



**STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE**

FINANCIAL AUDIT

For the Year Ended June 30, 2019

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

SIKICH.COM

STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE
FINANCIAL AUDIT
For the Year Ended June 30, 2018

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STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE
FINANCIAL AUDIT
For the Year Ended June 30, 2019

AGENCY OFFICIALS

Secretary of State	The Honorable Jesse White
Deputy Secretary of State/Chief of Staff	Thomas N. Benigno
Director of Internal Audit	Stell Mallios
General Counsel	Irene Lyons
Inspector General	James B. Burns
Director of Budget and Fiscal Management/Chief Fiscal Officer	Jacqueline Price
Chief Deputy Director/Director of Accounting Revenue	John Gryzmski

The Secretary of State offices are located throughout the State of Illinois. The Secretary of State financial records are processed and maintained in the Howlett Building, Springfield, Illinois 62756. Executive Offices of the Secretary of State are located at Room 213, Capitol Building, Springfield, Illinois 62756 and Suite 5-400 100 W. Randolph, Chicago, Illinois 60601.

STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE
FINANCIAL AUDIT
For the Year Ended June 30, 2019

FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying financial statements of the State of Illinois, Office of the Secretary of State (Office) was performed by Sikich LLP.

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

SUMMARY OF FINDINGS

The auditors identified a matter involving the Office's internal control over financial reporting that they consider to be a material weakness. The material weakness is described in the accompanying Schedule of Findings on pages 62-64 of this report as item 2019-001, Weaknesses in determination of cash on hand and cash in transit amounts reported in the financial statements.

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Office personnel at an exit conference on January 22, 2020. Attending were:

Office of the Secretary of State

Jacqueline Price	Director of Budget and Fiscal Management/Chief Fiscal Officer
Shawn Reardon	GAAP Coordinator
Stell Mallios	Director of Internal Audit
David Addis	Internal Auditor

Office of the Auditor General

Stephanie Wildhaber	Audit Manager
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Sikich LLP

Amy L. Sherwood	Partner
Megan Cochran	Director
Anna Cadmus	Manager

The response to the recommendation was provided by Shawn Reardon, GAAP Coordinator, in correspondence dated January 30, 2020.

3201 W. White Oaks Dr., Suite 102
Springfield, IL 62704
217.793.3363

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INDEPENDENT AUDITOR'S REPORT

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, Office of the Secretary of State, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the State of Illinois, Office of the Secretary of State'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 for the State of Illinois, Office of the Secretary of State, as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the financial statements of the State of Illinois, Office of the Secretary of State 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 of Illinois that is attributable to the transactions of the State of Illinois, Office of the Secretary of State. These financial statements do not purport to, and do not, present fairly the financial position of the State of Illinois as of June 30, 2019, and the respective 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.

Other Matters

Required Supplementary Information

Management has omitted a management's discussion and analysis, budgetary comparison information, pension-related, and other postemployment benefit-related supplementary 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 the missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Illinois, Office of the Secretary of State's basic financial statements.

The accompanying supplementary information, such as the combining and individual fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 combining General Fund schedules, nonmajor, and Agency fund financial statements are fairly stated in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2020 on our consideration of the State of Illinois, Office of the Secretary of State'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 State of Illinois, Office of the Secretary of State'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 State of Illinois, Office of the Secretary of State'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 Office management, and is not intended to be and should not be used by anyone other than these specified parties.

SIGNED ORIGINAL ON FILE

Springfield, Illinois
January 30, 2020

BASIC FINANCIAL STATEMENTS

State of Illinois
Office of the Secretary of State

Statement of Net Position and Governmental Funds Balance Sheet

June 30, 2019 (Expressed in Thousands)

	General Fund	Road Fund	Other Nonmajor Funds	Total Governmental Funds	Adjustments	Statement of Net Position
ASSETS						
Unexpended appropriations	\$ 34,054	\$ 634	\$ 1	\$ 34,689	\$ -	\$ 34,689
Cash equity with State Treasurer	62,965	61,184	224,990	349,139	-	349,139
Cash and cash equivalents	96	-	13	109	-	109
Securities lending collateral of State Treasurer	-	-	10,307	10,307	-	10,307
Taxes receivable, net	1,688	-	-	1,688	-	1,688
Intergovernmental receivables, net	-	-	158	158	-	158
Other receivables, net	70	2,179	1,486	3,735	-	3,735
Due from other Office funds	3,714	-	2,390	6,104	(6,104)	-
Inventories	412	-	5,112	5,524	-	5,524
Prepaid expenses	-	-	-	-	3,528	3,528
Capital assets not being depreciated	-	-	-	-	7,616	7,616
Capital assets being depreciated, net	-	-	-	-	167,112	167,112
Total assets	\$ 102,999	\$ 63,997	\$ 244,457	\$ 411,453	172,152	583,605
DEFERRED OUTFLOWS OF RESOURCES						
Pensions	-	-	-	-	223,749	223,749
OPEB	-	-	-	-	455,860	455,860
Total deferred outflows of resources	-	-	-	-	679,609	679,609
Total assets and deferred outflows of resources	102,999	63,997	244,457	411,453	851,761	1,263,214
LIABILITIES						
Accounts payable and accrued liabilities	\$ 31,308	\$ 556	\$ 5,583	\$ 37,447	-	37,447
Intergovernmental payables	12,822	-	140	12,962	-	12,962
Due to other State fiduciary funds	220	4	293	517	-	517
Due to other Office funds	-	3,288	2,816	6,104	(6,104)	-
Due to other State funds	1,799	-	577	2,376	-	2,376
Due to State of Illinois component units	5	-	21	26	-	26
Unearned revenue	4,622	11,433	7,069	23,124	-	23,124
Obligations under securities lending of State	-	-	10,307	10,307	-	10,307
Long-term obligations:						
Net Pension Liability	-	-	-	-	1,446,189	1,446,189
Total OPEB Liability, current portion	-	-	-	-	64,829	64,829
Total OPEB Liability, long-term portion	-	-	-	-	1,235,126	1,235,126
Compensated absences, current portion	-	-	-	-	1,800	1,800
Compensated absences, long-term portion	-	-	-	-	13,669	13,669
Capital lease obligations, current portion	-	-	-	-	541	541
Capital lease obligations, long-term portion	-	-	-	-	1,439	1,439
Total liabilities	50,776	15,281	26,806	92,863	2,757,489	2,850,352
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	-	-	10	10	(10)	-
Pensions	-	-	-	-	110,440	110,440
OPEB	-	-	-	-	191,201	191,201
Total deferred inflows of resources	-	-	10	10	301,631	301,641
Total liabilities and deferred inflows of resources	50,776	15,281	26,816	92,873	3,059,120	3,151,993
FUND BALANCES/NET POSITION						
Nonspendable:						
Inventories	412	-	5,112	5,524	(5,524)	-
Restricted for:						
General government	5	-	11,160	11,165	(11,165)	-
Committed to:						
General government	191	48,716	129,817	178,724	(178,724)	-
Capital projects	-	-	70,835	70,835	(70,835)	-
Assigned to:						
General government	-	-	717	717	(717)	-
Unassigned	51,615	-	-	51,615	(51,615)	-
Net investment in capital assets	-	-	-	-	172,748	172,748
Restricted assets	-	-	-	-	11,165	11,165
Unrestricted net position	-	-	-	-	(2,072,692)	(2,072,692)
Total fund balances/net position	52,223	48,716	217,641	318,580	\$ (2,207,359)	\$ (1,888,779)
Total liabilities, deferred inflows of resources and fund balances	\$ 102,999	\$ 63,997	\$ 244,457	\$ 411,453		

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

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

Total fund balances-governmental funds	\$	318,580
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		174,728
Prepaid expenses for governmental activities are current uses of financial resources for funds.		3,528
Deferred Outflows of Resources for Pensions that do not use current financial resources are deferred in the funds.		223,749
Deferred Outflows of Resources for OPEB that do not use current financial resources are deferred in the funds.		455,860
Revenues in the Statement of Activities that do not provide current financial resources are deferred in the funds.		10
Deferred Inflows of Resources for Pensions do not require the use of current financial resources in the funds.		(110,440)
Deferred Inflows of Resources for OPEB do not require the use of current financial resources in the funds.		(191,201)
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 liabilities consist of:		
Net Pension Liability		(1,446,189)
Total OPEB Liability		(1,299,955)
Compensated absences		(15,469)
Capital lease obligations		(1,980)
		(1,888,779)
Net position of governmental activities	\$	(1,888,779)

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

State of Illinois
Office of the Secretary of State

**Statement of Activities and Governmental Revenues,
Expenditures and Changes in Fund Balances**
For the Year Ended June 30, 2019 (Expressed in Thousands)

	<u>General Fund</u>	<u>Road Fund</u>	<u>Other Nonmajor Funds</u>	<u>Total Governmental Funds</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Expenditures/expenses:						
General government	\$ 424,333	\$ (11)	\$ 100,119	\$ 524,441	\$ 3,765	\$ 528,206
Debt service - principal	41	-	480	521	-	521
Debt service - interest	6	-	96	102	-	102
Capital outlays	2,361	11	1,923	4,295	-	4,295
Total expenditures/expenses	<u>426,741</u>	<u>-</u>	<u>102,618</u>	<u>529,359</u>	<u>3,765</u>	<u>533,124</u>
Program revenues:						
Charges for services:						
Licenses and fees	522,252	950,807	594,188	2,067,247	-	2,067,247
Other	3	-	2	5	-	5
Total charges for services	<u>522,255</u>	<u>950,807</u>	<u>594,190</u>	<u>2,067,252</u>	<u>-</u>	<u>2,067,252</u>
Operating grant revenue:						
Federal	-	-	5,629	5,629	(9)	5,620
Total operating grant revenue	<u>-</u>	<u>-</u>	<u>5,629</u>	<u>5,629</u>	<u>(9)</u>	<u>5,620</u>
Net program revenues	<u>95,514</u>	<u>950,807</u>	<u>497,201</u>	<u>1,543,522</u>	<u>(3,774)</u>	<u>1,539,748</u>
General revenues:						
Interest and investment income	-	-	670	670	-	670
Other taxes	248,985	-	-	248,985	-	248,985
Other	232	-	598	830	-	830
Total general revenues	<u>249,217</u>	<u>-</u>	<u>1,268</u>	<u>250,485</u>	<u>-</u>	<u>250,485</u>
Other sources (uses):						
Appropriations from State resources	413,995	2,500	24,298	440,793	-	440,793
Lapsed appropriations	(8,506)	(665)	(10,167)	(19,338)	-	(19,338)
Receipts collected and transmitted to State Treasury	(774,195)	(1,022,686)	(514,166)	(2,311,047)	-	(2,311,047)
Loss on disposition of capital assets	-	-	-	-	(414)	(414)
Capital asset transfers	-	-	-	-	2,474	2,474
Amount of SAMS transfers-in	(7,490)	-	-	(7,490)	-	(7,490)
Amount of SAMS transfers-out	26,130	-	-	26,130	-	26,130
Transfers-in	5,606	-	8,287	13,893	(13,893)	-
Transfers-out	(2,241)	-	(11,653)	(13,894)	13,893	(1)
Proceeds from capital lease financing	202	-	-	202	-	202
Total other sources (uses)	<u>(346,499)</u>	<u>(1,020,851)</u>	<u>(503,401)</u>	<u>(1,870,751)</u>	<u>2,060</u>	<u>(1,868,691)</u>
Change in fund balance/net position	(1,768)	(70,044)	(4,932)	(76,744)	(1,714)	(78,458)
Fund balance/net position, July 1, 2018	53,875	118,760	225,577	398,212	(2,208,533)	(1,810,321)
Increase (decrease) for changes in inventories	116	-	(3,004)	(2,888)	2,888	-
Fund balance/net position, June 30, 2019	<u>\$ 52,223</u>	<u>\$ 48,716</u>	<u>\$ 217,641</u>	<u>\$ 318,580</u>	<u>\$ (2,207,359)</u>	<u>\$ (1,888,779)</u>

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

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

Net change in fund balances	\$ (76,744)
Change in inventories	(2,888)
	\$ (79,632)

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

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which depreciation in the current period exceeded capital outlays.	(10,991)
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Some capital assets were transferred in from other State agencies and therefore, were received at no cost and some were transferred out to other State agencies and therefore, no proceeds were received.	2,474
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Some capital assets were disposed of prior to being fully depreciated, resulting in a loss on disposition.	(414)
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This amount represents the decrease in unavailable revenue over the prior year.	(9)
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Repayment of capital leases is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position	309
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Prepaid expenses in the Statement of Activities are not reported as expenses in governmental funds. This amount represents the decrease in prepaid expenses over the prior year.	(234)
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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. Also, some expenditures reported in governmental funds decrease the amount of certain long-term liabilities reported on the Statement of Net Position and are therefore not reported as expenses in the Statement of Activities.

Increase in Net Pension Liability	(29,376)
Increase in deferred outflows of resources - pensions	47,598
Decrease in deferred inflows of resources - pensions	610
Increase in Total OPEB Liability	(297,339)
Increase in deferred outflows of resources - OPEB	372,451
Increase in deferred inflows of resources - OPEB	(83,004)
Increase in compensated absences obligation	(901)
Net decrease in expenses for net changes in long-term liabilities not reported in governmental funds	10,039

Change in net position of governmental activities	\$ (78,458)
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The accompanying notes to the financial statements are an integral part of this statement.

State of Illinois
Office of the Secretary of State

Statement of Fiduciary Net Position

June 30, 2019 (Expressed in Thousands)

	<u>Agency Funds</u>
ASSETS	
Cash equity with State Treasurer	\$ 1,376
Cash and cash equivalents	138
Investments	106
Total assets	<u>\$ 1,620</u>
LIABILITIES	
Accounts payable and accrued liabilities	\$ 27
Other liabilities	1,593
Total liabilities	<u>\$ 1,620</u>

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

STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

(1) Organization

The Office of the Secretary of State (the Office) 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 Office operates under a budget approved by the General Assembly in which resources primarily from the General Fund are appropriated for the use of the Office. Activities of the Office 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 Office and all other cash received are under the custody and control of the State Treasurer, with the exception of the Secretary of State Antique Vehicle Show fund, a nonmajor special governmental fund, the Go-Back Fund and the Safekeeping Fund, fiduciary funds, and the Special Advance Fund, a subaccount of the General Fund, which are all locally held funds, and various petty cash funds, which are under the direct control of the Office.

The Office has a broad range of responsibilities for the maintenance of official records of the acts of the General Assembly and of the Executive Branch as provided by law as well as to perform other duties as may be prescribed by law, including administration of the Illinois Vehicle Code. The Office is organized into twenty-five departments under three broad operating divisions to carry out its responsibilities. The operating divisions of the Office are the Executive, General and Administrative, and Motor Vehicle divisions.

(2) Summary of Significant Accounting Policies

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

(a) Financial Reporting Entity

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

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

Based upon the required criteria, the Office has no component units and is not a component unit of any other entity. However, because the Office is not legally separate from the State of Illinois, the financial statements of the Office are included in 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.

(b) Basis of Presentation

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

STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

The financial activities of the Office, which consist only of governmental activities, are reported under the general government function in the State of Illinois' Comprehensive Annual Financial Report. For reporting purposes, the Office has combined the fund and government-wide financial statements using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column. A brief description of the Office's government-wide and fund financial statements is as follows:

Government-wide Statements. The government-wide statement of net position and statement of activities report the overall financial activity of the Office, excluding fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities of the Office. The financial activities of the Office consist only of governmental activities, which are primarily supported by taxes, charges for services, and other nonexchange transactions.

The statement of net position presents the assets and liabilities of the Office'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 the general government function of the Office's governmental activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements. The fund financial statements provide information about the Office'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 Office administers the following major governmental funds (or portions thereof in the case of shared funds) – see the State of Illinois Comprehensive Annual Financial Report:

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 services which are administered by the Office and accounted for in the general fund include, among others, the operations of various Executive, General and Administrative and Motor Vehicle departments throughout the Office. Certain resources obtained from federal grants and used to support general governmental activities are accounted for in the General Fund consistent with applicable legal requirements. The Office's portion of the General Fund is composed of two primary sub-accounts (General Revenue and Common School) and five secondary sub-accounts (Live and Learn, Corporate Franchise Tax Refund, Capital Projects, Vehicle Inspection and Special Advance).

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

STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Additionally, the Office administers the following fund types:

Governmental Funds:

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

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

Capital Projects – These funds account for resources obtained and restricted, committed, or assigned for the acquisition or construction of major capital facilities. Such resources are derived principally from proceeds of general and special obligation bond issues and certificates of participation.

Fiduciary Funds:

Agency – These funds account for the following activities in which the Office acts in the capacity of an agent and distributes any revenue collected to other governmental units or designated beneficiaries: collection of registration fees from truckers of other states and disbursement of funds to other states under reciprocity agreements; collection of deposits from uninsured motorists as proof of financial responsibility and reimbursement of those funds in the absence of a court judgment; and the repayment of fees collected by the Office in excess of the required fees.

(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 Office gives (or receives) value without directly receiving (or giving) equal value in exchange, include corporate taxes and intergovernmental grants. Revenue from grants, entitlements, and similar items are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been met.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, principal and interest on formal debt issues, claims and judgments, and compensated absences are recorded only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Significant revenue sources which are susceptible to accrual include corporate taxes and certain fees. All other revenue sources including licenses, fines, and certain fees, are considered to be measurable and available only when cash is received.

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(d) Shared Fund Presentation

The financial statement presentation for the General Revenue Account, Common School Account, Capital Projects Account and Vehicle Inspection Account of the General Fund and the Road Fund, Motor Fuel Tax Fund, Drivers Education Fund, Capital Development Fund, State College and University Trust Fund, Alternative Fuels Fund, Off Highway Vehicle Trails Fund, State Parking Facility Maintenance Fund, Cycle Rider Safety Training Fund, State Construction Account Fund, and Build Illinois Bond Fund represents only the portion of the shared fund that can be directly attributed to the operations of the Office. 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 Office's portion of shared funds:

Unexpended Appropriations

This "asset" account represents lapse period warrants issued between July and October for fiscal year 2019 in accordance with the Statewide Accounting Management System (SAMS) records plus any liabilities relating to obligations re-appropriated to the subsequent fiscal year.

Appropriations from State Resources

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

Reappropriations to Future Year(s)

This contra revenue account reduces current year appropriations by the amount of the reappropriation to reflect the State's realignment of the budgetary needs to the subsequent year and avoid double counting of a portion of the appropriation in more than one fiscal year.

Lapsed Appropriations

Lapsed appropriations are the legally adopted appropriations less net warrants issued during the 16 month period from July to October of the following year and re-appropriations to subsequent years according to SAMS records.

Receipts Collected and Transmitted to State Treasury

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

Amount of SAMS Transfers-In

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

Amount of SAMS Transfers-Out

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

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(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 Office. As a result, amounts reported in the governmental funds balance sheet as interdepartmental interfund receivables and payables have been eliminated in the government-wide statement of net assets. Amounts reported in the governmental funds balance sheet as receivable from or payable to fiduciary funds have been included in the government-wide statement of net assets as receivable from and payable to external parties, rather than as internal balances.

(f) ***Cash and Cash Equivalents***

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

(g) ***Inventories***

Inventories, consisting primarily of license plates, are valued at cost, principally on the first-in, first-out (FIFO) method. The cost of inventories is recognized as expenditures when purchased. Significant inventories balances in governmental funds are reported on the balance sheet.

(h) ***Interfund Transactions***

The Office has the following types of interfund transactions between Office 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 fund balance sheets or the government-wide statements of net assets.

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

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

The Office also has activity with various component units of the State of Illinois for professional services received and payments of State and Federal programs.

(i) ***Capital Assets***

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

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Capitalization thresholds and the estimated useful lives are as follows:

Capital Asset Category	Capitalization Threshold	Estimated Useful Life (in Years)
Land	\$100,000	N/A
Land Improvements	25,000	N/A
Site Improvements	25,000	5-20
Buildings	100,000	30-75
Building Improvements	25,000	10-25
Equipment	5,000	3-10
Software	25,000	3-10
Works of Art, Historical Treasures	5,000	N/A

(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 Office employees. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. The liability has been calculated based on the employees' current salary level and includes salary related costs (e.g., Social Security and Medicare taxes).

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

(k) *Fund Balances*

Fund balance is divided into five classifications based primarily on the extent to which the Office is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in a spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation.

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Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action of the State legislature and signed into law by the governor. Those committed amounts cannot be used for any other purpose unless the State legislature and governor removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the Office for specific purposes but do not meet the criteria to be classified as restricted or committed. In the General Fund, assigned amounts represent intended uses established by the State legislature.

Unassigned – The unassigned fund balance classification is the residual classification for the government’s general fund and includes all spendable amounts not contained in the other classifications and deficit fund balances of other governmental funds.

The Office applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

(l) Net Position

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

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

Restricted – This consists of net position that is 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. As of June 30, 2019, \$11.165 million is restricted by enabling legislation.

Unrestricted – This consists of net position that do not meet the definition of “restricted” or “net investment in capital assets.”

(m) Use of Estimates

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

(n) Pensions

In accordance with the Office’s adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, the net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense have been recognized in the government-wide financial statements.

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The net pension liability is calculated as the difference between the actuarially calculated value of the projected benefit payments attributed to past periods of service and the plans' fiduciary net position. The total pension expense is comprised of the service cost or actuarial present value of projected benefit payments attributed to the valuation year, interest on the total pension liability, plan administrative expenses, current year benefit changes, and other changes in plan fiduciary net position less employee contributions and projected earnings on plan investments. Additionally, the total pension expense includes the annual recognition of outflows and inflows of resources due to pension assets and liabilities.

For purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources, pension expense and expenditures associated with the Office's contribution requirements, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported within the separately 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) *Post-Employment Benefits Other Than Pensions (OPEB)*

The State provides health, dental, vision and life insurance benefits for certain retirees and their dependents through the State Employees Group Insurance Program ("SEGIP"). The total OPEB liability, deferred outflows of resources, deferred inflows of resources, expense, and expenditures associated with the program have been determined through an actuarial valuation using certain actuarial assumptions as applicable to the current measurement period. (See Note 10).

The OPEB liabilities, deferred outflows of resources, deferred inflows of resources, and OPEB expense have been recognized in the government-wide financial statements.

(p) *New Accounting Pronouncements*

Effective for the year ending June 30, 2019, the Office adopted the following GASB statements:

Statement No. 83, *Certain Asset Retirement Obligations*, which addresses accounting and financial reporting for certain asset retirement obligations (AROs) and establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The implementation of this statement had no financial impact on the Office's net position or results of operations as all asset retirement obligations were determined to be immaterial to the financial statements.

Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which is intended to improve the information that is disclosed in notes to governmental financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should be including when disclosing information related to debt. The implementation of this statement had no financial impact on the Office's net position or results of operations.

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(q) *Future Adoption of GASB Pronouncements*

Effective for the year ending June 30, 2020, the Office will adopt the following GASB statement:

Statement No. 84, *Fiduciary Activities*, which is intended to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. In addition, this statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*, is intended to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units.

Effective for the year ending June 30, 2021, the Office will adopt the following GASB statements:

Statement No. 87, *Leases*, which is intended to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources and 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.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, which is intended to (1) enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

Effective for the year ending June 30, 2022, the Office will adopt the following GASB statements:

Statement No. 91, *Conduit Debt Obligations*, which is intended to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures.

The Office has not yet determined the impact of adopting these statements on its financial statements.

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(r) **Reliance on Outside Information**

Due to the nature of relationships between the Office and various other State agencies, information related to Pensions, OPEB and Securities Lending Transactions in these financial statements is provided through the Illinois Office of the Comptroller by the State Employees Retirement System, State Employees Group Insurance Program of the Department of Central Management Services and the State Treasurer, respectively. The Office received information included in the fund financial statements for Securities Lending Transactions and the government wide financial statements for Pension and OPEB related transactions. Other details included in note 3c (Security Lending Transactions) and note 2o, note 9 (Pensions), and note 10 (OPEB) were also received from these sources.

The Office must rely on the internal controls of these other State agencies to ensure the information presented is accurate. Audits of The State Treasurer <http://www.auditor.illinois.gov/Audit-Reports/THE-ILLINOIS-FUNDS.asp> and the State Employees Retirement System <http://www.auditor.illinois.gov/Audit-Reports/STATE-EMPLOYEES-RETIREMENT-SYSTEM.asp> and the State Employees Group Insurance Program of the Department of Central Management Services <http://auditor.illinois.gov/Audit-Reports/CMS-SEGIP.asp> can be found on the website of the Illinois Office of the Auditor General.

(3) **Deposits and Investments**

(a) **Deposits**

The State Treasurer is the custodian of the State’s deposits and investments for funds maintained in the State Treasury. The Office independently manages deposits and investments maintained outside the State Treasury.

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

Deposits for locally-held funds of governmental activities had a carrying amount and a bank balance of \$18 thousand at June 30, 2019, respectively. Deposits of locally-held funds of fiduciary funds had a carrying amount and a bank balance of \$138 thousand at June 30, 2019.

Cash on hand totaled \$91 thousand at June 30, 2019.

(b) **Investments**

As of June 30, 2019 the Office had the following investments outside of the State Treasury which were valued using quoted market prices (Level 1 inputs):

	Fair Value (Thousands)	Weighted Average Maturity (Years)
<i>Fiduciary Funds</i>		
Municipal debt	\$ 50	3

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On the fiduciary statement of net position, the Office has an additional amount of \$56 thousand in certificates of deposit which are recorded as investments since their maturity dates were greater than 90 days at the time of purchase.

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

The Office does not have a formal investment policy that limits investment choices. The investments held by the Office are made by customers and held by the Office as collateral/security per the Vehicle Code (625 ILCS 5/3-109, 625 ILCS 5/3-816 and 625 ILCS 5/7-323) and the Illinois Security Law of 1953 (815 ILCS 5/6). The Vehicle Code and Illinois Securities Law of 1953 set the limits of acceptable investments.

(c) *Securities Lending Collateral*

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

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

The State Treasurer did not impose any restrictions during fiscal year 2019 on the amount of 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 2019 resulting from a default of the borrowers or Deutsche Bank AG.

During fiscal year 2019, the State Treasurer and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested in repurchase agreements with approved counterparties collateralized with securities approved by Deutsche Bank AG and marked to market daily at no less than 102%. Because the loans are terminable at will, their duration did not generally match the duration of the investments made with cash collateral. The State Treasurer had no credit risk as a result of its securities lending program as the collateral held exceeded the fair value of the securities lent. The securities lending collateral received that was invested in repurchase agreements and the fair value of securities on loan for the State Treasurer as of June 30, 2019 were \$3,103,274,125 and \$3,064,814,670, respectively.

In accordance with GASB Statement No. 28, paragraph 9, the Office of the State Treasurer has allocated the assets and obligations at June 30, 2019, arising from securities lending agreements to the various funds of the State. The total allocated to the Office was \$10.307 million at June 30, 2019.

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(4) Taxes and Other Receivable

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

	Governmental Activities			Total
	General Fund	Road Fund	Nonmajor Governmental Funds	
Taxes receivable:				
Other	\$ 2,244	\$ -	\$ -	\$ 2,244
Less: allowance for uncollectible amounts	(556)	-	-	(556)
Total taxes receivable net	<u>\$ 1,688</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,688</u>
Other receivables:				
Licenses and fees receivable	\$ 308	\$ 3,090	\$ 5,351	\$ 8,749
Less: allowance for uncollectible amounts	(238)	(911)	(3,906)	(5,055)
Licenses and fees receivable, net	<u>70</u>	<u>2,179</u>	<u>1,445</u>	<u>3,694</u>
Interest receivable	<u>-</u>	<u>-</u>	<u>41</u>	<u>41</u>
Total other receivables, net	<u>\$ 70</u>	<u>\$ 2,179</u>	<u>\$ 1,486</u>	<u>\$ 3,735</u>

(5) Interfund Balances and Activity

(a) Balances Due to/from Other Funds

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

Fund	Due From Other Office Funds	Description/Purpose
General	\$ 3,714	Due from other Office funds for transfers of excess balances, statutorily required transfers, repayment from various grant activity and accrual of undistributed IRP fees.
Nonmajor governmental funds	2,390	Due from other Office funds for the accrual of undistributed IRP fees.
	<u>\$ 6,104</u>	

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The following balances (amounts expressed in thousands) at June 30, 2019 represent amounts owing to other Office and State of Illinois funds.

<u>Fund</u>	<u>Other Office Funds</u>	<u>Other State Funds</u>	<u>Other State Fiduciary Funds</u>	<u>Description/Purpose</u>
General	\$ -	\$ 1,799	\$ 220	Due to other State funds for purchases of services and Court of Claims awards and to other State fiduciary funds for payment of retirement and health insurance costs.
Road	3,288	-	4	Due to other Office funds for the accrual of undistributed IRP fees.
Nonmajor governmental funds	2,816	577	293	Due to other Office Funds for transfers of excess balances, statutorily required transfers and repayment of grant activity; to other State funds for Court of Claims awards, repayment of grant activity and purchases of services; and to other State fiduciary funds for payment of retirement and health insurance costs.
	<u>\$ 6,104</u>	<u>\$ 2,376</u>	<u>\$ 517</u>	

(b) Transfers to/from Other Funds

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

<u>Fund</u>	<u>Transfers in from Other Office Funds</u>	<u>Description/Purpose</u>
General	\$ 5,606	Transfer from other Office funds of excess balances and statutory transfers.
Nonmajor governmental funds	8,287	Transfer from other State funds pursuant to State statute.
	<u>\$ 13,893</u>	

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

<u>Fund</u>	<u>Transfers out to</u>		<u>Description/Purpose</u>
	<u>Other Office Funds</u>	<u>Other State Funds</u>	
General	\$ 2,240	\$ 1	Transfer resulting from refunds from other Office funds and other State funds pursuant to State statute.
Nonmajor governmental funds	11,653	-	Transfer to other Office and other State funds and pursuant to State statute.
	<u>\$ 13,893</u>	<u>\$ 1</u>	

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

The following balances (amounts expressed in thousands) at June 30, 2019 represent amounts due to State of Illinois Component Units for reimbursement of expenses incurred.

<u>Due to Component Units</u>	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>
Illinois Math and Science Academy	\$ 5	\$ -
University of Illinois	-	21
	<u>\$ 5</u>	<u>\$ 21</u>

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(6) Capital Assets

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

	Balance June 30, 2018	Additions	Deletions	Net Transfers	Balance June 30, 2019
Governmental activities:					
Capital assets not being depreciated:					
Land and land improvements	\$ 6,637	\$ -	\$ -	\$ -	\$ 6,637
Historical treasures & works of art	100	-	-	-	100
Construction in progress	-	-	-	879	879
Total capital assets not being depreciated	<u>6,737</u>	<u>-</u>	<u>-</u>	<u>879</u>	<u>7,616</u>
Capital assets being depreciated:					
Site Improvements	449	-	-	-	449
Buildings and building improvements	505,189	766	232	1,595	507,318
Equipment	49,602	3,382	2,410	-	50,574
Capital Leases-Equipment	2,574	202	-	-	2,776
Software	29	-	-	-	29
Total capital assets being depreciated	<u>557,843</u>	<u>4,350</u>	<u>2,642</u>	<u>1,595</u>	<u>561,146</u>
Less accumulated depreciation/amortization:					
Site Improvements	422	14	-	-	436
Buildings and building improvements	335,407	12,324	-	-	347,731
Equipment	44,759	2,447	2,228	-	44,978
Capital Lease-Equipment	304	556	-	-	860
Software	29	-	-	-	29
Total accumulated depreciation/amortization	<u>380,921</u>	<u>15,341</u>	<u>2,228</u>	<u>-</u>	<u>394,034</u>
Total capital assets being depreciated/amortized, net	<u>176,922</u>	<u>(10,991)</u>	<u>414</u>	<u>1,595</u>	<u>167,112</u>
Governmental activity capital assets, net	<u>\$ 183,659</u>	<u>\$ (10,991)</u>	<u>\$ 414</u>	<u>\$ 2,474</u>	<u>\$ 174,728</u>

Depreciation and amortization expense for governmental activities (amounts expressed in thousands) for the year ended June 30, 2019 was charged as follows:

General government \$ 15,341

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(7) Capital Lease Obligations

The Agency leases office equipment with a historical cost and accumulated depreciation (amounts expressed in thousands) of \$2,776 and \$860. Although lease terms vary, certain leases are renewable subject to appropriation by the General Assembly. If renewal is reasonably assured, leases requiring appropriation by the General Assembly are considered non-cancelable leases for financial reporting. Future minimum lease payments (amounts expressed in thousands) at June 30, 2019 were as follows:

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 541	\$ 79	\$ 620
2021	566	54	620
2022	593	27	620
2023	280	4	284
	<u>\$ 1,980</u>	<u>\$ 164</u>	<u>\$ 2,144</u>

(8) Changes in Long-Term Obligations

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

	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>	<u>Amounts Due Within One Year</u>
Governmental activities:					
Compensated absences	\$ 14,568	\$ 14,814	\$ 13,913	\$ 15,469	\$ 1,800
Net pension liability	1,416,813	29,376	-	1,446,189	-
Total OPEB liability	1,002,616	297,339	-	1,299,955	64,829
Capital Lease Obligations	2,289	202	511	1,980	541
	<u>\$ 2,436,286</u>	<u>\$ 341,731</u>	<u>\$ 14,424</u>	<u>\$ 2,763,593</u>	<u>\$ 67,170</u>

Compensated absences 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 Office'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 Office. SERS is governed by article 14 of the Illinois Pension Code (40 ILCS 5/1, et al.). The plan consists of two tiers of contribution requirements and benefit levels based on when an employee was hired. Members who first become an employee and participate under any of the State's retirement plans on or after January 1, 2011 are members of Tier 2, while Tier 1 consists of employees hired before January 1, 2011 or those who have service credit prior to January 1, 2011. The provisions below apply to both Tier 1 and 2 members, except where noted. The SERS issues a separate CAFR available at www.srs.illinois.gov or that may be obtained by writing to the SERS, 2101 South Veterans Parkway, PO Box 19255, Springfield, Illinois, 62794-9255.

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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.

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

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

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

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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 18 months of credited service with 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.

Occupational and nonoccupational death benefits are also available through the System. Certain nonoccupational death benefits vest after 18 months of credited service. Occupational death benefits are provided from the date of employment.

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

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

For fiscal year 2019, the required employer contributions were computed in accordance with the State's funding plan. This funding legislation provides for a systematic 50-year funding plan with an ultimate goal to achieve 90% funding of the plan's liabilities. In addition, the funding plan provided for a 15-year phase-in period to allow the State to adapt to the increased financial commitment. Since the 15-year phase-in period ended June 30, 2010, the State's contribution will remain at a level percentage of payroll for the next 35 years until the 90% funded level is achieved. For fiscal year 2019, the employer contribution rate was 51.614%. The Office's contribution amount for fiscal year 2019 was \$8.903 million. In addition, the Office recorded \$82.599 million of revenue and expenditures in the General Revenue account of the General Fund to account for on-behalf payments to SERS for Office employees.

Pension liability, deferred outflows of resources, deferred inflows of resources and expense related to pensions. At June 30, 2019, the Office reported a liability of \$1,446.189 million for its proportionate share of the State's net pension liability for SERS on the statement of net position. The net pension liability was measured as of June 30, 2018 (current year measurement date), and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Office's portion of the net pension liability was based on the Office's proportion of employer contributions relative to all employer contributions made to the plan during the year ended June 30, 2018. As of the current year measurement date of June 30, 2018, the Office's proportion was 4.3749%, which was an increase of 0.0694% from its proportion measured as of the prior year measurement date of June 30, 2017.

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For the year ended June 30, 2019, the Office recognized pension expense of \$146.366 million. At June 30, 2019, the Office reported deferred outflows and deferred inflows of resources related to the pension liability, as of the measurement date of June 30, 2018, from the following sources (amounts expressed in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 34,654
Changes of assumptions	79,685	33,183
Net difference between projected and actual investment earnings on pension plan investments	650	-
Changes in proportion	51,912	42,603
Department contributions subsequent to the measurement date	91,502	-
Total	\$ 223,749	\$ 110,440

\$91.502 million reported as deferred outflows of resources related to pensions resulting from Office contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows (amounts expressed in thousands):

Year ended June 30,	
2020	\$ 28,467
2021	10,266
2022	(15,767)
2023	(1,159)
Thereafter	-
Total	\$ 21,807

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

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

Inflation: 2.50%

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

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

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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, 2016, valuation pursuant to an experience study of the period July 1, 2012 to June 30, 2015.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	23.0%	5.5%
Developed Foreign Equity	13.0%	5.3%
Emerging Market Equity	8.0%	7.8%
Private Equity	7.0%	7.6%
Intermediate Investment Grade Bonds	14.0%	1.5%
Long-term Government Bonds	4.0%	1.8%
TIPS	4.0%	1.5%
High Yield and Bank Loans	5.0%	3.8%
Opportunistic Debt	8.0%	5.0%
Emerging Market Debt	2.0%	3.7%
Core Real Estate	5.5%	3.7%
Non Core Real Estate	4.5%	5.9%
Infrastructure	2.0%	5.8%
Total	100.0%	

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

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

	1% Decrease 5.81%	Discount Rate 6.81%	1% Increase 7.81%
Office's Proportionate Share of the Net Pension Liability	\$1,750,768	\$1,446,189	\$1,196,656

Payables to the pension plan. At June 30, 2019, the Office reported a payable of \$328 thousand to SERS for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2019.

(10) OPEB

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 Office'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"). The eligibility provisions for each of the retirement systems are defined within Footnote 9. 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.

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 and is treated as a cost sharing plan by the Office. The plan does not issue a stand-alone financial report.

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

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

For fiscal year 2019, the annual cost of the basic program of group health, dental, and vision benefits before the State's contribution was \$11,269.44 (\$6,698.64 if Medicare eligible) if the annuitant chose benefits provided by a health maintenance organization and \$13,823.52 (\$4,983.60 if Medicare eligible) if the annuitant chose other benefits. The State is not required to fund the plan other than the pay-as-you-go amount necessary to provide the current benefits to retirees.

Total OPEB liability, deferred outflows of resources, deferred inflows of resources and expense related to OPEB. The total OPEB liability, as reported at June 30, 2019, was measured as of June 30, 2018, with an actuarial valuation as of June 30, 2017. At June 30, 2019, the Office recorded a liability of \$1.3 billion for its proportionate share of the State's total OPEB liability. The Office's portion of the OPEB liability was based on the Office's proportion of employer contributions relative to all employer contributions made to the plan during the year ended June 30, 2018. As of the current year measurement date of June 30, 2017, the Office's proportion was 3.23%, which was an increase of 33.6% from its proportion measured as of the prior year measurement date of June 30, 2017.

The Office recognized OPEB expense for the year ended June 30, 2019, of \$130.453 million. At June 30, 2019, the Office reported deferred outflows and deferred inflows of resources, as of the measurement date of June 30, 2018, from the following sources (amounts expressed in thousands):

Deferred outflows of resources	
Differences between expected and actual experience	\$ 333
Changes in proportion and differences between employer contributions and proportionate share of contributions	390,698
Office contributions subsequent to the measurement date	64,829
Total deferred outflows of resources	\$ 455,860

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Deferred inflows of resources	
Differences between expected and actual experience	\$ 28,625
Changes of assumptions	122,079
Changes in proportion and differences between employer contributions and proportionate share of contributions	40,497
Total deferred inflows of resources	\$ 191,201

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

Year ended June 30,	
2020	\$ 46,088
2021	46,088
2022	46,088
2023	53,349
2024	8,217
Total	\$ 199,830

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

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

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

	Retirement Age Experience Study[^]	Mortality^{^^}
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 2014 – June 2017	RP-2014 with future mortality improvements on a fully generational basis using projection table MP-2017
SURS	July 2014 – June 2017	RP-2014 White Collar, gender distinct, projected using MP-2014 two-dimensional mortality improvement scale, set forward one year for male and female annuitants
[^]	The actuarial assumptions used in the respective actuarial valuations are based on the results of actuarial experience studies for the periods defined. A modified experience review was completed for SERS for the 3-year period ending June 30, 2015. Changes were made to the assumptions regarding investment rate of return, projected salary increases, inflation rate, and mortality based on this review. All other assumptions remained unchanged.	
^{^^}	Mortality rates are based on mortality tables published by the Society of Actuaries' Retirement Plans Experience Committee.	

Discount rate. Retirees contribute a percentage of the premium rate based on service at retirement. The State contributes additional amounts to cover claims and expenses in excess of retiree contributions. 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 of the measurement date. A single discount rate of 3.56% at June 30, 2017, and 3.62% at June 30, 2018, was used to measure the total OPEB liability.

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

	1% Decrease (2.62%)	Current Single Discount Rate Assumption (3.62%)	1% Increase (4.62%)
Total OPEB liability	\$1,524,039,207	\$1,299,955,428	\$1,122,069,882

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 rates 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). The key trend rates are 8.0% in 2019 decreasing to an ultimate trend rate of 4.92% in 2026, for non-Medicare coverage, and 9.0% decreasing to an ultimate trend rate of 4.5% in 2028 for Medicare coverage.

	1% Decrease	Current Healthcare Cost Trend Rates Assumption	1% Increase
Total OPEB liability	\$1,097,954,346	\$1,299,955,428	\$1,562,384,551

(11) Risk Management

The Office 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 Office's risk management activities for workers' compensation, self-insurance and unemployment insurance 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 Office; and accordingly, have not been reported in the Office's financial statements for the year ended June 30, 2019.

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(12) Commitments and Contingencies

(a) Operating leases

The Office leases certain office facilities and equipment under the terms of noncancelable operating lease agreements that require the Office to make minimum lease payments plus pay a pro rata share of certain operating costs. Rent expense under operating leases was \$14.137 million for the year ended June 30, 2019.

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

<u>Year ending June 30,</u>	<u>Amount</u>
2020	\$ 8,185
2021	6,851
2022	5,408
2023	3,630
2024	1,341
2025-2029	2,107
	<u>\$27,522</u>

(b) Federal Funding

The Office receives federal grants which are subject to review and audit by federal grantor agencies. Certain costs could be questioned as not being an eligible expenditure under the terms of the grants. At June 30, 2019, there were no material questioned costs that have not been resolved with the federal awarding agencies. However, questioned costs could still be identified during audits to be conducted in the future. Management of the Office believes there will be no material adjustments to the federal grants and, accordingly, has not recorded a provision for possible repayment.

(c) Litigation

The Office 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 other matters is not expected to have any material adverse effect on the financial position or operations of the Office.

SUPPLEMENTARY INFORMATION

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Combining Schedule of Accounts
General Fund

June 30, 2019 (Expressed in Thousands)

	General Revenue 0001	Live and Learn 0026	Corporate Franchise Tax Refund 0380	Common School 0412	Capital Projects 0694	Vehicle Inspection 0963	Special Advance 1198	Eliminations	Total
ASSETS									
Unexpended appropriations	\$ 33,955	\$ -	\$ -	\$ -	\$ -	\$ 99	\$ -	\$ -	\$ 34,054
Cash equity with State Treasurer	30,301	853	2,431	34	29,346	-	-	-	62,965
Cash and cash equivalents	91	-	-	-	-	-	5	-	96
Taxes receivable, net	1,688	-	-	-	-	-	-	-	1,688
Other receivables, net	70	-	-	-	-	-	-	-	70
Due from other Office funds	5,107	13,936	-	847	-	-	-	(16,176)	3,714
Inventories	412	-	-	-	-	-	-	-	412
Total assets	\$ 71,624	\$ 14,789	\$ 2,431	\$ 881	\$ 29,346	\$ 99	\$ 5	\$ (16,176)	\$ 102,999
LIABILITIES									
Accounts payable and accrued liabilities	\$ 27,019	\$ 4,239	\$ -	\$ -	\$ -	\$ 50	\$ -	\$ -	\$ 31,308
Intergovernmental payables	5,157	7,662	-	-	-	3	-	-	12,822
Due to other State fiduciary funds	192	4	-	-	-	24	-	-	220
Due to other Office funds	13,936	-	2,240	-	-	-	-	(16,176)	-
Due to other State funds	1,774	3	-	-	-	22	-	-	1,799
Due to component units	5	-	-	-	-	-	-	-	5
Unearned revenue	81	-	-	-	4,541	-	-	-	4,622
Total liabilities	48,164	11,908	2,240	-	4,541	99	-	(16,176)	50,776
FUND BALANCES (DEFICITS)									
Nonspendable:									
Inventories	412	-	-	-	-	-	-	-	412
Restricted for:									
General government	-	-	-	-	-	-	5	-	5
Committed to:									
General government	-	-	191	-	-	-	-	-	191
Unassigned	23,048	2,881	-	881	24,805	-	-	-	51,615
Total fund balances (deficits)	23,460	2,881	191	881	24,805	-	5	-	52,223
Total liabilities and fund balances (deficits)	\$ 71,624	\$ 14,789	\$ 2,431	\$ 881	\$ 29,346	\$ 99	\$ 5	\$ (16,176)	\$ 102,999

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

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

	General Revenue 0001	Live and Learn 0026	Corporate Franchise Tax Refund 0380	Common School 0412	Capital Projects 0694	Vehicle Inspection 0963	Special Advance 1198	Eliminations	Total
REVENUES									
Licenses and fees	\$ 212,619	\$ -	\$ -	\$ 588	\$ 309,045	\$ -	\$ -	\$ -	\$ 522,252
Other charges for services	3	-	-	-	-	-	-	-	3
Other taxes	246,772	-	2,213	-	-	-	-	-	248,985
Other revenue	232	-	-	-	-	-	-	-	232
Total revenues	459,626	-	2,213	588	309,045	-	-	-	771,472
EXPENDITURES									
General government	400,549	20,787	3	-	-	2,994	-	-	424,333
Debt service - interest	6	-	-	-	-	-	-	-	6
Debt service - principal	41	-	-	-	-	-	-	-	41
Capital outlays	2,361	-	-	-	-	-	-	-	2,361
Total expenditures	402,957	20,787	3	-	-	2,994	-	-	426,741
Excess (deficiency) of revenues over (under) expenditures	56,669	(20,787)	2,210	588	309,045	(2,994)	-	-	344,731
OTHER SOURCES (USES) OF FINANCIAL RESOURCES									
Appropriations from State resources	410,364	-	6	-	-	3,625	-	-	413,995
Lapsed appropriations	(7,875)	-	-	-	-	(631)	-	-	(8,506)
Receipts collected and transmitted to State Treasury	(464,677)	-	-	(602)	(308,916)	-	-	-	(774,195)
Amount of SAMS Transfers-in	(5,881)	-	-	(1,609)	-	-	-	-	(7,490)
Amount of SAMS Transfers-out	26,130	-	-	-	-	-	-	-	26,130
Transfers-in	3,937	20,904	-	1,669	-	-	-	(20,904)	5,606
Transfers-out	(20,904)	(1)	(2,240)	-	-	-	-	20,904	(2,241)
Proceeds from capital lease financing	202	-	-	-	-	-	-	-	202
Net other sources (uses) of financial resources	(58,704)	20,903	(2,234)	(542)	(308,916)	2,994	-	-	(346,499)
Net change in fund balances	(2,035)	116	(24)	46	129	-	-	-	(1,768)
Fund balances (deficits), July 1, 2018	25,379	2,765	215	835	24,676	-	5	-	53,875
Increase (decrease) for changes in inventories	116	-	-	-	-	-	-	-	116
FUND BALANCES (DEFICITS), JUNE 30, 2019	\$ 23,460	\$ 2,881	\$ 191	\$ 881	\$ 24,805	\$ -	\$ 5	\$ -	\$ 52,223

State of Illinois
Office of the Secretary of State
Combining Balance Sheet -
Non-major Governmental Funds
June 30, 2019 (Expressed in Thousands)

	Special Revenue									
	Motor Fuel Tax	Alzheimer's Awareness 0020	Illinois Nurses Foundation 0028	Drivers Education 0031	Illinois Sheriffs' Scholarship and Training 0032	Illinois State Police Memorial Park 0034	Lobbyist Registration Administration 0044	National Wild Turkey Federation 0058		
ASSETS										
Unexpended appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash equity with State Treasurer	-	18	16	777	5	41	2,448	-	-	-
Cash and cash equivalents	-	-	-	-	-	-	-	-	-	-
Securities lending collateral of State Treasurer	-	-	-	-	-	-	-	-	-	-
Intergovernmental receivables, net	-	-	-	-	-	-	-	-	-	-
Other receivables, net	-	-	-	3	-	-	-	-	-	-
Due from other Office funds	-	-	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-	-	-
Total assets	\$ -	\$ 18	\$ 16	\$ 780	\$ 5	\$ 41	\$ 2,448	\$ -	\$ -	\$ -
LIABILITIES										
Accounts payable and accrued liabilities	\$ -	\$ 15	\$ 11	\$ -	\$ -	\$ -	\$ 23	\$ -	\$ -	\$ -
Intergovernmental payables	-	-	-	-	-	-	2	-	-	-
Due to other State fiduciary funds	-	-	-	-	-	-	10	-	-	-
Due to other Office funds	-	-	-	-	-	-	-	-	-	-
Due to other State funds	-	-	-	-	-	-	5	-	-	-
Due to State of Illinois component units	-	-	-	-	-	-	-	-	-	-
Unearned revenue	-	-	1	-	-	2	-	-	-	-
Obligations under securities lending of State Treasurer	-	-	-	-	-	-	-	-	-	-
Total liabilities	-	15	12	-	-	2	40	-	-	-
DEFERRED INFLOWS OF RESOURCES										
Unavailable revenue	-	-	-	-	-	-	-	-	-	-
Total liabilities and deferred inflows of resources	-	15	12	-	-	2	40	-	-	-
FUND BALANCES (DEFICITS)										
Nonspendable										
Inventories	-	-	-	-	-	-	-	-	-	-
Restricted for:										
General government	-	3	4	780	5	39	-	-	-	-
Committed to:										
General government	-	-	-	-	-	-	2,408	-	-	-
Capital projects	-	-	-	-	-	-	-	-	-	-
Assigned to:										
General government	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Total fund balances	-	3	4	780	5	39	2,408	-	-	-
Total liabilities, deferred inflows of resources and fund balances	\$ -	\$ 18	\$ 16	\$ 780	\$ 5	\$ 41	\$ 2,448	\$ -	\$ -	\$ -

This statement is continued on the following page.

State of Illinois
Office of the Secretary of State
**Combining Balance Sheet -
Non-major Governmental Funds**
June 30, 2019 (Expressed in Thousands)

	Special Revenue								
	Curing Childhood Cancer 0066	Accessible Electronic Information Services 0106	CDLIS/ AAMVA Net Trust 0109	Motor Vehicle Theft Prevention & Insurance Verification 0156	Registered Limited Liability Partnership 0167	Secretary of State Federal Projects 0176	Driver Services Administration 0182	Secretary of State Special License Plate 0185	
ASSETS									
Unexpended appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash equity with State Treasurer	6	2	6,011	22,645	893	75	4,433	4,252	
Cash and cash equivalents	-	-	-	-	-	-	-	-	-
Securities lending collateral of State Treasurer	-	-	-	5,948	-	-	-	-	-
Intergovernmental receivables, net	-	-	-	-	-	22	-	-	-
Other receivables, net	-	-	-	41	-	-	-	-	-
Due from other Office funds	-	-	-	74	-	-	-	-	-
Inventories	-	-	1,423	-	-	-	-	-	475
Total assets	\$ 6	\$ 2	\$ 7,434	\$ 28,708	\$ 893	\$ 97	\$ 4,433	\$ 4,727	
LIABILITIES									
Accounts payable and accrued liabilities	\$ 6	\$ -	\$ 149	\$ 204	\$ 2	\$ -	\$ 46	\$ 175	
Intergovernmental payables	-	-	-	1	-	-	4	2	
Due to other State fiduciary funds	-	-	-	3	1	-	-	12	
Due to other Office funds	-	-	-	-	-	-	-	-	
Due to other State funds	-	-	-	2	1	-	-	15	
Due to State of Illinois component units	-	-	-	-	-	21	-	-	
Unearned revenue	-	-	-	-	-	8	-	100	
Obligations under securities lending of State Treasurer	-	-	-	5,948	-	-	-	-	
Total liabilities	6	-	149	6,158	4	29	50	304	
DEFERRED INFLOWS OF RESOURCES									
Unavailable revenue	-	-	-	-	-	9	-	-	
Total liabilities and deferred inflows of resources	6	-	149	6,158	4	38	50	304	
FUND BALANCES (DEFICITS)									
Nonspendable									
Inventories	-	-	1,423	-	-	-	-	475	
Restricted for:									
General government	-	-	-	-	-	-	4,383	-	
Committed to:									
General government	-	2	5,862	22,550	889	-	-	3,948	
Capital projects	-	-	-	-	-	-	-	-	
Assigned to:									
General government	-	-	-	-	-	59	-	-	
Unassigned	-	-	-	-	-	-	-	-	
Total fund balances	-	2	7,285	22,550	889	59	4,383	4,423	
Total liabilities, deferred inflows of resources and fund balances	\$ 6	\$ 2	\$ 7,434	\$ 28,708	\$ 893	\$ 97	\$ 4,433	\$ 4,727	

This statement is continued on the following page.

State of Illinois
Office of the Secretary of State
Combining Balance Sheet -
Non-major Governmental Funds
June 30, 2019 (Expressed in Thousands)

	Special Revenue							
	Securities Investors Education 0292	Interagency Grant 0295	Family Financial Responsibility 0322	Motor Vehicle Review Board 0323	Securities Audit and Enforcement 0362	Department of Business Services Special Operations 0363	Secretary of State Evidence 0374	State College and University Trust 0417
ASSETS								
Unexpended appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash equity with State Treasurer	6,086	311	380	143	20,429	6,384	37	21
Cash and cash equivalents	-	-	-	-	-	-	-	-
Securities lending collateral of State Treasurer	-	-	-	-	4,358	-	-	-
Intergovernmental receivables, net	-	-	-	-	-	-	-	-
Other receivables, net	-	-	-	-	140	-	-	-
Due from other Office funds	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-
Total assets	\$ 6,086	\$ 311	\$ 380	\$ 143	\$ 24,927	\$ 6,384	\$ 37	\$ 21
LIABILITIES								
Accounts payable and accrued liabilities	\$ 2	\$ -	\$ 4	\$ 6	\$ 133	\$ 277	\$ -	\$ -
Intergovernmental payables	-	-	-	-	8	17	-	-
Due to other State fiduciary funds	1	-	-	3	69	122	-	-
Due to other Office funds	-	-	-	-	272	1,697	-	-
Due to other State funds	1	-	-	-	37	76	-	-
Due to State of Illinois component units	-	-	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-	-	14
Obligations under securities lending of State Treasurer	-	-	-	-	4,358	-	-	-
Total liabilities	4	-	4	9	4,877	2,189	-	14
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue	-	-	-	-	-	-	-	-
Total liabilities and deferred inflows of resources	4	-	4	9	4,877	2,189	-	14
FUND BALANCES (DEFICITS)								
Nonspendable								
Inventories	-	-	-	-	-	-	-	-
Restricted for:								
General government	-	-	-	-	-	-	37	-
Committed to:								
General government	6,082	-	376	134	20,050	4,195	-	7
Capital projects	-	-	-	-	-	-	-	-
Assigned to:								
General government	-	311	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-
Total fund balances	6,082	311	376	134	20,050	4,195	37	7
Total liabilities, deferred inflows of resources and fund balances	\$ 6,086	\$ 311	\$ 380	\$ 143	\$ 24,927	\$ 6,384	\$ 37	\$ 21

This statement is continued on the following page.

State of Illinois
Office of the Secretary of State
Combining Balance Sheet -
Non-major Governmental Funds
June 30, 2019 (Expressed in Thousands)

	Special Revenue								
	Alternative Fuels 0422	Indigent BAID Fund 0451	Monitoring Device Driving Permit Administration 0453	Rotary Club 0454	Ovarian Cancer Awareness 0459	Illinois Professional Golfers Association Junior Golf 0463	Boy Scout and Girl Scout 0464	Agriculture in the Classroom 0466	Sheet Metal Workers Int'l Assoc. of Illinois 0468
ASSETS									
Unexpended appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash equity with State Treasurer	532	74	5,369	4	17	31	24	56	23
Cash and cash equivalents	-	-	-	-	-	-	-	-	-
Securities lending collateral of State Treasurer	-	-	-	-	-	-	-	-	-
Intergovernmental receivables, net	-	-	-	-	-	-	-	-	-
Other receivables, net	-	20	-	-	-	-	-	-	-
Due from other Office funds	-	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-	-
Total assets	\$ 532	\$ 94	\$ 5,369	\$ 4	\$ 17	\$ 31	\$ 24	\$ 56	\$ 23
LIABILITIES									
Accounts payable and accrued liabilities	\$ -	\$ 56	\$ 62	\$ -	\$ 15	\$ 12	\$ -	\$ 10	\$ -
Intergovernmental payables	-	-	5	-	-	-	-	-	-
Due to other State fiduciary funds	-	-	31	-	-	-	-	-	-
Due to other Office funds	-	-	-	-	-	-	-	-	-
Due to other State funds	-	-	14	-	-	-	-	-	-
Due to State of Illinois component units	-	-	-	-	-	-	-	-	-
Unearned revenue	51	-	-	-	-	3	1	5	-
Obligations under securities lending of State Treasurer	-	-	-	-	-	-	-	-	-
Total liabilities	51	56	112	-	15	15	1	15	-
DEFERRED INFLOWS OF RESOURCES									
Unavailable revenue	-	-	-	-	-	-	-	-	-
Total liabilities and deferred inflows of resources	51	56	112	-	15	15	1	15	-
FUND BALANCES (DEFICITS)									
Nonspendable									
Inventories	-	-	-	-	-	-	-	-	-
Restricted for:									
General government	-	38	5,257	4	2	16	23	41	23
Committed to:									
General government	481	-	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-	-	-
Assigned to:									
General government	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-
Total fund balances	481	38	5,257	4	2	16	23	41	23
Total liabilities, deferred inflows of resources and fund balances	\$ 532	\$ 94	\$ 5,369	\$ 4	\$ 17	\$ 31	\$ 24	\$ 56	\$ 23

This statement is continued on the following page.

State of Illinois
Office of the Secretary of State
**Combining Balance Sheet -
Non-major Governmental Funds**
June 30, 2019 (Expressed in Thousands)

	Special Revenue								
	Library Services 0470	State Library 0471	Secretary of State Identification and Theft Prevention 0480	Secretary of State Special Services 0483	Support Our Troops 0496	Master Mason 0508	Renewable Energy Resources Trust Fund 0564	Off Highway Vehicle Trails 0574	Pan Hellenic Trust 0584
ASSETS									
Unexpended appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash equity with State Treasurer	38	13	33,242	10,270	58	13	-	21	166
Cash and cash equivalents	-	-	-	-	-	-	-	-	-
Securities lending collateral of State Treasurer	-	-	-	-	-	-	-	-	-
Intergovernmental receivables, net	71	-	64	1	-	-	-	-	-
Other receivables, net	-	1	-	-	-	-	-	-	-
Due from other Office funds	-	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-	-
Total assets	\$ 109	\$ 14	\$ 33,306	\$ 10,271	\$ 58	\$ 13	\$ -	\$ 21	\$ 166
LIABILITIES									
Accounts payable and accrued liabilities	\$ 22	\$ -	\$ 1,851	\$ 878	\$ -	\$ 11	\$ -	\$ -	\$ 55
Intergovernmental payables	87	-	2	1	-	-	-	-	-
Due to other State fiduciary funds	-	-	13	-	-	-	-	-	-
Due to other Office funds	-	-	-	-	-	-	-	-	-
Due to other State funds	-	-	7	368	-	-	-	-	-
Due to State of Illinois component units	-	-	-	-	-	-	-	-	-
Unearned revenue	-	-	-	-	1	1	-	-	1
Obligations under securities lending of State Treasurer	-	-	-	-	-	-	-	-	-
Total liabilities	109	-	1,873	1,247	1	12	-	-	56
DEFERRED INFLOWS OF RESOURCES									
Unavailable revenue	-	-	-	1	-	-	-	-	-
Total liabilities and deferred inflows of resources	109	-	1,873	1,248	1	12	-	-	56
FUND BALANCES (DEFICITS)									
Nonspendable									
Inventories	-	-	-	-	-	-	-	-	-
Restricted for:									
General government	-	-	-	-	57	1	-	-	110
Committed to:									
General government	-	14	31,433	9,023	-	-	-	21	-
Capital projects	-	-	-	-	-	-	-	-	-
Assigned to:									
General government	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-
Total fund balances	-	14	31,433	9,023	57	1	-	21	110
Total liabilities, deferred inflows of resources and fund balances	\$ 109	\$ 14	\$ 33,306	\$ 10,271	\$ 58	\$ 13	\$ -	\$ 21	\$ 166

This statement is continued on the following page.

State of Illinois
Office of the Secretary of State
**Combining Balance Sheet -
Non-major Governmental Funds**
June 30, 2019 (Expressed in Thousands)

	Special Revenue							
	Park District Youth Program 0585	Professional Sports Team Education 0587	Illinois Route 66 Heritage Project 0594	Police Memorial Committee 0598	Mammogram 0599	Motor Vehicle License Plate 0622	Chicago Police Memorial Foundation 0639	Illinois Police Association 0655
ASSETS								
Unexpended appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash equity with State Treasurer	7	895	121	93	65	17,688	43	70
Cash and cash equivalents	-	-	-	-	-	-	-	-
Securities lending collateral of State Treasurer	-	-	-	-	-	-	-	-
Intergovernmental receivables, net	-	-	-	-	-	-	-	-
Other receivables, net	-	-	-	-	-	-	-	-
Due from other Office funds	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	3,214	-	-
Total assets	\$ 7	\$ 895	\$ 121	\$ 93	\$ 65	\$ 20,902	\$ 43	\$ 70
LIABILITIES								
Accounts payable and accrued liabilities	\$ 6	\$ -	\$ 40	\$ 42	\$ 54	\$ 1,076	\$ -	\$ -
Intergovernmental payables	-	-	-	-	-	9	-	-
Due to other State fiduciary funds	-	-	-	-	-	16	-	-
Due to other Office funds	-	847	-	-	-	-	-	-
Due to other State funds	-	-	-	-	-	39	-	-
Due to State of Illinois component units	-	-	-	-	-	-	-	-
Unearned revenue	1	48	9	6	4	-	1	3
Obligations under securities lending of State Treasurer	-	-	-	-	-	-	-	-
Total liabilities	7	895	49	48	58	1,140	1	3
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue	-	-	-	-	-	-	-	-
Total liabilities and deferred inflows of resources	7	895	49	48	58	1,140	1	3
FUND BALANCES (DEFICITS)								
Nonspendable								
Inventories	-	-	-	-	-	3,214	-	-
Restricted for:								
General government	-	-	72	45	7	-	42	67
Committed to:								
General government	-	-	-	-	-	16,548	-	-
Capital projects	-	-	-	-	-	-	-	-
Assigned to:								
General government	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-
Total fund balances	-	-	72	45	7	19,762	42	67
Total liabilities, deferred inflows of resources and fund balances	\$ 7	\$ 895	\$ 121	\$ 93	\$ 65	\$ 20,902	\$ 43	\$ 70

This statement is continued on the following page.

State of Illinois
Office of the Secretary of State
Combining Balance Sheet -
Non-major Governmental Funds
June 30, 2019 (Expressed in Thousands)

	Special Revenue							
	Octave Chanute Aero Heritage 0662	Organ Donor Awareness 0716	Secretary of State DUI Administration 0732	Secretary of State DUI 0758	Secretary of State Police Services 0759	Marine Corps Scholarship 0760	State Parking Facility Maintenance 0782	Illinois EMS Memorial Scholarship and Training 0800
ASSETS								
Unexpended appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1	\$ -
Cash equity with State Treasurer	32	143	4,927	9	707	99	-	12
Cash and cash equivalents	-	-	-	-	-	-	-	-
Securities lending collateral of State Treasurer	-	-	-	-	-	-	-	-
Intergovernmental receivables, net	-	-	-	-	-	-	-	-
Other receivables, net	-	-	-	-	-	-	-	-
Due from other Office funds	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-
Total assets	\$ 32	\$ 143	\$ 4,927	\$ 9	\$ 707	\$ 99	\$ 1	\$ 12
LIABILITIES								
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 140	\$ -	\$ 161	\$ 25	\$ 1	\$ -
Intergovernmental payables	-	-	2	-	-	-	-	-
Due to other State fiduciary funds	-	-	10	-	2	-	-	-
Due to other Office funds	-	-	-	-	-	-	-	-
Due to other State funds	-	-	12	-	-	-	-	-
Due to State of Illinois component units	-	-	-	-	-	-	-	-
Unearned revenue	1	5	-	-	-	5	-	-
Obligations under securities lending of State Treasurer	-	-	-	-	-	-	-	-
Total liabilities	1	5	164	-	163	30	1	-
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue	-	-	-	-	-	-	-	-
Total liabilities and deferred inflows of resources	1	5	164	-	163	30	1	-
FUND BALANCES (DEFICITS)								
Nonspendable								
Inventories	-	-	-	-	-	-	-	-
Restricted for:								
General government	31	-	-	9	-	-	-	12
Committed to:								
General government	-	138	4,763	-	544	69	-	-
Capital projects	-	-	-	-	-	-	-	-
Assigned to:								
General government	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-
Total fund balances	31	138	4,763	9	544	69	-	12
Total liabilities, deferred inflows of resources and fund balances	\$ 32	\$ 143	\$ 4,927	\$ 9	\$ 707	\$ 99	\$ 1	\$ 12

This statement is continued on the following page.

State of Illinois
Office of the Secretary of State
Combining Balance Sheet -
Non-major Governmental Funds
June 30, 2019 (Expressed in Thousands)

	Special Revenue								
	International Brotherhood of Teamsters 0803	Share the Road 0854	Cycle Rider Safety Training 0863	Fraternal Order of Police 0867	St. Jude Children's Research 0899	4-H 0915	Ducks Unlimited 0918	Secretary of State Grant 0948	Secretary of State Antique Vehicle Show 1390
ASSETS									
Unexpended appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash equity with State Treasurer	4	24	372	9	3	-	15	348	-
Cash and cash equivalents	-	-	-	-	-	-	-	-	13
Securities lending collateral of State Treasurer	-	-	-	-	1	-	-	-	-
Intergovernmental receivables, net	-	-	-	-	-	-	-	-	-
Other receivables, net	-	-	-	-	-	-	-	-	-
Due from other Office funds	-	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-	-
Total assets	\$ 4	\$ 24	\$ 372	\$ 9	\$ 4	\$ -	\$ 15	\$ 348	\$ 13
LIABILITIES									
Accounts payable and accrued liabilities	\$ 1	\$ 5	\$ -	\$ 3	\$ 3	\$ -	\$ -	\$ 1	\$ -
Intergovernmental payables	-	-	-	-	-	-	-	-	-
Due to other State fiduciary funds	-	-	-	-	-	-	-	-	-
Due to other Office funds	-	-	-	-	-	-	-	-	-
Due to other State funds	-	-	-	-	-	-	-	-	-
Due to State of Illinois component units	-	-	-	-	-	-	-	-	-
Unearned revenue	-	2	92	1	-	-	1	-	-
Obligations under securities lending of State Treasurer	-	-	-	-	1	-	-	-	-
Total liabilities	1	7	92	4	4	-	1	1	-
DEFERRED INFLOWS OF RESOURCES									
Unavailable revenue	-	-	-	-	-	-	-	-	-
Total liabilities and deferred inflows of resources	1	7	92	4	4	-	1	1	-
FUND BALANCES (DEFICITS)									
Nonspendable									
Inventories	-	-	-	-	-	-	-	-	-
Restricted for:									
General government	3	17	-	5	-	-	14	-	13
Committed to:									
General government	-	-	280	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-	-	-
Assigned to:									
General government	-	-	-	-	-	-	-	347	-
Unassigned	-	-	-	-	-	-	-	-	-
Total fund balances	3	17	280	5	-	-	14	347	13
Total liabilities, deferred inflows of resources and fund balances	\$ 4	\$ 24	\$ 372	\$ 9	\$ 4	\$ -	\$ 15	\$ 348	\$ 13

This statement is continued on the following page.

State of Illinois
Office of the Secretary of State
**Combining Balance Sheet -
Non-major Governmental Funds**
June 30, 2019 (Expressed in Thousands)

	<u>Capital Projects</u>			
	Capital Development 0141	State Construction Account 0902	Build Illinois Bond 0971	Total
ASSETS				
Unexpended appropriations	\$ -	\$ -	\$ -	\$ 1
Cash equity with State Treasurer	-	73,940	-	224,990
Cash and cash equivalents	-	-	-	13
Securities lending collateral of State Treasurer	-	-	-	10,307
Intergovernmental receivables, net	-	-	-	158
Other receivables, net	-	1,281	-	1,486
Due from other Office funds	-	2,316	-	2,390
Inventories	-	-	-	5,112
Total assets	<u>\$ -</u>	<u>\$ 77,537</u>	<u>\$ -</u>	<u>\$ 244,457</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ 5,583
Intergovernmental payables	-	-	-	140
Due to other State fiduciary funds	-	-	-	293
Due to other Office funds	-	-	-	2,816
Due to other State funds	-	-	-	577
Due to State of Illinois component units	-	-	-	21
Unearned revenue	-	6,702	-	7,069
Obligations under securities lending of State Treasurer	-	-	-	10,307
Total liabilities	<u>-</u>	<u>6,702</u>	<u>-</u>	<u>26,806</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	-	-	-	10
Total liabilities and deferred inflows of resources	<u>-</u>	<u>6,702</u>	<u>-</u>	<u>26,816</u>
FUND BALANCES (DEFICITS)				
Nonspendable				
Inventories	-	-	-	5,112
Restricted for:				
General government	-	-	-	11,160
Committed to:				
General government	-	-	-	129,817
Capital projects	-	70,835	-	70,835
Assigned to:				
General government	-	-	-	717
Unassigned	-	-	-	-
Total fund balances	<u>-</u>	<u>70,835</u>	<u>-</u>	<u>217,641</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ -</u>	<u>\$ 77,537</u>	<u>\$ -</u>	<u>\$ 244,457</u>

State of Illinois
Office of the Secretary of State

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

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

Special Revenue

	Motor Fuel Tax 0012	Alzheimer's Awareness 0020	Illinois Nurses Foundation 0028	Drivers Education 0031	Illinois Sheriffs' Scholarship and Training 0032	Illinois State Police Memorial Park 0034	Lobbyist Registration Administration 0044	National Wild Turkey Federation 0058
REVENUES								
Federal government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and fees	-	13	24	11,691	4	36	1,136	-
Interest and other investment income	-	-	-	-	-	-	-	-
Other charges for services	-	-	-	-	-	-	-	-
Other revenues	-	-	-	-	-	-	110	-
Total revenues	-	13	24	11,691	4	36	1,246	-
EXPENDITURES								
General government	1,300	15	26	-	1	20	1,040	1
Debt service - principal	-	-	-	-	-	-	-	-
Debt service - interest	-	-	-	-	-	-	-	-
Capital outlays	-	-	-	-	-	-	-	-
Total expenditures	1,300	15	26	-	1	20	1,040	1
Excess (deficiency) of revenues over (under) expenditures	(1,300)	(2)	(2)	11,691	3	16	206	(1)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES								
Appropriations from State resources	1,300	-	-	-	-	-	-	-
Lapsed appropriations	-	-	-	-	-	-	-	-
Receipts collected and transmitted to State Treasury	-	-	-	(11,934)	-	-	-	-
Transfers-in	-	-	-	-	-	-	-	-
Transfers-out	-	-	-	-	-	-	-	-
Net other sources (uses) of financial resources	1,300	-	-	(11,934)	-	-	-	-
Net change in fund balances	-	(2)	(2)	(243)	3	16	206	(1)
Fund balances (deficits), July 1, 2018	-	5	6	1,023	2	23	2,202	1
Increase (decrease) for changes in inventories	-	-	-	-	-	-	-	-
FUND BALANCES (DEFICITS), JUNE 30, 2019	\$ -	\$ 3	\$ 4	\$ 780	\$ 5	\$ 39	\$ 2,408	\$ -

State of Illinois
Office of the Secretary of State

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

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

Special Revenue

	Curing Childhood Cancer 0066	Accessible Electronic Information Services 0106	CDLIS/ AAMVA Net Trust 0109	Motor Vehicle Theft Prevention & Insurance Verification 0156	Registered Limited Liability Partnership 0167	Secretary of State Federal Projects 0176	Driver Services Administration 0182	Secretary of State Special License Plate 0185
REVENUES								
Federal government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 108	\$ -	\$ -
Licenses and fees	-	-	4,664	6,293	584	-	2,330	3,642
Interest and other investment income	-	-	-	384	-	-	-	-
Other charges for services	-	-	-	-	-	-	-	-
Other revenues	-	-	-	-	-	-	-	-
Total revenues	-	-	4,664	6,677	584	108	2,330	3,642
EXPENDITURES								
General government	6	-	4,443	512	100	109	928	4,308
Debt service - principal	-	-	-	-	-	-	-	-
Debt service - interest	-	-	-	-	-	-	-	-
Capital outlays	-	-	-	-	-	-	-	-
Total expenditures	6	-	4,443	512	100	109	928	4,308
Excess (deficiency) of revenues over (under) expenditures	(6)	-	221	6,165	484	(1)	1,402	(666)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES								
Appropriations from State resources	-	-	-	-	-	-	-	-
Lapsed appropriations	-	-	-	-	-	-	-	-
Receipts collected and transmitted to State Treasury	-	-	-	-	-	-	-	-
Transfers-in	-	-	-	-	-	-	-	-
Transfers-out	-	-	-	-	(287)	-	-	-
Net other sources (uses) of financial resources	-	-	-	-	(287)	-	-	-
Net change in fund balances	(6)	-	221	6,165	197	(1)	1,402	(666)
Fund balances (deficits), July 1, 2018	6	2	8,938	16,385	692	60	2,981	5,438
Increase (decrease) for changes in inventories	-	-	(1,874)	-	-	-	-	(349)
FUND BALANCES (DEFICITS), JUNE 30, 2019	\$ -	\$ 2	\$ 7,285	\$ 22,550	\$ 889	\$ 59	\$ 4,383	\$ 4,423

State of Illinois
Office of the Secretary of State

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

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

	Special Revenue							
	Securities Investors Education 0292	Interagency Grant 0295	Family Financial Responsibility 0322	Motor Vehicle Review Board 0323	Securities Audit and Enforcement 0362	Department of Business Services Special Operations 0363	Secretary of State Evidence 0374	State College and University Trust 0417
REVENUES								
Federal government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and fees	60	-	120	232	13,191	15,319	-	255
Interest and other investment income	-	-	-	-	286	-	-	-
Other charges for services	-	-	-	-	-	-	-	-
Other revenues	-	-	-	-	(496)	-	2	-
Total revenues	60	-	120	232	12,981	15,319	2	255
EXPENDITURES								
General government	215	-	173	265	7,355	11,093	-	-
Debt service - principal	-	-	-	-	-	-	-	-
Debt service - interest	-	-	-	-	-	-	-	-
Capital outlays	-	-	-	-	-	-	-	-
Total expenditures	215	-	173	265	7,355	11,093	-	-
Excess (deficiency) of revenues over (under) expenditures	(155)	-	(53)	(33)	5,626	4,226	2	255
OTHER SOURCES (USES) OF FINANCIAL RESOURCES								
Appropriations from State resources	-	-	-	-	-	-	-	-
Lapsed appropriations	-	-	-	-	-	-	-	-
Receipts collected and transmitted to State Treasury	-	-	-	-	-	-	-	(263)
Transfers-in	-	-	-	-	-	-	-	-
Transfers-out	(1,500)	-	-	-	(3,500)	(4,697)	-	-
Net other sources (uses) of financial resources	(1,500)	-	-	-	(3,500)	(4,697)	-	(263)
Net change in fund balances	(1,655)	-	(53)	(33)	2,126	(471)	2	(8)
Fund balances (deficits), July 1, 2018	7,737	311	429	167	17,924	4,666	35	15
Increase (decrease) for changes in inventories	-	-	-	-	-	-	-	-
FUND BALANCES (DEFICITS), JUNE 30, 2019	\$ 6,082	\$ 311	\$ 376	\$ 134	\$ 20,050	\$ 4,195	\$ 37	\$ 7

This statement is continued on the following page.

State of Illinois
Office of the Secretary of State

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

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

	Special Revenue								
	Alternative Fuels 0422	Indigent BAID 0451	Monitoring Device Driving Permit Administration 0453	Rotary Club 0454	Ovarian Cancer Awareness 0459	Illinois Professional Golfers Association Junior Golf 0463	Boy Scout and Girl Scout 0464	Agriculture in the Classroom 0466	Sheet Metal Workers Int'l Assoc. of Illinois 0468
REVENUES									
Federal government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and fees	1,966	255	1,885	3	14	49	23	127	3
Interest and other investment income	-	-	-	-	-	-	-	-	-
Other charges for services	-	-	-	-	-	-	-	-	-
Other revenues	-	-	-	-	-	-	-	-	-
Total revenues	1,966	255	1,885	3	14	49	23	127	3
EXPENDITURES									
General government	225	245	1,919	-	15	75	20	110	-
Debt service - principal	-	-	-	-	-	-	-	-	-
Debt service - interest	-	-	-	-	-	-	-	-	-
Capital outlays	-	-	-	-	-	-	-	-	-
Total expenditures	225	245	1,919	-	15	75	20	110	-
Excess (deficiency) of revenues over (under) expenditures	1,741	10	(34)	3	(1)	(26)	3	17	3
OTHER SOURCES (USES) OF FINANCIAL RESOURCES									
Appropriations from State resources	225	-	-	-	-	-	-	-	-
Lapsed appropriations	-	-	-	-	-	-	-	-	-
Receipts collected and transmitted to State Treasury	(1,926)	-	-	-	-	-	-	-	-
Transfers-in	-	-	-	-	-	-	-	-	-
Transfers-out	-	-	-	-	-	-	-	-	-
Net other sources (uses) of financial resources	(1,701)	-	-	-	-	-	-	-	-
Net change in fund balances	40	10	(34)	3	(1)	(26)	3	17	3
Fund balances (deficits), July 1, 2018	441	28	5,291	1	3	42	20	24	20
Increase (decrease) for changes in inventories	-	-	-	-	-	-	-	-	-
FUND BALANCES (DEFICITS), JUNE 30, 2019	\$ 481	\$ 38	\$ 5,257	\$ 4	\$ 2	\$ 16	\$ 23	\$ 41	\$ 23

This statement is continued on the following page.

State of Illinois
Office of the Secretary of State

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

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

Special Revenue

	Library Services 0470	State Library 0471	Secretary of State Identification and Theft Prevention 0480	Secretary of State Special Services 0483	Support Our Troops 0496	Master Mason 0508	Renewable Energy Resources Trust Fund 0564	Off Highway Vehicle Trails 0574	Pan Hellenic Trust 0584
REVENUES									
Federal government	\$ 5,214	\$ -	\$ 278	\$ 29	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and fees	-	-	-	19,581	43	37	-	310	71
Interest and other investment income	-	-	-	-	-	-	-	-	-
Other charges for services	-	-	-	-	-	-	-	-	-
Other revenues	-	11	-	48	-	-	-	-	-
Total revenues	5,214	11	278	19,658	43	37	-	310	71
EXPENDITURES									
General government	5,161	8	11,524	18,620	75	38	2,000	-	55
Debt service - principal	-	-	-	480	-	-	-	-	-
Debt service - interest	-	-	-	96	-	-	-	-	-
Capital outlays	52	-	138	496	-	-	-	-	-
Total expenditures	5,213	8	11,662	19,692	75	38	2,000	-	55
Excess (deficiency) of revenues over (under) expenditures	1	3	(11,384)	(34)	(32)	(1)	(2,000)	310	16
OTHER SOURCES (USES) OF FINANCIAL RESOURCES									
Appropriations from State resources	-	-	-	-	-	-	2,000	-	-
Lapsed appropriations	-	-	-	-	-	-	-	-	-
Receipts collected and transmitted to State Treasury	-	-	-	-	-	-	-	(322)	-
Transfers-in	-	-	8,287	-	-	-	-	-	-
Transfers-out	-	-	-	-	-	-	-	-	-
Net other sources (uses) of financial resources	-	-	8,287	-	-	-	2,000	(322)	-
Net change in fund balances	1	3	(3,097)	(34)	(32)	(1)	-	(12)	16
Fund balances (deficits), July 1, 2018	(1)	11	34,530	9,057	89	2	-	33	94
Increase (decrease) for changes in inventories	-	-	-	-	-	-	-	-	-
FUND BALANCES (DEFICITS), JUNE 30, 2019	\$ -	\$ 14	\$ 31,433	\$ 9,023	\$ 57	\$ 1	\$ -	\$ 21	\$ 110

This statement is continued on the following page.

State of Illinois
Office of the Secretary of State

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

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

Special Revenue

	Park District Youth Program 0585	Professional Sports Team Education 0587	Illinois Route 66 Heritage Project 0594	Police Memorial Committee 0598	Mammogram 0599	Motor Vehicle License Plate 0622	Chicago Police Memorial Foundation 0639	Illinois Police Association 0655
REVENUES								
Federal government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and fees	27	1,669	199	197	113	12,664	54	111
Interest and other investment income	-	-	-	-	-	-	-	-
Other charges for services	-	-	-	-	-	-	-	-
Other revenues	-	-	-	-	-	888	-	-
Total revenues	27	1,669	199	197	113	13,552	54	111
EXPENDITURES								
General government	27	-	200	200	114	14,575	45	110
Debt service - principal	-	-	-	-	-	-	-	-
Debt service - interest	-	-	-	-	-	-	-	-
Capital outlays	-	-	-	-	-	327	-	-
Total expenditures	27	-	200	200	114	14,902	45	110
Excess (deficiency) of revenues over (under) expenditures	-	1,669	(1)	(3)	(1)	(1,350)	9	1
OTHER SOURCES (USES) OF FINANCIAL RESOURCES	-							
Appropriations from State resources	-	-	-	-	-	-	-	-
Lapsed appropriations	-	-	-	-	-	-	-	-
Receipts collected and transmitted to State Treasury	-	-	-	-	-	-	-	-
Transfers-in	-	-	-	-	-	-	-	-
Transfers-out	-	(1,669)	-	-	-	-	-	-
Net other sources (uses) of financial resources	-	(1,669)	-	-	-	-	-	-
Net change in fund balances	-	-	(1)	(3)	(1)	(1,350)	9	1
Fund balances (deficits), July 1, 2018	-	-	73	48	8	21,893	33	66
Increase (decrease) for changes in inventories	-	-	-	-	-	(781)	-	-
FUND BALANCES (DEFICITS), JUNE 30, 2019	\$ -	\$ -	\$ 72	\$ 45	\$ 7	\$ 19,762	\$ 42	\$ 67

State of Illinois
Office of the Secretary of State

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

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

Special Revenue

	Octave Chanute Aero Heritage 0662	Organ Donor Awareness 0716	Secretary of State DUI Administration 0732	Secretary of State DUI 0758	Secretary of State Police Services 0759	Marine Corps Scholarship 0760	State Parking Facility Maintenance 0782
REVENUES							
Federal government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and fees	26	139	2,496	-	338	142	10
Interest and other investment income	-	-	-	-	-	-	-
Other charges for services	-	-	-	2	-	-	-
Other revenues	-	-	-	-	20	-	-
Total revenues	26	139	2,496	2	358	142	10
EXPENDITURES							
General government	45	160	2,168	-	307	145	24
Debt service - principal	-	-	-	-	-	-	-
Debt service - interest	-	-	-	-	-	-	-
Capital outlays	-	-	-	-	108	-	60
Total expenditures	45	160	2,168	-	415	145	84
Excess (deficiency) of revenues over (under) expenditures	(19)	(21)	328	2	(57)	(3)	(74)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES							
Appropriations from State resources	-	-	-	-	-	-	300
Lapsed appropriations	-	-	-	-	-	-	(216)
Receipts collected and transmitted to State Treasury	-	-	-	-	-	-	(10)
Transfers-in	-	-	-	-	-	-	-
Transfers-out	-	-	-	-	-	-	-
Net other sources (uses) of financial resources	-	-	-	-	-	-	74
Net change in fund balances	(19)	(21)	328	2	(57)	(3)	-
Fund balances (deficits), July 1, 2018	50	159	4,435	7	601	72	-
Increase (decrease) for changes in inventories	-	-	-	-	-	-	-
FUND BALANCES (DEFICITS), JUNE 30, 2019	\$ 31	\$ 138	\$ 4,763	\$ 9	\$ 544	\$ 69	\$ -

This statement is continued on the following page.

State of Illinois
Office of the Secretary of State

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

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

Special Revenue

	Illinois EMS Memorial Scholarship and Training 0800	International Brotherhood of Teamsters 0803	Share the Road 0854	Cycle Rider Safety Training 0863	Fraternal Order of Police 0867	St. Jude Children's Research 0899	Ducks Unlimited 0918	Secretary of State Grant 0948	Secretary of State Antique Vehicle Show 1390
REVENUES									
Federal government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and fees	-	6	40	3,927	16	-	21	-	15
Interest and other investment income	-	-	-	-	-	-	-	-	-
Other charges for services	-	-	-	-	-	-	-	-	-
Other revenues	-	-	-	-	-	-	-	15	-
Total revenues	-	6	40	3,927	16	-	21	15	15
EXPENDITURES									
General government	-	5	45	-	20	3	20	75	15
Debt service - principal	-	-	-	-	-	-	-	-	-
Debt service - interest	-	-	-	-	-	-	-	-	-
Capital outlays	-	-	-	-	-	-	-	36	-
Total expenditures	-	5	45	-	20	3	20	111	15
Excess (deficiency) of revenues over (under) expenditures	-	1	(5)	3,927	(4)	(3)	1	(96)	-
OTHER SOURCES (USES) OF FINANCIAL RESOURCES									
Appropriations from State resources	-	-	-	-	-	-	-	-	-
Lapsed appropriations	-	-	-	-	-	-	-	-	-
Receipts collected and transmitted to State Treasury	-	-	-	(4,058)	-	-	-	-	-
Transfers-in	-	-	-	-	-	-	-	-	-
Transfers-out	-	-	-	-	-	-	-	-	-
Net other sources (uses) of financial resources	-	-	-	(4,058)	-	-	-	-	-
Net change in fund balances	-	1	(5)	(131)	(4)	(3)	1	(96)	-
Fund balances (deficits), July 1, 2018	12	2	22	411	9	3	13	443	13
Increase (decrease) for changes in inventories	-	-	-	-	-	-	-	-	-
FUND BALANCES (DEFICITS), JUNE 30, 2019	\$ 12	\$ 3	\$ 17	\$ 280	\$ 5	\$ -	\$ 14	\$ 347	\$ 13

This statement is continued on the following page.

State of Illinois
Office of the Secretary of State

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

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

	<u>Capital Projects</u>			
	<u>Capital Development 0141</u>	<u>State Construction Account 0902</u>	<u>Build Illinois Bond 0971</u>	<u>Total</u>
REVENUES				
Federal government	\$ -	\$ -	\$ -	\$ 5,629
Licenses and fees	-	488,017	-	594,188
Interest and other investment income	-	-	-	670
Other charges for services	-	-	-	2
Other revenues	-	-	-	598
Total revenues	<u>-</u>	<u>488,017</u>	<u>-</u>	<u>601,087</u>
EXPENDITURES				
General government	862	-	8,954	100,119
Debt service - principal	-	-	-	480
Debt service - interest	-	-	-	96
Capital outlays	706	-	-	1,923
Total expenditures	<u>1,568</u>	<u>-</u>	<u>8,954</u>	<u>102,618</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,568)</u>	<u>488,017</u>	<u>(8,954)</u>	<u>498,469</u>
OTHER SOURCES (USES) OF FINANCIAL RESOURCES				
Appropriations from State resources	6,085	-	14,388	24,298
Lapsed appropriations	(4,517)	-	(5,434)	(10,167)
Receipts collected and transmitted to State Treasury	-	(495,653)	-	(514,166)
Transfers-in	-	-	-	8,287
Transfers-out	-	-	-	(11,653)
Net other sources (uses) of financial resources	<u>1,568</u>	<u>(495,653)</u>	<u>8,954</u>	<u>(503,401)</u>
Net change in fund balances	<u>-</u>	<u>(7,636)</u>	<u>-</u>	<u>(4,932)</u>
Fund balances (deficits), July 1, 2018	-	78,471	-	225,577
Increase (decrease) for changes in inventories	-	-	-	(3,004)
FUND BALANCES (DEFICITS), JUNE 30, 2019	<u>\$ -</u>	<u>\$ 70,835</u>	<u>\$ -</u>	<u>\$ 217,641</u>

State of Illinois
Office of the Secretary of State

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

June 30, 2019 (Expressed in Thousands)

	Safety Responsibility 0436	International Registration Plan 0890	Go-Back 1110	Safekeeping 1344	Total
ASSETS					
Cash equity with State Treasurer	\$ 1,363	\$ 13	\$ -	\$ -	\$ 1,376
Cash and cash equivalents	-	-	-	138	138
Investments	-	-	-	106	106
Total assets	\$ 1,363	\$ 13	\$ -	\$ 244	\$ 1,620
LIABILITIES					
Accounts Payable	\$ 27	\$ -	\$ -	\$ -	\$ 27
Other liabilities	1,336	13	-	244	1,593
Total liabilities	\$ 1,363	\$ 13	\$ -	\$ 244	\$ 1,620

State of Illinois
Office of the Secretary of State

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

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

	Balance at June 30, 2018	Additions	Deletions	Balance at June 30, 2019
Safety Responsibility (0436)				
ASSETS				
Cash equity with State Treasurer	\$ 1,320	\$ 43	\$ -	\$ 1,363
Total assets	\$ 1,320	\$ 43	\$ -	\$ 1,363
LIABILITIES				
Accounts payable	\$ -	\$ 27	\$ -	\$ 27
Other liabilities	1,320	16	-	1,336
Total liabilities	\$ 1,320	\$ 43	\$ -	\$ 1,363
International Registration Plan (0890)				
ASSETS				
Cash equity with State Treasurer	\$ 37	\$ 97,691	\$ 97,715	\$ 13
Total assets	\$ 37	\$ 97,691	\$ 97,715	\$ 13
LIABILITIES				
Other liabilities	\$ 37	\$ 97,691	\$ 97,715	\$ 13
Total liabilities	\$ 37	\$ 97,691	\$ 97,715	\$ 13
Go-Back (1110)				
ASSETS				
Cash and cash equivalents	\$ -	\$ 15	\$ 15	\$ -
Total assets	\$ -	\$ 15	\$ 15	\$ -
LIABILITIES				
Other liabilities	\$ -	\$ 15	\$ 15	\$ -
Total liabilities	\$ -	\$ 15	\$ 15	\$ -
Safekeeping (1344)				
ASSETS				
Cash and cash equivalents	\$ 305	\$ 68	\$ 235	\$ 138
Investments	150	56	100	106
Total assets	\$ 455	\$ 124	\$ 335	\$ 244
LIABILITIES				
Other liabilities	\$ 455	\$ 124	\$ 335	\$ 244
Total liabilities	\$ 455	\$ 124	\$ 335	\$ 244
Total - All Agency Funds				
ASSETS				
Cash equity with State Treasurer	\$ 1,357	\$ 97,734	\$ 97,715	\$ 1,376
Cash and cash equivalents	305	83	250	138
Investments	150	56	100	106
Total assets	\$ 1,812	\$ 97,873	\$ 98,065	\$ 1,620
LIABILITIES				
Accounts payable	\$ -	\$ 27	\$ -	\$ 27
Other liabilities	1,812	97,846	98,065	1,593
Total liabilities	\$ 1,812	\$ 97,873	\$ 98,065	\$ 1,620

3201 W. White Oaks Dr., Suite 102
Springfield, IL 62704
217.793.3363

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**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

Report on the Financial Statements

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, Office of the Secretary of State, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the State of Illinois, Office of the Secretary of State’s basic financial statements, and have issued our report thereon dated January 30, 2020.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Illinois, Office of the Secretary of State’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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

Management of the State of Illinois, Office of the Secretary of State is responsible for establishing and maintain effective internal control over financial reporting (internal control).

In planning and performing our audit of the financial statements, we considered the State of Illinois, Office of the Secretary of State's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of Illinois, Office of the Secretary of State's internal control. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois, Office of the Secretary of State's internal control.

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

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

Office's Response to Findings

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

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 State of Illinois, Office of the Secretary of State'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 State of Illinois, Office of the Secretary of State's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

Springfield, Illinois
January 30, 2020

STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE
FINANCIAL AUDIT
For the Year Ended June 30, 2019

SCHEDULE OF FINDINGS

CURRENT FINDINGS – Government Auditing Standards

2019-001 FINDING (Weaknesses in determination of cash on hand and cash in transit amounts reported in the financial statements)

The Office of the Secretary of State (Office) did not properly update calculations and used incorrect query totals to determine the adjustment to record cash on hand and cash in transit at fiscal year-end. Additionally, the Office failed to record the cash on hand entry for the General Revenue Fund.

During the testing over the cash on hand and the cash in transit balances reported in the General Revenue Fund (Fund 0001) and the Road Fund (Fund 0011) auditors noted the following errors in the calculation:

- The spreadsheet used to calculate the total cash on hand and cash in transit for the Road Fund improperly included fiscal year 2018 data. The amount of June receipts held in the Treasurer’s Clearing Accounts but not yet remitted to the Illinois Office of the Comptroller at June 30, 2019 was overstated by \$477 thousand. The amount of June receipts not yet deposited into the Treasurer’s Clearing Accounts at June 30, 2019 was understated by \$15.2 million. The net understatement in the Road Fund due to this error was \$14.7 million.
- The spreadsheet used to calculate total cash on hand and cash in transit for the General Revenue Fund improperly included July 2020 receipts from the queries used to determine June receipts not yet deposited into the Treasurer’s Clearing Accounts at June 30, 2019. This resulted in a \$6.6 million overstatement in the General Revenue Fund.
- The Office failed to report cash on hand for the General Revenue Fund resulting in an understatement of \$13.9 million.
- The spreadsheet used to calculate the cash in transit for the General Revenue Fund for delinquent registration fees understated the amount allocated to the General Revenue Fund and overstated the amount allocated to the Road Fund by \$828 thousand.
- In addition to the items above, auditors noted other errors in the spreadsheets that resulted in a \$6 thousand overstatement in the Road Fund.

STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE
FINANCIAL AUDIT
For the Year Ended June 30, 2019

Total misstatements noted for the fiscal year ending June 30, 2019 related to the above errors were as follows:

- Understatement of cash and licenses and fee revenue of \$3 million in the General Revenue Fund.
- Understatement of cash and other tax revenue of \$5.1 million in the General Revenue Fund.
- Understatement of cash and licenses and fee revenue of \$13.9 million in the Road Fund.

In accordance with generally accepted accounting principles (GAAP), all assets, liabilities, revenues, and expenses should be accurately measured and recorded. Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, requires fund financial statements to be prepared using the current financial resources measurement focus and the modified accrual basis of accounting which 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. 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 resources are used efficiently and effectively.

During the prior engagement period, Office management indicated the Department of Budget and Fiscal relied on information provided by the Accounting Revenue Department to accurately report cash in their GAAP packages and Financial Statements.

During the current engagement period, Office management indicated the Office’s process for calculating cash on hand and cash in transit is an intricate and tedious process with many manually intensive components. As a result, errors were made during this process, which resulted in the issues noted above.

Failure to properly review and update calculations used for year-end adjustments could result in inaccurate reporting on the Office’s financial statements. (Finding Code No. 2019-001, 2018-001, 2017-001, 2016-001)

RECOMMENDATION

We recommend the Office implement a process to review the calculation over the cash on hand and cash in transit process to determine that the calculation includes the correct fiscal year information and considers all in transit activity as of June 30th.

STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE
FINANCIAL AUDIT
For the Year Ended June 30, 2019

OFFICE RESPONSE

The Office agrees with the recommendation. The issues noted have been presented and discussed with the Office personnel responsible for the preparation of this information. Further, the Office has committed additional resources to aid in the review and oversight of the year-end adjustment calculations.

STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE
FINANCIAL AUDIT
For the Year Ended June 30, 2019

PRIOR YEAR FINDINGS NOT REPEATED

None