (28,108)  | -   | -   | (1,543)   | (98,360)  | (5,502)                                 | (71,565)                         | (5,684)                          |
| Amount of SAMS transfers-in  | -   | -   | -   | -   | -   | -                                       | -                                | -                                |
| Amount of SAMS transfers-out   | -   | -   | -   | -   | -   | -                                       | -                                | -                                |
| Transfers-in   | -   | 786   | -   | -   | -   | -                                       | -                                | -                                |
| Transfers-out  | -   | (2,800)   | (5,000)                                     | -   | -   | -                                       | -                                | -                                |
| <b>Net other sources (uses) of<br/>financial resources</b>           | <b>(28,108)</b>   | <b>(2,014)</b>                                  | <b>(5,000)</b>                              | <b>(1,543)</b>                                  | <b>(98,360)</b>   | <b>(5,502)</b>                          | <b>(71,565)</b>                  | <b>(5,684)</b>                   |
| <b>Net change in fund balances</b>                                   | <b>(292)</b>  | <b>15,734</b>                                   | <b>(8,728)</b>                              | <b>(8)</b>                                      | <b>201</b>  | <b>12</b>                               | <b>(1,418)</b>                   | <b>(56)</b>                      |
| Fund balances (deficits), July 1, 2017                               | 1,261   | 19,592  | (5,100)                                     | 73  | 8,023   | 471                                     | 515                              | 1,107                            |
| <b>FUND BALANCES (DEFICITS), JUNE 30, 2018</b>                       | <b>\$ 969</b>   | <b>\$ 35,326</b>                                | <b>\$ (13,828)</b>                          | <b>\$ 65</b>                                    | <b>\$ 8,224</b>   | <b>\$ 483</b>                           | <b>\$ (903)</b>                  | <b>\$ 1,051</b>                  |

(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, 2018 (Expressed in Thousands)

|  | Nonmajor Special Revenue                  |  |                  |                                    |                             |   |  |                     |
|--|---|--|------------------|------------------------------------|-----------------------------|---|--|---------------------|
|  | Rental Purchase Agreement Tax Refund 0671 | Personal Property Tax Replacement 0802 | Dram Shop 0821   | Local Government Video Gaming 0842 | Foreclosure Prevention 0891 | Abandoned Residential Property Municipality Relief 0892 | Senior Citizen Real Estate Deferred Tax 0930 | Build Illinois 0960 |
| <b>REVENUES</b>  |   |  |                  |                                    |                             |   |  |                     |
| Federal operating grants   | \$ -                                      | \$ -                                   | \$ -             | \$ -                               | \$ -                        | \$ -  | \$ -   | \$ -                |
| Income taxes   | -   | 1,351,236                              | -                | -                                  | -                           | -   | -  | -                   |
| Sales taxes  | 1   | -                                      | -                | -                                  | -                           | -   | -  | 484,203             |
| Motor fuel taxes   | -   | -                                      | -                | -                                  | -                           | -   | -  | -                   |
| Public utility taxes   | -   | 218,048                                | -                | -                                  | -                           | -   | -  | -                   |
| Other taxes  | -   | -                                      | -                | 70,325                             | -                           | -   | -  | 144,356             |
| Licenses and fees  | -   | -                                      | 10,486           | -                                  | -                           | 3,943   | -  | -                   |
| Other charges for services                                       | -   | -                                      | 478              | -                                  | 4,271                       | -   | -  | -                   |
| Interest and other investment income                             | -   | 628                                    | -                | -                                  | -                           | -   | 2,022  | -                   |
| Other  | -   | -                                      | (2)              | -                                  | -                           | -   | -  | -                   |
| <b>Total revenues</b>  | <b>1</b>                                  | <b>1,569,912</b>                       | <b>10,962</b>    | <b>70,325</b>                      | <b>4,271</b>                | <b>3,943</b>  | <b>2,022</b>                                 | <b>628,559</b>      |
| <b>EXPENDITURES</b>  |   |  |                  |                                    |                             |   |  |                     |
| General government   | -   | 114,215                                | -                | -                                  | 3,984                       | 8,704   | -  | -                   |
| Health and social services                                       | -   | -                                      | 456              | -                                  | -                           | -   | -  | -                   |
| Education  | -   | 1,619                                  | -                | -                                  | -                           | -   | -  | -                   |
| Environmental and business regulation                            | -   | -                                      | 6,142            | -                                  | -                           | -   | -  | -                   |
| Public protection and justice                                    | -   | 736                                    | -                | -                                  | -                           | -   | -  | -                   |
| Intergovernmental  | -   | 1,395,437                              | -                | 70,325                             | -                           | -   | -  | -                   |
| Capital outlay   | -   | 1,240                                  | -                | -                                  | -                           | -   | -  | -                   |
| <b>Total expenditures</b>  | <b>-</b>                                  | <b>1,513,247</b>                       | <b>6,598</b>     | <b>70,325</b>                      | <b>3,984</b>                | <b>8,704</b>  | <b>-</b>                                     | <b>-</b>            |
| <b>Excess (deficiency) of revenues over (under) expenditures</b> | <b>1</b>                                  | <b>56,665</b>                          | <b>4,364</b>     | <b>-</b>                           | <b>287</b>                  | <b>(4,761)</b>  | <b>2,022</b>                                 | <b>628,559</b>      |
| <b>OTHER SOURCES (USES) OF FINANCIAL RESOURCES</b>               |   |  |                  |                                    |                             |   |  |                     |
| Appropriations from State resources                              | -   | -                                      | -                | -                                  | -                           | -   | -  | -                   |
| Lapsed appropriations  | -   | -                                      | -                | -                                  | -                           | -   | -  | -                   |
| Receipts collected and transmitted to State Treasury             | -   | -                                      | -                | -                                  | -                           | -   | -  | (630,245)           |
| Amount of SAMS transfers-in                                      | -   | -                                      | -                | -                                  | -                           | -   | -  | (37,800)            |
| Amount of SAMS transfers-out                                     | -   | -                                      | -                | -                                  | -                           | -   | -  | -                   |
| Transfers-in   | -   | 10,150                                 | -                | -                                  | -                           | -   | -  | 37,800              |
| Transfers-out  | (1)                                       | (30,573)                               | (365)            | -                                  | (2,500)                     | (6,600)   | -  | -                   |
| <b>Net other sources (uses) of financial resources</b>           | <b>(1)</b>                                | <b>(20,423)</b>                        | <b>(365)</b>     | <b>-</b>                           | <b>(2,500)</b>              | <b>(6,600)</b>  | <b>-</b>                                     | <b>(630,245)</b>    |
| <b>Net change in fund balances</b>                               | <b>-</b>                                  | <b>36,242</b>                          | <b>3,999</b>     | <b>-</b>                           | <b>(2,213)</b>              | <b>(11,361)</b>   | <b>2,022</b>                                 | <b>(1,686)</b>      |
| Fund balances (deficits), July 1, 2017                           | -   | (233,227)                              | 7,285            | -                                  | 4,642                       | 15,359  | 50,920                                       | 54,774              |
| <b>FUND BALANCES (DEFICITS), JUNE 30, 2018</b>                   | <b>\$ -</b>                               | <b>\$ (196,985)</b>                    | <b>\$ 11,284</b> | <b>\$ -</b>                        | <b>\$ 2,429</b>             | <b>\$ 3,998</b>   | <b>\$ 52,942</b>                             | <b>\$ 53,088</b>    |

(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, 2018 (Expressed in Thousands)

|  | <b>Nonmajor Special Revenue</b>   |                                   |                     |                    |
|--|-----------------------------------|-----------------------------------|---------------------|--------------------|
|  | <b>Local<br/>Tourism<br/>0969</b> | <b>Evidence<br/>Fund<br/>1369</b> | <b>Eliminations</b> | <b>Total</b>       |
| <b>REVENUES</b>  |                                   |                                   |                     |                    |
| Federal operating grants   | \$ -                              | \$ -                              | \$ -                | \$ 65              |
| Income taxes   | -                                 | -                                 | -                   | 2,487,137          |
| Sales taxes  | -                                 | -                                 | -                   | 3,475,877          |
| Motor fuel taxes   | -                                 | -                                 | -                   | 1,322,392          |
| Public utility taxes   | -                                 | -                                 | -                   | 380,013            |
| Other taxes  | 18,266                            | -                                 | -                   | 372,288            |
| Licenses and fees  | -                                 | -                                 | -                   | 41,485             |
| Other charges for services   | -                                 | -                                 | -                   | 4,971              |
| Interest and other investment income                                 | -                                 | -                                 | -                   | 5,276              |
| Other  | -                                 | -                                 | -                   | 6,319              |
| <b>Total revenues</b>  | <b>18,266</b>                     | <b>-</b>                          | <b>-</b>            | <b>8,095,823</b>   |
| <b>EXPENDITURES</b>  |                                   |                                   |                     |                    |
| General government   | -                                 | 1                                 | -                   | 278,834            |
| Health and social services   | -                                 | -                                 | -                   | 14,513             |
| Education  | -                                 | -                                 | -                   | 1,619              |
| Environmental and business regulation                                | -                                 | -                                 | -                   | 6,142              |
| Public protection and justice  | -                                 | -                                 | -                   | 736                |
| Intergovernmental  | -                                 | -                                 | -                   | 5,247,014          |
| Capital outlay   | -                                 | -                                 | -                   | 3,478              |
| <b>Total expenditures</b>  | <b>-</b>                          | <b>1</b>                          | <b>-</b>            | <b>5,552,336</b>   |
| <b>Excess (deficiency) of revenues<br/>over (under) expenditures</b> | <b>18,266</b>                     | <b>(1)</b>                        | <b>-</b>            | <b>2,543,487</b>   |
| <b>OTHER SOURCES (USES) OF<br/>FINANCIAL RESOURCES</b>               |                                   |                                   |                     |                    |
| Appropriations from State resources                                  | -                                 | -                                 | -                   | 99,387             |
| Lapsed appropriations  | -                                 | -                                 | -                   | (8,830)            |
| Receipts collected and transmitted to State Treasury                 | (18,414)                          | -                                 | -                   | (2,270,767)        |
| Amount of SAMS transfers-in  | -                                 | -                                 | -                   | (37,806)           |
| Amount of SAMS transfers-out   | -                                 | -                                 | -                   | 761                |
| Transfers-in   | -                                 | -                                 | (38,374)            | 10,369             |
| Transfers-out  | -                                 | -                                 | 38,374              | (54,324)           |
| <b>Net other sources (uses) of<br/>financial resources</b>           | <b>(18,414)</b>                   | <b>-</b>                          | <b>-</b>            | <b>(2,261,210)</b> |
| <b>Net change in fund balances</b>                                   | <b>(148)</b>                      | <b>(1)</b>                        | <b>-</b>            | <b>282,277</b>     |
| Fund balances (deficits), July 1, 2017                               | 3,553                             | 10                                | -                   | 206,445            |
| <b>FUND BALANCES (DEFICITS), JUNE 30, 2018</b>                       | <b>\$ 3,405</b>                   | <b>\$ 9</b>                       | <b>\$ -</b>         | <b>\$ 488,722</b>  |

(Concluded)

**State of Illinois**  
**Department of Revenue**

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

June 30, 2018 (Expressed in Thousands)

|   | <b>Agency</b>                                   |   |  |  |   |  |   |
|---|---|---|--|--|---|--|---|
|   | <b>County Water<br/>Commission Tax<br/>0084</b> | <b>Non-Home<br/>Rule Municipal<br/>ROT<br/>0088</b> | <b>Home Rule<br/>Municipal<br/>Soft Drink<br/>ROT<br/>0097</b> | <b>Municipal<br/>Wireless<br/>Service<br/>Emergency<br/>0125</b> | <b>Home Rule<br/>Municipal ROT<br/>0138</b> | <b>Home Rule<br/>County ROT<br/>0139</b> | <b>Business<br/>District ROT<br/>0160</b> |
| <b>ASSETS</b>   |   |   |  |  |   |  |   |
| Cash equity in State Treasury                             | \$ 178  | \$ 28,355   | \$ 1,475   | \$ 1,399   | \$ 164,664                                  | \$ 115,719                               | \$ 4,449                                  |
| Cash and cash equivalents                                 | -   | -   | -  | -  | -   | -  | -   |
| Securities lending collateral equity with State Treasurer | 72  | 8,993   | -  | -  | 47,174                                      | 50,850                                   | -   |
| Taxes receivable, net                                     | 23  | 6,399   | 1,347  | -  | 40,649                                      | 33,951                                   | 1,727                                     |
| Other receivables, net                                    | -   | 36  | -  | 427  | 189   | 203                                      | -   |
| Due from other Department funds                           | -   | -   | -  | -  | -   | -  | -   |
| <b>Total assets</b>                                       | <b>\$ 273</b>                                   | <b>\$ 43,783</b>                                    | <b>\$ 2,822</b>  | <b>\$ 1,826</b>  | <b>\$ 252,676</b>                           | <b>\$ 200,723</b>                        | <b>\$ 6,176</b>                           |
| <b>LIABILITIES</b>  |   |   |  |  |   |  |   |
| Intergovernmental payables                                | \$ 201  | \$ 34,790   | \$ 2,822   | \$ 1,826   | \$ 205,502                                  | \$ 149,873                               | \$ 6,176                                  |
| Obligations under securities lending of State Treasurer   | 72  | 8,993   | -  | -  | 47,174                                      | 50,850                                   | -   |
| Other liabilities   | -   | -   | -  | -  | -   | -  | -   |
| <b>Total liabilities</b>                                  | <b>\$ 273</b>                                   | <b>\$ 43,783</b>                                    | <b>\$ 2,822</b>  | <b>\$ 1,826</b>  | <b>\$ 252,676</b>                           | <b>\$ 200,723</b>                        | <b>\$ 6,176</b>                           |

(Continued)

**State of Illinois**  
**Department of Revenue**

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

June 30, 2018 (Expressed in Thousands)

|   | Agency                                  |                                     |                                      |  |   |                                 |  |
|---|---|-------------------------------------|--------------------------------------|--|---|---------------------------------|--|
|   | County Option<br>Motor Fuel Tax<br>0190 | County Public<br>Safety ROT<br>0219 | Sports Facility<br>Tax Trust<br>0229 | Private Vehicle<br>Use Home Rule<br>0263 | Metropolitan Pier<br>& Expo. Auth.<br>Trust<br>0337 | Illinois<br>Tourism Tax<br>0452 | School Facility<br>Occupation<br>Tax<br>0498 |
| <b>ASSETS</b>   |   |                                     |                                      |  |   |                                 |  |
| Cash equity in State Treasury                             | \$ 5,961                                | \$ 20,132                           | \$ -                                 | \$ 5,335                                 | \$ 77,322   | \$ 5,081                        | \$ 26,823                                    |
| Cash and cash equivalents                                 | -                                       | -                                   | -                                    | -  | -   | -                               | -  |
| Securities lending collateral equity with State Treasurer | 1,707                                   | -                                   | -                                    | -  | 27,315  | -                               | -  |
| Taxes receivable, net                                     | 2,928                                   | 503                                 | -                                    | 65                                       | 16,662  | 3,204                           | 6,511  |
| Other receivables, net                                    | 7                                       | -                                   | -                                    | -  | 109   | -                               | -  |
| Due from other Department funds                           | -                                       | -                                   | -                                    | -  | -   | -                               | -  |
| <b>Total assets</b>                                       | <b>\$ 10,603</b>                        | <b>\$ 20,635</b>                    | <b>\$ -</b>                          | <b>\$ 5,400</b>                          | <b>\$ 121,408</b>                                   | <b>\$ 8,285</b>                 | <b>\$ 33,334</b>                             |
| <b>LIABILITIES</b>  |   |                                     |                                      |  |   |                                 |  |
| Intergovernmental payables                                | \$ 8,896                                | \$ 20,635                           | \$ -                                 | \$ 5,400                                 | \$ 94,093   | \$ 8,285                        | \$ 33,334                                    |
| Obligations under securities lending of State Treasurer   | 1,707                                   | -                                   | -                                    | -  | 27,315  | -                               | -  |
| Other liabilities   | -                                       | -                                   | -                                    | -  | -   | -                               | -  |
| <b>Total liabilities</b>                                  | <b>\$ 10,603</b>                        | <b>\$ 20,635</b>                    | <b>\$ -</b>                          | <b>\$ 5,400</b>                          | <b>\$ 121,408</b>                                   | <b>\$ 8,285</b>                 | <b>\$ 33,334</b>                             |

(Continued)

State of Illinois  
Department of Revenue

Combining Statement of Fiduciary Net Position -  
Agency Funds

June 30, 2018 (Expressed in Thousands)

|   | Agency   |                               |  |                              |                                |  |   |
|---|--|-------------------------------|--|------------------------------|--------------------------------|--|---|
|   | Flood<br>Prevention<br>Occupation<br>Tax<br>0558 | Tax Suspense<br>Trust<br>0583 | Metro East<br>Park &<br>Recreation<br>0717 | Municipal<br>Telecom<br>0719 | RTA Sales Tax<br>Trust<br>0812 | Metro East<br>Mass Transit<br>District Tax<br>0841 | Tennessee<br>Valley<br>Authority<br>Local Trust<br>0861 |
| <b>ASSETS</b>   |  |                               |  |                              |                                |  |   |
| Cash equity in State Treasury                             | \$ 2,555   | \$ 2                          | \$ 1,039                                   | \$ 44,047                    | \$ 153,060                     | \$ 6,719   | \$ -  |
| Cash and cash equivalents                                 | -  | -                             | -  | -                            | -                              | -  | -   |
| Securities lending collateral equity with State Treasurer | -  | -                             | -  | -                            | 63,727                         | 2,141  | -   |
| Taxes receivable, net                                     | 549  | -                             | 162  | 2,053                        | 50,814                         | 1,372  | -   |
| Other receivables, net                                    | -  | -                             | 1  | -                            | 255                            | 9  | -   |
| Due from other Department funds                           | -  | -                             | -  | -                            | 36,471                         | -  | -   |
| <b>Total assets</b>                                       | <b>\$ 3,104</b>                                  | <b>\$ 2</b>                   | <b>\$ 1,202</b>                            | <b>\$ 46,100</b>             | <b>\$ 304,327</b>              | <b>\$ 10,241</b>                                   | <b>\$ -</b>   |
| <b>LIABILITIES</b>  |  |                               |  |                              |                                |  |   |
| Intergovernmental payables                                | \$ 3,104   | \$ -                          | \$ 1,202                                   | \$ 46,100                    | \$ 240,600                     | \$ 8,100   | \$ -  |
| Obligations under securities lending of State Treasurer   | -  | -                             | -  | -                            | 63,727                         | 2,141  | -   |
| Other liabilities   | -  | 2                             | -  | -                            | -                              | -  | -   |
| <b>Total liabilities</b>                                  | <b>\$ 3,104</b>                                  | <b>\$ 2</b>                   | <b>\$ 1,202</b>                            | <b>\$ 46,100</b>             | <b>\$ 304,327</b>              | <b>\$ 10,241</b>                                   | <b>\$ -</b>   |

(Continued)



**State of Illinois**  
**Department of Revenue**

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

June 30, 2018 (Expressed in Thousands)

|   | <u>Agency</u>  |   |                                 |                     |
|---|--|---|---------------------------------|---------------------|
|   | <b>Municipal<br/>Automobile<br/>Renting Tax<br/>0868</b> | <b>County<br/>Automobile<br/>Renting Tax<br/>0869</b> | <b>Surety<br/>Bond<br/>1151</b> | <b>Total</b>        |
| <b>ASSETS</b>   |  |   |                                 |                     |
| Cash equity in State Treasury                             | \$ 1,270   | \$ 38   | \$ -                            | \$ 665,623          |
| Cash and cash equivalents                                 | -  | -   | 272                             | 272                 |
| Securities lending collateral equity with State Treasurer | 438  | 11  | -                               | 202,428             |
| Taxes receivable, net                                     | 489  | 27  | -                               | 169,435             |
| Other receivables, net                                    | 2  | -   | -                               | 1,238               |
| Due from other Department funds                           | -  | -   | -                               | 36,471              |
| <b>Total assets</b>                                       | <b>\$ 2,199</b>  | <b>\$ 76</b>  | <b>\$ 272</b>                   | <b>\$ 1,075,467</b> |
| <b>LIABILITIES</b>  |  |   |                                 |                     |
| Intergovernmental payables                                | \$ 1,761   | \$ 65   | \$ -                            | \$ 872,765          |
| Obligations under securities lending of State Treasurer   | 438  | 11  | -                               | 202,428             |
| Other liabilities   | -  | -   | 272                             | 274                 |
| <b>Total liabilities</b>                                  | <b>\$ 2,199</b>  | <b>\$ 76</b>  | <b>\$ 272</b>                   | <b>\$ 1,075,467</b> |

(Concluded)

**State of Illinois**  
**Department of Revenue**

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

For the Year Ended June 30, 2018 (Expressed in Thousands)

|  | Balance at<br>July 1, 2017 | Additions         | Deletions         | Balance at<br>June 30, 2018 |
|--|----------------------------|-------------------|-------------------|-----------------------------|
| <b>County Water Commission Tax (0084)</b>                    |                            |                   |                   |                             |
| <b>ASSETS</b>  |                            |                   |                   |                             |
| Cash equity in State Treasury                                | \$ 380                     | \$ 29             | \$ 231            | \$ 178                      |
| Securities lending collateral equity<br>with State Treasurer | 103                        | 2,370             | 2,401             | 72                          |
| Taxes receivable, net  | 42                         | 6                 | 25                | 23                          |
| Other receivables, net                                       | -                          | 4                 | 4                 | -                           |
| <b>Total assets</b>  | <b>\$ 525</b>              | <b>\$ 2,409</b>   | <b>\$ 2,661</b>   | <b>\$ 273</b>               |
| <b>LIABILITIES</b>   |                            |                   |                   |                             |
| Intergovernmental payables                                   | \$ 422                     | \$ 10             | \$ 231            | \$ 201                      |
| Obligations under securities lending<br>of State Treasurer   | 103                        | 2,370             | 2,401             | 72                          |
| <b>Total liabilities</b>                                     | <b>\$ 525</b>              | <b>\$ 2,380</b>   | <b>\$ 2,632</b>   | <b>\$ 273</b>               |
| <b>Non-Home Rule Municipal ROT (0088)</b>                    |                            |                   |                   |                             |
| <b>ASSETS</b>  |                            |                   |                   |                             |
| Cash equity in State Treasury                                | \$ 23,917                  | \$ 140,347        | \$ 135,909        | \$ 28,355                   |
| Securities lending collateral equity<br>with State Treasurer | 5,604                      | 156,199           | 152,810           | 8,993                       |
| Taxes receivable, net  | 9,704                      | 136,778           | 140,083           | 6,399                       |
| Other receivables, net                                       | 17                         | 283               | 264               | 36                          |
| <b>Total assets</b>  | <b>\$ 39,242</b>           | <b>\$ 433,607</b> | <b>\$ 429,066</b> | <b>\$ 43,783</b>            |
| <b>LIABILITIES</b>   |                            |                   |                   |                             |
| Intergovernmental payables                                   | \$ 33,638                  | \$ 137,061        | \$ 135,909        | \$ 34,790                   |
| Obligations under securities lending<br>of State Treasurer   | 5,604                      | 156,199           | 152,810           | 8,993                       |
| <b>Total liabilities</b>                                     | <b>\$ 39,242</b>           | <b>\$ 293,260</b> | <b>\$ 288,719</b> | <b>\$ 43,783</b>            |
| <b>Home Rule Municipal Soft Drink ROT (0097)</b>             |                            |                   |                   |                             |
| <b>ASSETS</b>  |                            |                   |                   |                             |
| Cash equity in State Treasury                                | \$ 2,523                   | \$ 8,405          | \$ 9,453          | \$ 1,475                    |
| Taxes receivable, net  | 208                        | 9,544             | 8,405             | 1,347                       |
| <b>Total assets</b>  | <b>\$ 2,731</b>            | <b>\$ 17,949</b>  | <b>\$ 17,858</b>  | <b>\$ 2,822</b>             |
| <b>LIABILITIES</b>   |                            |                   |                   |                             |
| Intergovernmental payables                                   | \$ 2,731                   | \$ 9,544          | \$ 9,453          | \$ 2,822                    |
| <b>Total liabilities</b>                                     | <b>\$ 2,731</b>            | <b>\$ 9,544</b>   | <b>\$ 9,453</b>   | <b>\$ 2,822</b>             |
| <b>Municipal Wireless Service Emergency (0125)</b>           |                            |                   |                   |                             |
| <b>ASSETS</b>  |                            |                   |                   |                             |
| Cash equity in State Treasury                                | \$ 1,943                   | \$ 6,831          | \$ 7,375          | \$ 1,399                    |
| Other receivables, net                                       | 44                         | 7,214             | 6,831             | 427                         |
| <b>Total assets</b>  | <b>\$ 1,987</b>            | <b>\$ 14,045</b>  | <b>\$ 14,206</b>  | <b>\$ 1,826</b>             |
| <b>LIABILITIES</b>   |                            |                   |                   |                             |
| Intergovernmental payables                                   | \$ 1,987                   | \$ 7,214          | \$ 7,375          | \$ 1,826                    |
| <b>Total liabilities</b>                                     | <b>\$ 1,987</b>            | <b>\$ 7,214</b>   | <b>\$ 7,375</b>   | <b>\$ 1,826</b>             |

(Continued)

**State of Illinois**  
**Department of Revenue**

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

For the Year Ended June 30, 2018 (Expressed in Thousands)

|  | Balance at<br>July 1, 2017 | Additions           | Deletions           | Balance at<br>June 30, 2018 |
|--|----------------------------|---------------------|---------------------|-----------------------------|
| <b>Home Rule Municipal ROT (0138)</b>                        |                            |                     |                     |                             |
| <b>ASSETS</b>  |                            |                     |                     |                             |
| Cash equity in State Treasury                                | \$ 123,726                 | \$ 1,069,750        | \$ 1,028,812        | \$ 164,664                  |
| Securities lending collateral equity<br>with State Treasurer | 23,016                     | 762,630             | 738,472             | 47,174                      |
| Taxes receivable, net  | 70,616                     | 1,038,536           | 1,068,503           | 40,649                      |
| Other receivables, net                                       | 70                         | 1,366               | 1,247               | 189                         |
| <b>Total assets</b>  | <b>\$ 217,428</b>          | <b>\$ 2,872,282</b> | <b>\$ 2,837,034</b> | <b>\$ 252,676</b>           |
| <b>LIABILITIES</b>   |                            |                     |                     |                             |
| Intergovernmental payables                                   | \$ 194,412                 | \$ 1,039,902        | \$ 1,028,812        | \$ 205,502                  |
| Obligations under securities lending<br>of State Treasurer   | 23,016                     | 762,630             | 738,472             | 47,174                      |
| <b>Total liabilities</b>                                     | <b>\$ 217,428</b>          | <b>\$ 1,802,532</b> | <b>\$ 1,767,284</b> | <b>\$ 252,676</b>           |
| <b>Home Rule County ROT (0139)</b>                           |                            |                     |                     |                             |
| <b>ASSETS</b>  |                            |                     |                     |                             |
| Cash equity in State Treasury                                | \$ 113,293                 | \$ 830,689          | \$ 828,263          | \$ 115,719                  |
| Securities lending collateral equity<br>with State Treasurer | 22,462                     | 769,332             | 740,944             | 50,850                      |
| Taxes receivable, net  | 40,549                     | 822,858             | 829,456             | 33,951                      |
| Other receivables, net                                       | 69                         | 1,367               | 1,233               | 203                         |
| <b>Total assets</b>  | <b>\$ 176,373</b>          | <b>\$ 2,424,246</b> | <b>\$ 2,399,896</b> | <b>\$ 200,723</b>           |
| <b>LIABILITIES</b>   |                            |                     |                     |                             |
| Intergovernmental payables                                   | \$ 153,911                 | \$ 824,225          | \$ 828,263          | \$ 149,873                  |
| Obligations under securities lending<br>of State Treasurer   | 22,462                     | 769,332             | 740,944             | 50,850                      |
| <b>Total liabilities</b>                                     | <b>\$ 176,373</b>          | <b>\$ 1,593,557</b> | <b>\$ 1,569,207</b> | <b>\$ 200,723</b>           |
| <b>Business District ROT (0160)</b>                          |                            |                     |                     |                             |
| <b>ASSETS</b>  |                            |                     |                     |                             |
| Cash equity in State Treasury                                | \$ 3,485                   | \$ 24,570           | \$ 23,606           | \$ 4,449                    |
| Taxes receivable, net  | 2,167                      | 24,130              | 24,570              | 1,727                       |
| <b>Total assets</b>  | <b>\$ 5,652</b>            | <b>\$ 48,700</b>    | <b>\$ 48,176</b>    | <b>\$ 6,176</b>             |
| <b>LIABILITIES</b>   |                            |                     |                     |                             |
| Intergovernmental payables                                   | \$ 5,652                   | \$ 24,130           | \$ 23,606           | \$ 6,176                    |
| <b>Total liabilities</b>                                     | <b>\$ 5,652</b>            | <b>\$ 24,130</b>    | <b>\$ 23,606</b>    | <b>\$ 6,176</b>             |
| <b>County Option Motor Fuel Tax (0190)</b>                   |                            |                     |                     |                             |
| <b>ASSETS</b>  |                            |                     |                     |                             |
| Cash equity in State Treasury                                | \$ 6,069                   | \$ 34,388           | \$ 34,496           | \$ 5,961                    |
| Securities lending collateral equity<br>with State Treasurer | 1,381                      | 34,418              | 34,092              | 1,707                       |
| Taxes receivable, net  | 2,444                      | 34,812              | 34,328              | 2,928                       |
| Other receivables, net                                       | 4                          | 63                  | 60                  | 7                           |
| <b>Total assets</b>  | <b>\$ 9,898</b>            | <b>\$ 103,681</b>   | <b>\$ 102,976</b>   | <b>\$ 10,603</b>            |
| <b>LIABILITIES</b>   |                            |                     |                     |                             |
| Intergovernmental payables                                   | \$ 8,517                   | \$ 34,875           | \$ 34,496           | \$ 8,896                    |
| Obligations under securities lending<br>of State Treasurer   | 1,381                      | 34,418              | 34,092              | 1,707                       |
| <b>Total liabilities</b>                                     | <b>\$ 9,898</b>            | <b>\$ 69,293</b>    | <b>\$ 68,588</b>    | <b>\$ 10,603</b>            |

(Continued)

**State of Illinois**  
**Department of Revenue**

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

For the Year Ended June 30, 2018 (Expressed in Thousands)

|  | Balance at<br>July 1, 2017 | Additions         | Deletions         | Balance at<br>June 30, 2018 |
|--|----------------------------|-------------------|-------------------|-----------------------------|
| <b>County Public Safety ROT (0219)</b>                       |                            |                   |                   |                             |
| <b>ASSETS</b>  |                            |                   |                   |                             |
| Cash equity in State Treasury                                | \$ 16,491                  | \$ 100,574        | \$ 96,933         | \$ 20,132                   |
| Taxes receivable, net  | 3,425                      | 97,652            | 100,574           | 503                         |
| <b>Total assets</b>  | <b>\$ 19,916</b>           | <b>\$ 198,226</b> | <b>\$ 197,507</b> | <b>\$ 20,635</b>            |
| <b>LIABILITIES</b>   |                            |                   |                   |                             |
| Intergovernmental payables                                   | \$ 19,916                  | \$ 97,652         | \$ 96,933         | \$ 20,635                   |
| <b>Total liabilities</b>                                     | <b>\$ 19,916</b>           | <b>\$ 97,652</b>  | <b>\$ 96,933</b>  | <b>\$ 20,635</b>            |
| <b>Sports Facility Tax Trust (0229)</b>                      |                            |                   |                   |                             |
| <b>ASSETS</b>  |                            |                   |                   |                             |
| Cash equity in State Treasury                                | \$ -                       | \$ 3,274          | \$ 3,274          | \$ -                        |
| Taxes receivable, net  | -                          | 3,274             | 3,274             | -                           |
| <b>Total assets</b>  | <b>\$ -</b>                | <b>\$ 6,548</b>   | <b>\$ 6,548</b>   | <b>\$ -</b>                 |
| <b>LIABILITIES</b>   |                            |                   |                   |                             |
| Intergovernmental payables                                   | \$ -                       | \$ 3,274          | \$ 3,274          | \$ -                        |
| <b>Total liabilities</b>                                     | <b>\$ -</b>                | <b>\$ 3,274</b>   | <b>\$ 3,274</b>   | <b>\$ -</b>                 |
| <b>Private Vehicle Use Home Rule (0263)</b>                  |                            |                   |                   |                             |
| <b>ASSETS</b>  |                            |                   |                   |                             |
| Cash equity in State Treasury                                | \$ 4,070                   | \$ 18,444         | \$ 17,179         | \$ 5,335                    |
| Taxes receivable, net  | 775                        | 17,734            | 18,444            | 65                          |
| <b>Total assets</b>  | <b>\$ 4,845</b>            | <b>\$ 36,178</b>  | <b>\$ 35,623</b>  | <b>\$ 5,400</b>             |
| <b>LIABILITIES</b>   |                            |                   |                   |                             |
| Intergovernmental payables                                   | \$ 4,845                   | \$ 17,734         | \$ 17,179         | \$ 5,400                    |
| <b>Total liabilities</b>                                     | <b>\$ 4,845</b>            | <b>\$ 17,734</b>  | <b>\$ 17,179</b>  | <b>\$ 5,400</b>             |
| <b>Metro Pier &amp; Exposition Authority Trust (0337)</b>    |                            |                   |                   |                             |
| <b>ASSETS</b>  |                            |                   |                   |                             |
| Cash equity in State Treasury                                | \$ 38,837                  | \$ 153,958        | \$ 115,473        | \$ 77,322                   |
| Securities lending collateral equity<br>with State Treasurer | 8,193                      | 241,331           | 222,209           | 27,315                      |
| Taxes receivable, net  | 16,245                     | 154,044           | 153,627           | 16,662                      |
| Other receivables, net                                       | 25                         | 415               | 331               | 109                         |
| <b>Total assets</b>  | <b>\$ 63,300</b>           | <b>\$ 549,748</b> | <b>\$ 491,640</b> | <b>\$ 121,408</b>           |
| <b>LIABILITIES</b>   |                            |                   |                   |                             |
| Accounts payable and accrued liabilities                     | \$ 67                      | \$ -              | \$ 67             | \$ -                        |
| Intergovernmental payables                                   | 55,040                     | 154,459           | 115,406           | 94,093                      |
| Obligations under securities lending<br>of State Treasurer   | 8,193                      | 241,331           | 222,209           | 27,315                      |
| <b>Total liabilities</b>                                     | <b>\$ 63,300</b>           | <b>\$ 395,790</b> | <b>\$ 337,682</b> | <b>\$ 121,408</b>           |

(Continued)

**State of Illinois**  
**Department of Revenue**

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

For the Year Ended June 30, 2018 (Expressed in Thousands)

|   | Balance at<br>July 1, 2017 | Additions         | Deletions         | Balance at<br>June 30, 2018 |
|---|----------------------------|-------------------|-------------------|-----------------------------|
| <b>Illinois Tourism Tax (0452)</b>            |                            |                   |                   |                             |
| <b>ASSETS</b>                                 |                            |                   |                   |                             |
| Cash equity in State Treasury                 | \$ 6,316                   | \$ 23,766         | \$ 25,001         | \$ 5,081                    |
| Taxes receivable, net                         | 695                        | 26,275            | 23,766            | 3,204                       |
| <b>Total assets</b>                           | <b>\$ 7,011</b>            | <b>\$ 50,041</b>  | <b>\$ 48,767</b>  | <b>\$ 8,285</b>             |
| <b>LIABILITIES</b>                            |                            |                   |                   |                             |
| Intergovernmental payables                    | \$ 7,011                   | \$ 26,275         | \$ 25,001         | \$ 8,285                    |
| <b>Total liabilities</b>                      | <b>\$ 7,011</b>            | <b>\$ 26,275</b>  | <b>\$ 25,001</b>  | <b>\$ 8,285</b>             |
| <b>School Facility Occupation Tax (0498)</b>  |                            |                   |                   |                             |
| <b>ASSETS</b>                                 |                            |                   |                   |                             |
| Cash equity in State Treasury                 | \$ 19,163                  | \$ 128,204        | \$ 120,544        | \$ 26,823                   |
| Taxes receivable, net                         | 3,782                      | 130,933           | 128,204           | 6,511                       |
| <b>Total assets</b>                           | <b>\$ 22,945</b>           | <b>\$ 259,137</b> | <b>\$ 248,748</b> | <b>\$ 33,334</b>            |
| <b>LIABILITIES</b>                            |                            |                   |                   |                             |
| Intergovernmental payables                    | \$ 22,945                  | \$ 130,933        | \$ 120,544        | \$ 33,334                   |
| <b>Total liabilities</b>                      | <b>\$ 22,945</b>           | <b>\$ 130,933</b> | <b>\$ 120,544</b> | <b>\$ 33,334</b>            |
| <b>Flood Prevention Occupation Tax (0558)</b> |                            |                   |                   |                             |
| <b>ASSETS</b>                                 |                            |                   |                   |                             |
| Cash equity in State Treasury                 | \$ 2,888                   | \$ 11,804         | \$ 12,137         | \$ 2,555                    |
| Taxes receivable, net                         | 212                        | 12,141            | 11,804            | 549                         |
| <b>Total assets</b>                           | <b>\$ 3,100</b>            | <b>\$ 23,945</b>  | <b>\$ 23,941</b>  | <b>\$ 3,104</b>             |
| <b>LIABILITIES</b>                            |                            |                   |                   |                             |
| Intergovernmental payables                    | \$ 3,100                   | \$ 12,141         | \$ 12,137         | \$ 3,104                    |
| <b>Total liabilities</b>                      | <b>\$ 3,100</b>            | <b>\$ 12,141</b>  | <b>\$ 12,137</b>  | <b>\$ 3,104</b>             |
| <b>Tax Suspense Trust (0583)</b>              |                            |                   |                   |                             |
| <b>ASSETS</b>                                 |                            |                   |                   |                             |
| Cash equity in State Treasury                 | \$ 20                      | \$ 58             | \$ 76             | \$ 2                        |
| <b>Total assets</b>                           | <b>\$ 20</b>               | <b>\$ 58</b>      | <b>\$ 76</b>      | <b>\$ 2</b>                 |
| <b>LIABILITIES</b>                            |                            |                   |                   |                             |
| Other liabilities                             | \$ 20                      | \$ 58             | \$ 76             | \$ 2                        |
| <b>Total liabilities</b>                      | <b>\$ 20</b>               | <b>\$ 58</b>      | <b>\$ 76</b>      | <b>\$ 2</b>                 |
| <b>Metro East Park and Recreation (0717)</b>  |                            |                   |                   |                             |
| <b>ASSETS</b>                                 |                            |                   |                   |                             |
| Cash equity in State Treasury                 | \$ 1,280                   | \$ 4,396          | \$ 4,637          | \$ 1,039                    |
| Taxes receivable, net                         | -                          | 4,553             | 4,391             | 162                         |
| Other receivables, net                        | -                          | 6                 | 5                 | 1                           |
| <b>Total assets</b>                           | <b>\$ 1,280</b>            | <b>\$ 8,955</b>   | <b>\$ 9,033</b>   | <b>\$ 1,202</b>             |
| <b>LIABILITIES</b>                            |                            |                   |                   |                             |
| Intergovernmental payables                    | \$ 1,280                   | \$ 4,559          | \$ 4,637          | \$ 1,202                    |
| <b>Total liabilities</b>                      | <b>\$ 1,280</b>            | <b>\$ 4,559</b>   | <b>\$ 4,637</b>   | <b>\$ 1,202</b>             |

(Continued)

**State of Illinois**  
**Department of Revenue**

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

For the Year Ended June 30, 2018 (Expressed in Thousands)

|  | Balance at<br>July 1, 2017 | Additions           | Deletions           | Balance at<br>June 30, 2018 |
|--|----------------------------|---------------------|---------------------|-----------------------------|
| <b>Municipal Telecommunications (0719)</b>                   |                            |                     |                     |                             |
| <b>ASSETS</b>  |                            |                     |                     |                             |
| Cash equity in State Treasury                                | \$ 50,336                  | \$ 182,085          | \$ 188,374          | \$ 44,047                   |
| Taxes receivable, net  | 59                         | 184,079             | 182,085             | 2,053                       |
| <b>Total assets</b>  | <b>\$ 50,395</b>           | <b>\$ 366,164</b>   | <b>\$ 370,459</b>   | <b>\$ 46,100</b>            |
| <b>LIABILITIES</b>   |                            |                     |                     |                             |
| Intergovernmental payables                                   | \$ 50,395                  | \$ 184,079          | \$ 188,374          | \$ 46,100                   |
| <b>Total liabilities</b>                                     | <b>\$ 50,395</b>           | <b>\$ 184,079</b>   | <b>\$ 188,374</b>   | <b>\$ 46,100</b>            |
| <b>RTA Sales Tax Trust (0812)</b>                            |                            |                     |                     |                             |
| <b>ASSETS</b>  |                            |                     |                     |                             |
| Cash equity in State Treasury                                | \$ 151,530                 | \$ 1,287,169        | \$ 1,285,639        | \$ 153,060                  |
| Securities lending collateral equity<br>with State Treasurer | 29,818                     | 1,013,772           | 979,863             | 63,727                      |
| Taxes receivable, net  | 40,822                     | 1,153,292           | 1,143,300           | 50,814                      |
| Other receivables, net                                       | 91                         | 1,815               | 1,651               | 255                         |
| Due from other Department funds                              | 36,242                     | 142,447             | 142,218             | 36,471                      |
| <b>Total assets</b>  | <b>\$ 258,503</b>          | <b>\$ 3,598,495</b> | <b>\$ 3,552,671</b> | <b>\$ 304,327</b>           |
| <b>LIABILITIES</b>   |                            |                     |                     |                             |
| Intergovernmental payables                                   | \$ 228,685                 | \$ 1,297,554        | \$ 1,285,639        | \$ 240,600                  |
| Obligations under securities lending<br>of State Treasurer   | 29,818                     | 1,013,772           | 979,863             | 63,727                      |
| <b>Total liabilities</b>                                     | <b>\$ 258,503</b>          | <b>\$ 2,311,326</b> | <b>\$ 2,265,502</b> | <b>\$ 304,327</b>           |
| <b>Metro East Mass Transit Dist. Tax (0841)</b>              |                            |                     |                     |                             |
| <b>ASSETS</b>  |                            |                     |                     |                             |
| Cash equity in State Treasury                                | \$ 5,103                   | \$ 33,055           | \$ 31,439           | \$ 6,719                    |
| Securities lending collateral equity<br>with State Treasurer | 1,160                      | 37,965              | 36,984              | 2,141                       |
| Taxes receivable, net  | 3,097                      | 31,266              | 32,991              | 1,372                       |
| Other receivables, net                                       | 4                          | 69                  | 64                  | 9                           |
| <b>Total assets</b>  | <b>\$ 9,364</b>            | <b>\$ 102,355</b>   | <b>\$ 101,478</b>   | <b>\$ 10,241</b>            |
| <b>LIABILITIES</b>   |                            |                     |                     |                             |
| Intergovernmental payables                                   | \$ 8,204                   | \$ 31,335           | \$ 31,439           | \$ 8,100                    |
| Obligations under securities lending<br>of State Treasurer   | 1,160                      | 37,965              | 36,984              | 2,141                       |
| <b>Total liabilities</b>                                     | <b>\$ 9,364</b>            | <b>\$ 69,300</b>    | <b>\$ 68,423</b>    | <b>\$ 10,241</b>            |
| <b>Tennessee Valley Authority Local Trust (0861)</b>         |                            |                     |                     |                             |
| <b>ASSETS</b>  |                            |                     |                     |                             |
| Cash equity in State Treasury                                | \$ 19                      | \$ 202              | \$ 221              | \$ -                        |
| <b>Total assets</b>  | <b>\$ 19</b>               | <b>\$ 202</b>       | <b>\$ 221</b>       | <b>\$ -</b>                 |
| <b>LIABILITIES</b>   |                            |                     |                     |                             |
| Intergovernmental payables                                   | \$ 19                      | \$ 202              | \$ 221              | \$ -                        |
| <b>Total liabilities</b>                                     | <b>\$ 19</b>               | <b>\$ 202</b>       | <b>\$ 221</b>       | <b>\$ -</b>                 |

(Continued)

**State of Illinois**  
**Department of Revenue**

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

For the Year Ended June 30, 2018 (Expressed in Thousands)

|  | Balance at<br>July 1, 2017 | Additions            | Deletions            | Balance at<br>June 30, 2018 |
|--|----------------------------|----------------------|----------------------|-----------------------------|
| <b>Municipal Automobile Renting Tax (0868)</b>               |                            |                      |                      |                             |
| <b>ASSETS</b>  |                            |                      |                      |                             |
| Cash equity in State Treasury                                | \$ 1,153                   | \$ 7,007             | \$ 6,890             | \$ 1,270                    |
| Securities lending collateral equity<br>with State Treasurer | 241                        | 6,850                | 6,653                | 438                         |
| Taxes receivable, net  | 575                        | 6,910                | 6,996                | 489                         |
| Other receivables, net                                       | 1                          | 12                   | 11                   | 2                           |
| <b>Total assets</b>  | <b>\$ 1,970</b>            | <b>\$ 20,779</b>     | <b>\$ 20,550</b>     | <b>\$ 2,199</b>             |
| <b>LIABILITIES</b>   |                            |                      |                      |                             |
| Accounts payable and accrued liabilities                     | \$ 14                      | \$ -                 | \$ 14                | \$ -                        |
| Intergovernmental payables                                   | 1,715                      | 6,922                | 6,876                | 1,761                       |
| Obligations under securities lending<br>of State Treasurer   | 241                        | 6,850                | 6,653                | 438                         |
| <b>Total liabilities</b>                                     | <b>\$ 1,970</b>            | <b>\$ 13,772</b>     | <b>\$ 13,543</b>     | <b>\$ 2,199</b>             |
| <b>County Automobile Renting Tax (0869)</b>                  |                            |                      |                      |                             |
| <b>ASSETS</b>  |                            |                      |                      |                             |
| Cash equity in State Treasury                                | \$ 37                      | \$ 238               | \$ 237               | \$ 38                       |
| Securities lending collateral equity<br>with State Treasurer | 9                          | 235                  | 233                  | 11                          |
| Taxes receivable, net  | 16                         | 249                  | 238                  | 27                          |
| <b>Total assets</b>  | <b>\$ 62</b>               | <b>\$ 722</b>        | <b>\$ 708</b>        | <b>\$ 76</b>                |
| <b>LIABILITIES</b>   |                            |                      |                      |                             |
| Intergovernmental payables                                   | \$ 53                      | \$ 249               | \$ 237               | \$ 65                       |
| Obligations under securities lending<br>of State Treasurer   | 9                          | 235                  | 233                  | 11                          |
| <b>Total liabilities</b>                                     | <b>\$ 62</b>               | <b>\$ 484</b>        | <b>\$ 470</b>        | <b>\$ 76</b>                |
| <b>Surety Bond (1151)</b>                                    |                            |                      |                      |                             |
| <b>ASSETS</b>  |                            |                      |                      |                             |
| Cash and cash equivalents                                    | \$ 418                     | \$ 10                | \$ 156               | \$ 272                      |
| <b>Total assets</b>  | <b>\$ 418</b>              | <b>\$ 10</b>         | <b>\$ 156</b>        | <b>\$ 272</b>               |
| <b>LIABILITIES</b>   |                            |                      |                      |                             |
| Other liabilities  | \$ 418                     | \$ 10                | \$ 156               | \$ 272                      |
| <b>Total liabilities</b>                                     | <b>\$ 418</b>              | <b>\$ 10</b>         | <b>\$ 156</b>        | <b>\$ 272</b>               |
| <b>Total - All Agency Funds</b>                              |                            |                      |                      |                             |
| <b>ASSETS</b>  |                            |                      |                      |                             |
| Cash equity in State Treasury                                | \$ 572,579                 | \$ 4,069,243         | \$ 3,976,199         | \$ 665,623                  |
| Cash and cash equivalents                                    | 418                        | 10                   | 156                  | 272                         |
| Securities lending collateral equity<br>with State Treasurer | 91,987                     | 3,025,102            | 2,914,661            | 202,428                     |
| Taxes receivable, net  | 195,433                    | 3,889,066            | 3,915,064            | 169,435                     |
| Other receivables, net                                       | 325                        | 12,614               | 11,701               | 1,238                       |
| Due from other Department funds                              | 36,242                     | 142,447              | 142,218              | 36,471                      |
| <b>Total assets</b>  | <b>\$ 896,984</b>          | <b>\$ 11,138,482</b> | <b>\$ 10,959,999</b> | <b>\$ 1,075,467</b>         |
| <b>LIABILITIES</b>   |                            |                      |                      |                             |
| Accounts payable and accrued liabilities                     | \$ 81                      | \$ -                 | \$ 81                | \$ -                        |
| Intergovernmental payables                                   | 804,478                    | 4,044,329            | 3,976,042            | 872,765                     |
| Obligations under securities lending<br>of State Treasurer   | 91,987                     | 3,025,102            | 2,914,661            | 202,428                     |
| Other liabilities  | 438                        | 68                   | 232                  | 274                         |
| <b>Total liabilities</b>                                     | <b>\$ 896,984</b>          | <b>\$ 7,069,499</b>  | <b>\$ 6,891,016</b>  | <b>\$ 1,075,467</b>         |

(Concluded)

**Independent Auditor's Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed  
in Accordance with *Government Auditing Standards***

Honorable Frank J. Mautino  
Auditor General  
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the State of Illinois, Department of Revenue (Department), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements and have issued our report thereon dated May 1, 2019.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings as items 2018-001 and 2018-002 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings as item 2018-003 to be a significant deficiency.



**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Department's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2018-001, 2018-002 and 2018-003.

**State of Illinois, Department of Revenue's Responses to Findings**

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

**Purpose of this Report**

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

**SIGNED ORIGINAL ON FILE**

Schaumburg, Illinois  
May 1, 2019

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

**Current Findings – Government Auditing Standards**

**Finding 2018-001 Inadequate Controls Over Changes to GenTax**

The Department of Revenue and the Department of Employment Security (Departments) did not maintain adequate controls over changes to the enterprise-wide tax system (GenTax).

The Department of Revenue (IDOR) utilizes GenTax to process tax returns of State residents and business employers. On September 11, 2017, the Department of Employment Security (IDES) went live with the Unemployment Insurance Tax module of GenTax in order to process employer unemployment returns and payments. During fiscal year 2018, the IDOR processed over 13.4 million transactions and \$45.1 billion in payments and the IDES processed over 1.9 million transactions and \$1.6 billion in payments from taxpayers and employers, respectively.

As part of the audit process, we requested the Departments provide the population of changes to GenTax. In response, the Departments provided a listing of changes; however, during our testing we noted changes which were not applicable to GenTax.

Due to these conditions, we were unable to conclude the Departments' population of changes to GenTax were sufficiently precise and detailed under the Professional Standards promulgated by the American Institute of Certified Public Accountants (AU-C § 330, AU-C §530, AT-C §205).

Even given the population limitations noted above, we performed testing and noted:

During the audit period, the Departments had four different change control procedures. In order to test the procedures for compliance, we selected a sample of 137 proposed changes to GenTax made by the Departments' personnel during the audit period. Out of the 137 proposed changes, only 100 of them were deemed a required and necessary change to GenTax by the Departments' management and were subsequently made. Out of the 100 required changes to GenTax, we noted the following:

- 58 (58%) changes did not contain evidence that testing had been conducted or lacked testing documentation.
- 12 (12%) changes were not approved, or approval was by an unauthorized individual during the development stages or migration to the production environment.
- 2 (2%) changes did not follow the required change control process.

The Departments' varying iterations of change control procedures required that all changes be tested, with testing documented and approved by authorized individuals throughout the development process and migration.

The Departments indicated that prior to the integration of the IDES into the change control system utilized by the IDOR, the procedures were specific to the needs of the IDOR. During the audit period, a comprehensive review of the procedures was conducted which resulted in significant changes. Changes were implemented in stages as the need arose requiring multiple versions of procedures.

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 to ensure State's resources are used efficiently and effectively.

Generally accepted information technology guidance endorses the implementation of suitable change management procedures to control changes to computer systems.

**State of Illinois  
Department of Revenue**

**Schedule of Findings (Continued)**

**Current Findings – *Government Auditing Standards***

**Finding 2018-001 Inadequate Controls over Changes to GenTax (Continued)**

Failure to implement and maintain adequate controls over changes may lead to improper changes or access, resulting in inaccurate data and security concerns. (Finding Code No. 2018-001, 2017-001)

**Recommendation**

We recommend that the IDOR work with the IDES to utilize adequate internal controls over changes to GenTax and maintain documentation to support the processes and procedures utilized to mitigate the applicable risks related to system changes.

**Departments Response**

The Departments accept the Auditor's recommendation. Change control procedures have been revised, and an improved tracking solution has been implemented.

**State of Illinois  
Department of Revenue**

**Schedule of Findings (Continued)**

**Current Findings – Government Auditing Standards**

**Finding 2018-002 Inadequate Internal Control over Access to GenTax**

The Department of Revenue (Department) did not have adequate internal control over access to the enterprise tax system (GenTax). During fiscal year 2018, GenTax processed over 13.4 million tax transactions and \$45.1 billion in payments from taxpayers for the Department.

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

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

During our testing of a sample of 60 new users, it was noted:

- 59 (98%) new users did not have a completed Request for Access to Illinois Department of Revenue Systems form.
- 37 (62%) new users did not have an email from the business process owner documenting and approving the user's access rights to GenTax.

Department management indicated changes had occurred to the requirements for obtaining access; however, the Access Control Procedure had not been fully updated due to competing priorities.

In addition, we noted the Department's Access Control Procedure states access to GenTax is to be disabled upon a user's departure. During our testing of a sample of 43 users who departed during the fiscal year, it was noted that 39 (91%) user's access was disabled from 2 to 186 days after departure.

Department management indicated the untimely disabling of access was due to oversight and a lack of adequate communication between the program area and information security upon the separation of the employee.

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 to ensure State's resources are used efficiently and effectively.

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

**State of Illinois  
Department of Revenue**

**Schedule of Findings (Continued)**

**Current Findings – *Government Auditing Standards***

**Finding 2018-002 Inadequate Internal Controls over Access to GenTax (Continued)**

**Recommendation**

We recommend the Department obtain the required documentation approving user's access or update the Access Control Procedure. In addition, the Department should ensure all Department user's access is disabled timely.

**Department Response**

The Department accepts the Auditor's recommendation. Management will review the Access Control Procedures for potential modifications, and a review of separations will be conducted semi-monthly to assist in ensuring access is terminated timely.

**State of Illinois  
Department of Revenue**

**Schedule of Findings (Continued)**

**Current Findings – Government Auditing Standards**

**Finding 2018-003 Inadequate Controls over Tax Abatements**

The Department of Revenue (Department) did not have adequate controls over income tax abatements resulting from tax credits issued under the Economic Development for a Growing Economy (EDGE) and the Angel Investment Credit (AIC) programs administered by the Department of Commerce and Economic Opportunity. Both programs meet the definition of a tax abatement for financial reporting purposes under Paragraph 4 of Statement No. 77 of the Governmental Accounting Standards Board, Tax Abatement Disclosures (GASB 77).

During our testing of tax credits, we noted the following:

- The Department and the Department of Commerce and Economic Opportunity was unable to provide the EDGE and AIC tax credit agreements or certificates for 1 out of 23 (4%) tax credits tested. Without the copy of the tax credit agreement or certificates, we could not determine if the tax credits taken by the taxpayer, totaling an EDGE Credit amount of \$45,171 and an AIC Credit amount of \$257,928, were valid and proper.
- The Department was unable to provide a copy of the EDGE Tax Credit Certificate of Verification for 5 out of 23 (22%) tax credits tested. The EDGE Credit amounts for the taxpayers ranged from \$49,275 to \$4,752,478. As a result of the Department not requiring the taxpayer to provide a copy of the certificate at the time of filing their returns, the Department will be abating taxes, totaling \$8,742,857, in the future without determining that the related credits were valid and proper.

Under GASB Statement No, 77, Paragraph 5, the Department is required to disclose specific information for tax abatements within the notes to the financial statements. The disclosure requirements commence in the period that the tax abatement agreement is entered into and continues until the tax abatement agreement expires.

The State Records Act (5 ILCS 160/8) requires the head of each State agency to preserve records containing adequate and proper documentation of the decisions and essential transactions of the agency designed to furnish information to protect the legal and financial rights of the State and of persons directly affected by the agency's activities.

The Economic Development for a Growing Economy Tax Credit Act (Act) (35 ILCS 10/5-55) requires taxpayers claiming the EDGE credit to submit a Certificate of Verification to the Department. The taxpayer receives its Certificate of Verification from the Director of the Department of Commerce and Economic Opportunity only after the taxpayer has provided proof to the Department of Commerce and Economic Opportunity the project has substantially achieved the level of (1) new full-time jobs, (2) level of annual payroll, and (3) level of capital investment as specified in the agreement between the State and the taxpayer under the Act (35 ILCS 10/5-50).

The IL-1120 Instructions published by the Department requires taxpayers to attach a copy of the credit certificate issued by the Department of Commerce and Economic Opportunity to their return to claim the credit.

**State of Illinois  
Department of Revenue**

**Schedule of Findings (Continued)**

**Current Findings – *Government Auditing Standards***

**Finding 2018-003 Inadequate Controls over Tax Abatements (Continued)**

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department to establish and maintain a system, or systems, of internal administrative and fiscal controls to provide assurance 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 reports and to maintain accountability over the State's resources.

Department management indicated the Department updated its procedures following the prior year's audit, however the changes were applied prospectively beginning with tax year 2018 and the items described herein pertain to earlier tax years.

Failure to implement and maintain adequate controls over the EDGE and AIC programs may result in the improper abatement of taxes owed, reducing the amount of taxes collected by the State, and represents noncompliance with State law. Further, failure to maintain complete records supporting tax abatements could misstate the Department's financial statement disclosures and the State's Comprehensive Annual Financial Report. (Finding Code No. 2018-003, 2017-002)

**Recommendation**

We recommend the Department obtain each taxpayer's Certificate of Verification prior to allowing the taxpayer's credit, and retain this and other documentation including certificates and agreements, within the files supporting the taxpayer's returns. Further, the Department should work with the Department of Commerce and Economic Opportunity to ensure all necessary source documentation, including the original agreements, are retained for the EDGE and AIC programs.

**Department Response**

The Department accepts the Auditor's recommendation. We have updated our procedures and are working with the Department of Commerce and Economic Opportunity to design an automated solution to enable an appropriate exchange of information between the agencies. If deemed appropriate, the Department will work with the Department of Commerce and Economic Opportunity to propose legislation that allows the invalidation of a credit when a certificate is not submitted with the Taxpayer's tax return.