



JUDY BAAR TOPINKA
ILLINOIS STATE COMPTROLLER



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2012

STATE OF ILLINOIS

Comprehensive Annual Financial Report

~ 2012 ~

For Fiscal Year Ended June 30, 2012

Comptroller Judy Baar Topinka

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Introductory Section

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STATE OF ILLINOIS
COMPTROLLER

JUDY BAAR TOPINKA

May 31, 2013

To the Citizens of the State of Illinois,
Honorable Pat Quinn, Governor and
Honorable Members of the General Assembly:

I am pleased to present to you the *State of Illinois Comprehensive Annual Financial Report (CAFR)* for the year ended June 30, 2012. The CAFR is the State's official annual report which provides the readers with the financial position of the State as of June 30, 2012, and results of operations during the fiscal year. The report is intended to provide the State's taxpayers, managers, investors, creditors, lawmakers, and other users with information in accordance with generally accepted accounting principles (GAAP). Responsibility for the accuracy of the data as well as the completeness and fairness of presentation of this report rests with my Office and other State agency management.

The Management's Discussion and Analysis (MD&A), which begins on page 15 of this report, provides a narrative introduction, overview, and analysis to the accompanying basic financial statements. This letter is intended to complement the MD&A and should be read in conjunction with the MD&A. The accompanying basic financial statements are prepared in conformity with GAAP applicable to State governments as prescribed by the Governmental Accounting Standards Board (GASB). This Office supports the GASB, contributed to its formation, and participates in the development of pronouncements by providing testimony at public hearings and submitting comments and recommendations as proposed standards are distributed for exposure.

The CAFR includes information on all funds, elected offices, departments, and agencies of the State, as well as all boards, commissions, authorities, and universities for which the State's executive, legislative, and judicial branches are financially accountable. The financial statements distinguish between primary government organizations and component units. The primary government is the nucleus of the financial reporting entity and is the focal point for the users of the financial statements. The primary government of the State consists of all the organizations that make up its legal entity. All funds, departments, agencies, offices, and other organizations that are not legally separate are, for financial reporting purposes, part of the primary government. Component units are legally separate organizations for which the State is financially accountable.

The financial activities of the State are organized on the basis of individual funds, each of which is a separate accounting entity segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with specific regulations, restrictions, and limitations. Major funds are the focus of the State's financial statements and include the General Fund (including the General Revenue Account, the Education Assistance Account, the Common School Account, and the Medicaid Provider Assessment Accounts), the Road Fund, the State Construction Account, the Unemployment Compensation Trust Fund, the Water Revolving Fund, and the Prepaid Tuition Fund. The reporting entity, major funds, and fund types are described in detail in Note 1 to the financial statements. To ensure readability of the financial statements,

generally only funds with total assets, liabilities, fund balances/net assets, revenues, or expenditures/expenses greater than 2% of the total for that fund type are presented separately in the individual fund financial statements, except component units where all component units are presented. Combination of funds is necessary due to the existence of approximately 800 funds in the State's reporting entity. Funds used by more than one agency are classified with what is determined to be the primary administering agency.

Internal Controls

Each State agency's management is responsible for establishing and maintaining internal controls designed to ensure that the assets of the State are protected from loss, theft, or misuse, and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The State's internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

On October 31, 1989, the Fiscal Control and Internal Auditing Act (FCIAA) became law, requiring all State agency chief executive officers to annually certify the adequacy of internal controls in place within their agencies and that selected agencies employ a chief internal auditor with a specified minimum level of professional competency.

Independent Audit

The Illinois Auditor General has performed an audit of the accompanying basic financial statements in accordance with generally accepted auditing standards in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. His unqualified opinion appears at the beginning of the financial section of this report. In addition, the Illinois Auditor General conducts an annual audit pursuant to the requirements set forth in the Federal Single Audit Act Amendments of 1996 and the related U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. This report is issued separately.

PROFILE OF THE STATE

Illinois, located in the Midwest, became the twenty-first state in 1818. The State has 56,400 square miles and is the 24th largest state in size. Per the 2010 census, Illinois is the 5th largest state in population with approximately 12.8 million residents.

Illinois' government is divided into three branches: executive, legislative, and judicial. An organizational chart, showing the relationships between the Citizens of the State of Illinois, the three branches of Illinois State government, and those of the various agencies, boards, commissions, and universities which provide a full range of State government services, is presented on page 9.

The State provides a full range of services including: the construction and maintenance of highways and infrastructure, education, social and health services, public safety, conservation of natural resources, economic development, and recreation facilities and development. The State of Illinois is also financially accountable for four separate entities which have been included as a

part of the State's financial statements. In addition, the State of Illinois is financially accountable for 26 legally separate entities which have been reported separately within the State's financial statements. Additional information on all of these legally separate entities can be found in the notes to the financial statements.

The Comptroller's Statewide Accounting Management System (**SAMS**) provides the basis for receipt, expenditure, and encumbrance reporting of all State treasury held funds with specific budgetary controls maintained on line-item expenditures for all appropriated funds. Appropriations (budget) and actual expenditure analysis for significant individual funds is provided in the Budgetary Schedules section of this report.

The State of Illinois has a two-month "lapse period." During this time, July 1 to August 31, State agencies can expend funds appropriated in the prior fiscal year if encumbered by June 30. For all fund types, goods or services received prior to June 30 are recorded as liabilities and expenditures or expenses, whichever is appropriate. For governmental fund types, lapse period expenditures for goods encumbered as of June 30 and received prior to August 31 are reported within the existing fund balance classifications at June 30 and not as liabilities or expenditures. Public Act 97-0732 extended the lapse period to December 31 for fiscal year 2012 to allow the State time to pay fiscal year 2012 expenditures and to allow interest on late payments, paid through December 31, to be included in lapse period transactions.

Many State programs are accounted for in the General Fund. As analyzed in the MD&A, the GAAP basis financial position of the General Fund at June 30, 2012, decreased from June 30, 2011. The fund balance in the State's General Fund decreased by \$1.123 billion on a GAAP basis, from a deficit of \$8.010 billion to a deficit of \$9.133 billion. On the *budgetary basis*, there was a \$4.984 billion fund deficit at June 30, 2012, compared to a \$4.507 billion fund deficit at June 30, 2011, resulting in a \$477 million increase in the budgetary deficit.

FACTORS AFFECTING FINANCIAL CONDITION

Economy

Illinois has a broadly diversified economy with an employment base that closely mirrors the national economy. The State continues to have a vigorous service sector with strength in professional and business services, education and healthcare services, and leisure and hospitality services. While retaining a sizeable manufacturing sector, its relative significance has decreased over the last decade, consistent with national trends. The largest private employers in Illinois include major retailers, large healthcare providers, equipment manufacturers, and nationwide financial service providers.

According to the U.S. Bureau of Labor Statistics, Illinois averaged 5.710 million nonfarm payroll jobs and an unemployment rate of 9.4% in fiscal year 2012.

MAJOR INITIATIVES

The following initiatives were among those instituted in Illinois state government in recent years to address issues affecting the State's revenues, cash management, and expenditures.

Revenues Initiative

Effective for calendar year 2011, the legislature voted to raise the individual income tax rate from 3% to 5% and the corporate income tax rate from 4.8% to 7%. For individual income taxes, the 5% rate will remain in place until 2015, when it will drop to 3.75% and then fall to 3.25% in 2025. The 7% corporate rate will remain in place until 2015 as well, when it will drop to 5.25% and then to 4.8% in 2025.

American Recovery and Reinvestment Act

On February 17, 2009, the American Recovery and Reinvestment Act (“ARRA”) was signed into law by President Obama. ARRA’s objective was to create and preserve jobs, to promote economic activity and invest in long-term growth, and to foster unprecedented levels of accountability and transparency in government spending by providing tax cuts and benefits for working families and businesses; increasing federal funding for education, health care, and entitlement programs; providing funding for federal contracts, grants, and loans; and requiring recipients of ARRA funding to report quarterly on the use of funds received. The State received \$803.2 million of ARRA monies in fiscal year 2012 into funds in the State Treasury. \$39.9 million of the ARRA funding was received by the General Revenue Account, a subaccount of the General Fund. In addition to the ARRA monies received into funds in the State Treasury, \$1.386 billion was received by the Unemployment Compensation Trust Fund, a fund held outside of the State Treasury.

Pensions

In April of 2010, Governor Quinn signed Public Act 96-0889 into law, creating a “second-tier” of benefits for future members of the State Employees’ Retirement System. The legislation only affects employees hired after December 31, 2010. The most significant changes include increasing the minimum retirement age for future members, reducing the annual cost-of-living adjustments future members will receive in retirement, and increasing the surviving spouse annuity.

Other Postemployment Benefits

The State Employees Group Insurance Act of 1971 (“ACT”) authorizes the State to provide health, dental, vision, and life insurance benefits for certain retirees and their dependents. In accordance with the Act, the State contributes towards the costs of the annuitant’s coverage an amount equal to five percent of that cost for each full year of creditable service up to a maximum of one hundred percent for an annuitant with twenty or more years of creditable service.

Effective July 1, 2012, Public Act 97-0695 alters the contributions to be paid by the State, annuitants, survivors, and retired employees for postemployment benefits. The Act requires the Director of Central Management Services, on an annual basis, to determine the amount the State should contribute toward the basic program of health benefits, with the remainder of the cost coverage being the responsibility of the annuitant, survivor, or retired employee.

LONG-TERM FINANCIAL PLANNING AND RELEVANT FINANCIAL POLICIES

The fiscal year 2012 CAFR reveals continuing underlying financial weaknesses which significantly impact the State's overall fiscal health in regards to deferred liabilities, ongoing operational concerns related to cash management and long-term concerns related to pension and other postemployment obligations.

Deferred Liabilities

Section 25 of the State Finance Act permits the payment of selected prior year expenses, primarily Medicaid, in the current fiscal year. The section was originally created to address billing and adjudication issues connected with such expenditures. Over the past two decades, however, it has become a common practice to defer liabilities utilizing Section 25 effectively reducing the appropriation levels needed to fund certain programs within any given fiscal year and pushing expenditures into the next fiscal year. The State ended fiscal year 2012 with \$3.628 billion in such costs.

Cash Management

Cash flow continues to be an issue as Illinois has had a running General Revenue Fund deficit defined as bills on hand exceeding available cash, with few exceptions, since November of 2000. Fiscal year 2012 marked the tenth consecutive year that Illinois has had to engage in short-term borrowing to address various cash flow needs.

Cash management practices are greatly affected by the aforementioned budgetary practices in relation to deferred liabilities which place additional pressure in the first and second quarters of the year to pay those expenses. Additionally, the majority of the State's tax collections are received in the second half of the fiscal year with large income tax collections arriving in the spring of each year which further contributes to the payment delays seen within the fiscal year.

In 2000, legislation was enacted to create the State's Budget Stabilization Fund in order to assist the State in meeting cash flow deficits as needed. The statutory goal for funding this reserve was set at five percent of General Fund's revenues in any given year. As of June 30, 2012, the balance in the Budget Stabilization Fund was \$275.7 million.

Pension Obligations

Legislation enacted in 1995 set a long-term funded ratio (assets to actuarial accrued liabilities) target for the State's five retirement systems at 90% and established a plan for contributions in order for the State to reach this target by fiscal year 2045. After fiscal year 2045, the State shall maintain annual contributions sufficient to keep the systems at a 90% funded ratio. In fiscal year 2004, 2010, and 2011, general obligation pension bonds were issued in the amounts of \$10.0 billion, \$3.5 billion and \$3.7 billion, respectively.

As of June 30, 2012, the five State-funded retirement systems were at a 40.4% funded ratio using a five year “smoothing” valuation of assets with \$94.582 billion in unfunded liability.

For fiscal year 2006 through fiscal year 2007, the relevant State statutes were amended to allow for significantly lower State contribution levels to the retirement systems with levels increasing in fiscal years 2008, 2009, and 2010 before returning to the mandated levels of the 1995 law for fiscal year 2011.

Other Postemployment Obligations

For fiscal year 2011, the State performed an actuarial valuation of the health, dental, vision, and life insurance benefits promised to retirees. The valuation reported a \$33.295 billion actuarial liability with no assets currently set aside to fund the liability as the State uses a “pay-as-you go” method to make payments for retirees’ benefits. Valuations are performed biannually.

Debt Management

Public Act 93-0839 known as the Debt Responsibility Act, effective July 30, 2004, placed new restrictions on the issuance of general obligation bonds. At least 25% of general obligation bonds issued within a year must be sold pursuant to notice of sale and public bid. General obligation bonds must be issued with equal principal or mandatory redemption amounts in each fiscal year following the year of issuance for a term not to exceed 25 years. General obligation bonds may not be issued if, in the next fiscal year after issuance, the amount of debt service on all then outstanding general obligation bonds exceeds 7% of the General and Road Fund appropriations for the fiscal year immediately preceding the issuance unless the Comptroller and Treasurer waive this requirement. No general obligation refunding bonds can be issued unless the refunding produces a net present value savings of at least 3% of the bonds being refunded and the maturities of the refunding bonds do not extend beyond the maturities of the bonds being refunded.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (“GFOA”) awarded a Certificate of Achievement for Excellence in Financial Reporting (“Certificate”) to the State of Illinois for its comprehensive annual financial report (“CAFR”) for the fiscal year ended June 30, 2011, which was the twenty-eighth consecutive year that the State has received this prestigious award in governmental financial reporting. In order to be awarded a Certificate, the State of Illinois published an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate is valid for a period of one year only. As this current comprehensive annual financial report is expected to meet the Certificate of Achievement Program’s requirements, it is being submitted to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGMENTS

The preparation of the State's Comprehensive Annual Financial Report was made possible by the due diligence of my staff, the Auditor General's Office, and all State agencies who submitted timely information during this year's GAAP financial statement process. Their hard work and dedication has resulted in an excellent financial report of which we can be proud. I express my gratitude to all of those involved for this tremendous cooperative effort.

Sincerely,

Judy Baar Topinka
Comptroller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Illinois

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers' Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Christopher P. Mouill

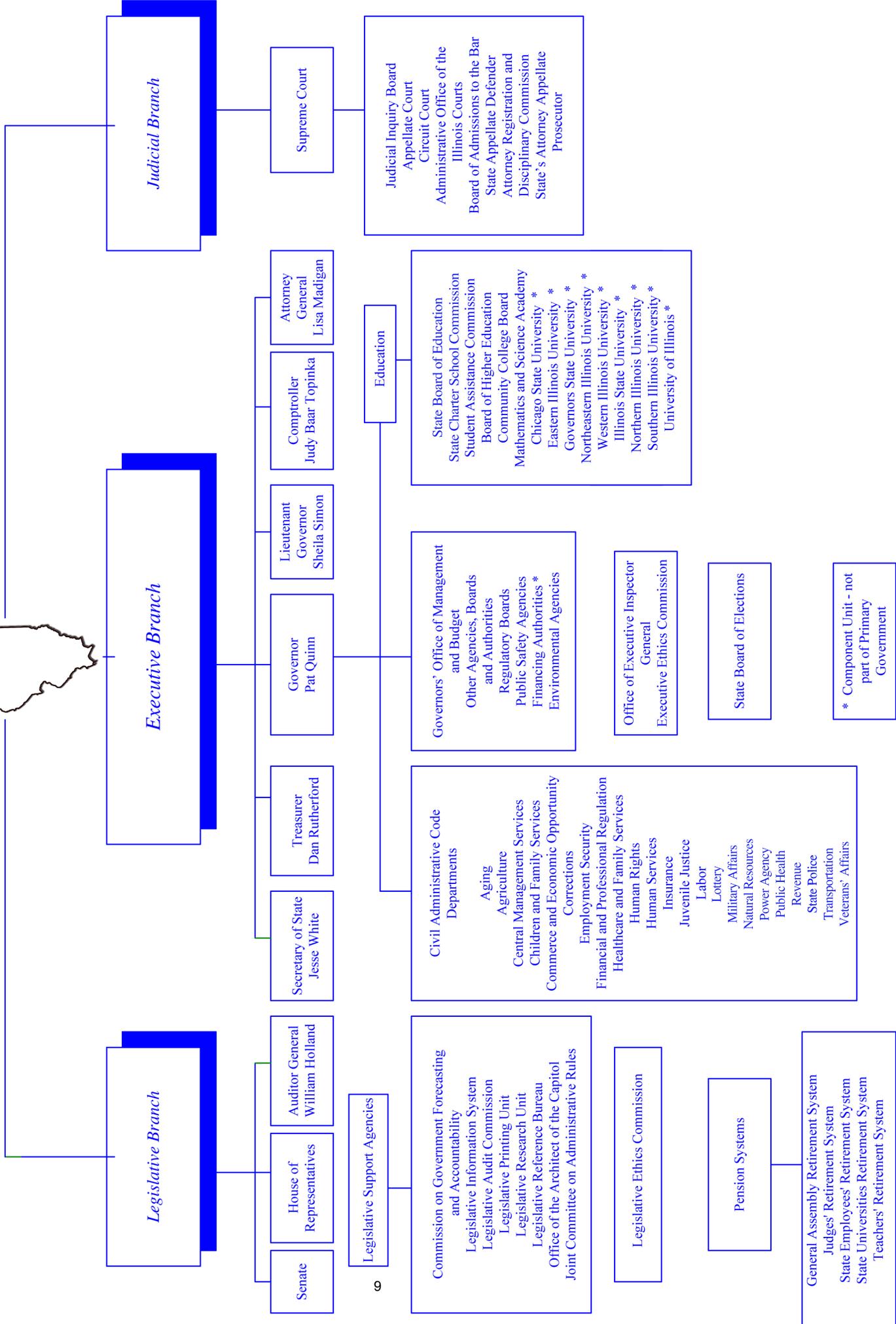
President

Jeffrey R. Emer

Executive Director

State of Illinois

Organizational Chart
June 30, 2012



* Component Unit - not part of Primary Government

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Financial Section

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STATE OF ILLINOIS
WILLIAM G. HOLLAND
AUDITOR GENERAL

Independent Auditors' Report

Honorable Michael J. Madigan, Speaker of the House
Honorable John J. Cullerton, President of the Senate
Members of the General Assembly
Honorable Patrick Quinn, Governor
Honorable Judy Baar Topinka, Comptroller

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Illinois, as of and for the year ended June 30, 2012, which collectively comprise the State of Illinois' basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of Illinois' management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of certain university related organizations, which represent 9%, 18%, 4%, and 4%, respectively, of the total assets, total net assets, total revenues, and total expenses of the aggregate discretely presented component unit amounts. Those financial statements were audited by other auditors whose reports thereon have been provided to us, and our opinion, insofar as it relates to the amounts included for these university related organizations, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State of Illinois' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit, and other reports of the other auditors, provides a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Illinois, as of June 30, 2012, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2, the financial statements have been restated as of July 1, 2011 for prior year reporting errors and the implementation of GASB Statement 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*, an amendment of GASB Statement No. 53.

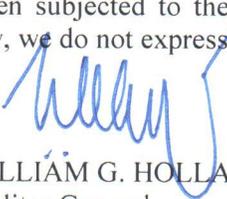
The deficit for net assets of governmental activities in fiscal year 2012 continued to increase by \$2,965,234,000 from \$43,608,726,000 at June 30, 2011 to \$46,573,960,000 at June 30, 2012. This deficit, which is presented on an accrual basis, is the excess of total liabilities over total assets and represents a deferral of current and prior year costs to future periods.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 31, 2013 on our consideration of the State of Illinois' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information on pages 15 through 29 and 162 through 168 be presented to supplement the basic financial statements. Such 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. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Illinois' basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described previously, and the report of the other auditors, the combining and individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Illinois' basic financial statements. The introductory and statistical sections are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.



WILLIAM G. HOLLAND
Auditor General
State of Illinois



BRUCE L. BULLARD, CPA
Director of Financial and Compliance Audits
Office of the Auditor General

Springfield, Illinois
May 31, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a discussion and analysis of the State of Illinois' (the State's) financial performance providing an overview of the activities for the fiscal year ended June 30, 2012. Please read it in conjunction with the transmittal letter and with the State's financial statements which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the State's basic financial statements which comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. In addition, this discussion and analysis also contains information on other supplementary information included in this report.

Government-wide Statements (Reporting the State as a Whole)

The Statement of Net Assets and the Statement of Activities are two financial statements that report information about the State, as a whole, and about its activities. These statements include all non-fiduciary assets, liabilities, revenues, and expenses using the accrual basis of accounting.

The Statement of Net Assets (page 31) presents all of the State's non-fiduciary assets and liabilities with the difference between the two reported as "net assets". Over time, increases and decreases in net assets measure whether the State's financial position is improving or deteriorating.

The Statement of Activities (pages 32 and 33) presents all of the State's non-fiduciary revenues and expenses with the difference showing how the State's net assets changed during the current fiscal year. All changes in net assets are reported as soon as the underlying events giving rise to the change occur regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and unused accrued absences).

Both statements report three activities:

- *Governmental Activities* – Most of the State's basic services are reported under this category. Taxes and intergovernmental revenues generally fund these services. The Legislature, the Judiciary, Elected Officials, and the general operations of the Executive departments fall within the governmental activities.
- *Business-type Activities* – The State charges fees to customers to help it cover all or most of the cost of certain services provided by the State. Lottery tickets and the State's unemployment compensation services are examples of business-type activities.
- *Discretely Presented Component Units* – Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The State has 10 authorities, 9 universities, and 7 other organizations that are reported as discretely presented component units of the State.

Included within the basic financial statements are two schedules (pages 35 and 37) that reconcile the amounts reported on the governmental fund financial statements (modified accrual accounting) with governmental activities on the appropriate government-wide statements (accrual accounting). Modified accrual accounting focuses on the current financial resources, which are the resources available for spending in the near future (defined by the State as 60 days). Accrual

accounting reports the total economic resources similar to a private-sector business. The following summarizes some of the differences in modified accrual and accrual accounting:

- Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds statements.
- Prepaid expenses for governmental activities are current uses of financial resources of funds and therefore are not reported in the governmental funds statements.
- Deferred issuance costs are capitalized and amortized as governmental activities, but reported as expenditures in the governmental funds statements.
- Certain revenues that are earned, but not available, are reported as revenues of governmental activities, but are reported as unavailable revenue on the governmental funds statements.
- Unless due and payable, long-term liabilities, such as capital lease obligations, installment purchases agreements, compensated absences, certificates of participation, net pension obligations, net other postemployment benefit obligations, and bonds and notes payable appear as liabilities in the government-wide statements but are not reported in the governmental funds statements.
- Internal service funds are reported as governmental activities, but reported as proprietary funds in the fund financial statements.
- Capital outlay spending results in recording capital assets on the government-wide statements, but is reported as expenditures on the governmental fund statements.
- Bond and note proceeds result in liabilities on the government-wide statements, but are recorded as other financing sources on the governmental fund statements.
- Certain other outflows represent either increases or decreases in liabilities on the government-wide statements, but are reported as expenditures on the governmental funds statements.

The Notes to the Basic Financial Statements provide additional information that is integral to understanding the data provided in the government-wide and fund financial statements. The notes can be found beginning on page 49 of this report.

Fund Financial Statements (Reporting the State's Major Funds)

The fund financial statements begin on page 34 and provide more detail than the government-wide financial statements, concentrating on information about the major individual funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the State uses to keep track of specific sources of funding and spending for a particular purpose. In addition to the major funds, individual fund data for the nonmajor funds is presented beginning on page 169. The State's funds are divided into three categories – governmental, proprietary, and fiduciary – with each using a different accounting method.

Governmental funds – Most of the State's basic services are reported in the governmental funds which focus on how monies flow into and out of those funds and the balances left at year-end that are available for future spending. The governmental fund financial statements provide a detailed short-term view of the State's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the State's programs. Governmental funds are reported using modified accrual accounting which measures cash and all other financial assets that can readily be converted to cash and liabilities that are due in the current period. Governmental funds include the General Fund and special revenue, capital project, debt service, and permanent funds.

Proprietary funds – When the State charges customers for the services it provides, whether to outside customers or to other agencies within the State, these services are generally reported in proprietary funds. Proprietary funds (enterprise and internal service) utilize accrual accounting; the same method used by private sector businesses. Enterprise funds report activities that provide supplies and services to the general public. An example is the State Lottery Fund. Internal service funds report activities that provide supplies and services for the State’s other programs and activities such as the State’s Communications Revolving Fund. The State’s internal service funds are reported as governmental activities on the government-wide statements.

Fiduciary funds – The State acts as a trustee or fiduciary for its employee pension plans. The State is also responsible for other assets that, because of a trust arrangement or other contractual arrangement, can be used only for the trust beneficiaries. The State’s fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets beginning on page 42. These funds, which include pension (and other employee benefit) trust, private-purpose trust, investment trust, and agency funds, are reported using accrual accounting. The government-wide statements exclude fiduciary fund activities and balances because these assets are restricted in purpose and do not represent discretionary assets of the State to finance its operations.

Additional Required Supplementary Information

Following the basic financial statements is additional Required Supplementary Information that further explains and supports the information in the financial statements. The Required Supplementary Information includes budgetary comparison schedules reconciling the statutory and generally accepted accounting principles (GAAP) net change in fund balances at fiscal year-end and funding progress of the State’s retirement systems and other postemployment benefit plans.

Other Supplementary Information

Other supplementary information includes two components: 1) combining financial schedules for the General Fund, nonmajor governmental funds, proprietary and fiduciary funds and nonmajor discretely presented component units and 2) combining budgetary schedules using the terminology and classification of funds used by the State for budgetary purposes. The combining financial statements present by fund category, and then by fund type, the amounts presented in the nonmajor funds column in the fund financial statements.

FINANCIAL ANALYSIS OF THE STATE

The State’s combined net assets decreased \$2.368 billion or 5.6% during the current fiscal year. The net assets of the State’s governmental activities decreased \$2.965 billion or 6.8% and the net assets of the State’s business-type activities increased \$597 million or 48.2%. The following condensed financial information was derived from the government-wide Statement of Net Assets and reflects the State’s financial position as of June 30, 2012 and 2011:

| Net Assets as of June 30 (in millions of dollars) | | | | | | |
|---|--------------------------------|--------------------------|---------------------------------|------------------------|---------------------------------|--------------------------|
| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Assets: | | | | | | |
| Current and other non-current assets | \$ 20,088 | \$ 16,645 | \$ 6,422 | \$ 6,719 | \$ 26,510 | \$ 23,364 |
| Capital assets | 20,859 | 20,158 | 5 | 4 | 20,864 | 20,162 |
| Deferred outflow s of derivative instruments | 179 | 100 | - | - | 179 | 100 |
| Total assets and deferred outflow of resources | 41,126 | 36,903 | 6,427 | 6,723 | 47,553 | 43,626 |
| Liabilities: | | | | | | |
| Other liabilities | 20,575 | 17,520 | 2,090 | 3,371 | 22,665 | 20,891 |
| Long-term liabilities | 67,125 | 62,992 | 2,502 | 2,114 | 69,627 | 65,106 |
| Total liabilities | 87,700 | 80,512 | 4,592 | 5,485 | 92,292 | 85,997 |
| Net assets: | | | | | | |
| Invested in capital assets, net of related debt | 14,990 | 14,697 | 5 | 4 | 14,995 | 14,701 |
| Restricted | 3,569 | 3,447 | 2,253 | 2,363 | 5,822 | 5,810 |
| Unrestricted | (65,133) | (61,753) | (423) | (1,129) | (65,556) | (62,882) |
| Total net assets | <u>\$(46,574)</u> | <u>\$(43,609)</u> | <u>\$ 1,835</u> | <u>\$ 1,238</u> | <u>\$(44,739)</u> | <u>\$(42,371)</u> |

Note: Prior year amounts have been restated for activities as described in Note 2 to the financial statements.

The State's largest asset is its capital assets (\$20.864 billion) consisting of land, buildings, equipment, infrastructure, and other items with estimated useful lives of greater than one year. The largest portion of the State's long-term liabilities are its net pension obligation (\$26.184 billion) and bonds payable obligation (\$33.117 billion), including deferred amounts on refundings and unamortized premiums and discounts. The largest component of the State's net assets reflects the State's investment in capital assets, less any related debt that was recorded to acquire or construct the assets. The restricted net assets balance consists of resources subject to external restrictions or enabling legislation as to their use. The remaining portion, unrestricted net assets, are the net assets available to be used at the State's discretion or need to be replenished by revenues in future periods.

The State's assets increased \$3.927 billion from \$43.626 billion at June 30, 2011, to \$47.553 billion at June 30, 2012, due mainly to \$702 million more in capital assets, \$486 million more in cash held at the State Treasurer, \$1.034 billion more in securities lending collateral balances, and \$1.255 billion more in intergovernmental receivables. The State's increase in liabilities of \$6.295 billion from \$85.997 billion at June 30, 2011, to \$92.292 billion at June 30, 2012, resulted mainly from the issuance of \$3.2 billion in general obligation bonds, as well as increases in the State's net pension obligation of \$2.158 billion and net other postemployment benefit obligation of \$1.686 billion.

The following condensed financial information was derived from the government-wide Statement of Activities and reflects the State's decrease in net assets during the current fiscal year:

Changes in Net Assets
for Fiscal Year Ending June 30
(in millions of dollars)

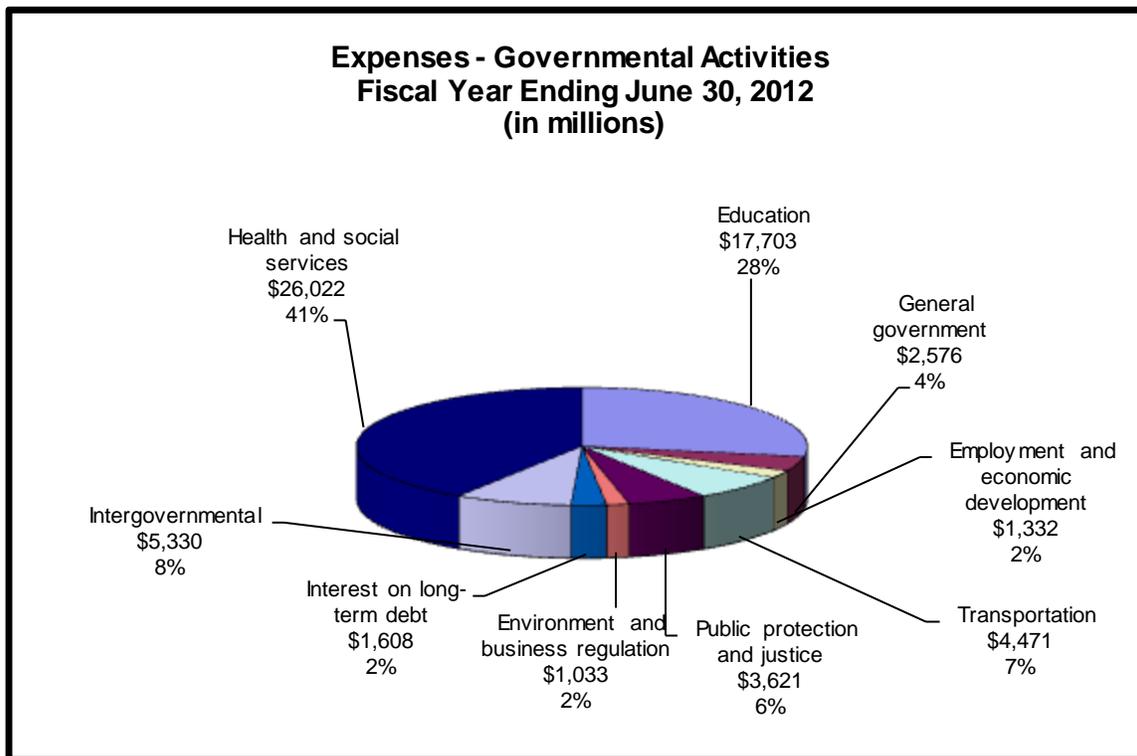
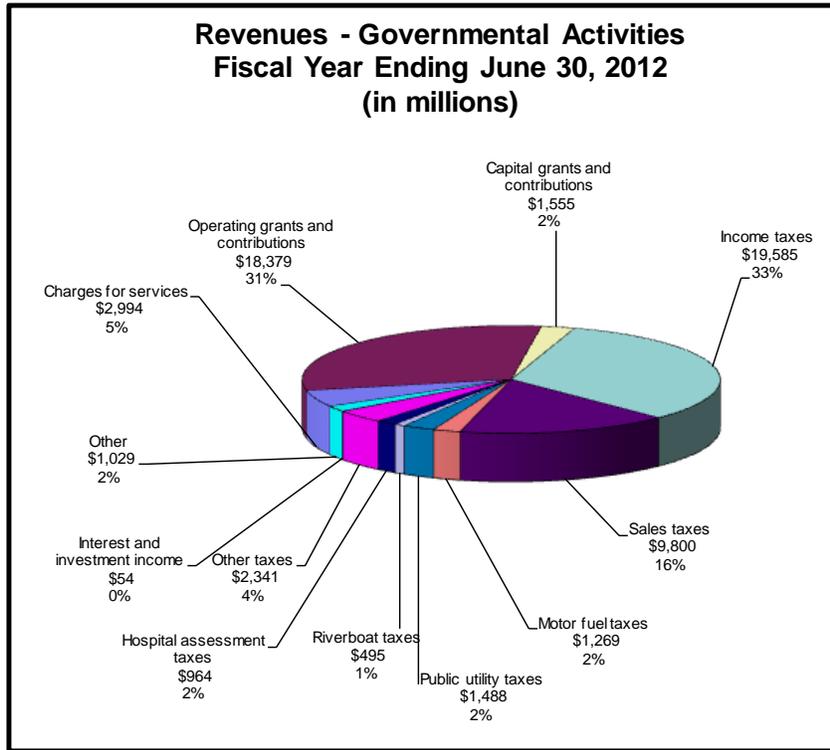
| | Governmental Activities | | Business-type Activities | | Total Primary Government | | Total Percentage Change |
|--|-------------------------|--------------------|--------------------------|-----------------|--------------------------|--------------------|-------------------------|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2011 to 2012 |
| Revenues | | | | | | | |
| Program revenues | | | | | | | |
| Charges for services | \$ 2,994 | \$ 2,936 | \$ 6,159 | \$ 5,402 | \$ 9,153 | \$ 8,338 | 9.8% |
| Operating grants and contributions | 18,379 | 19,735 | 2,891 | 4,197 | 21,270 | 23,932 | (11.1%) |
| Capital grants and contributions | 1,555 | 1,586 | - | - | 1,555 | 1,586 | (2.0%) |
| General revenues | | | | | | | |
| Income taxes | 19,585 | 14,408 | - | - | 19,585 | 14,408 | 35.9% |
| Sales taxes | 9,800 | 9,619 | - | - | 9,800 | 9,619 | 1.9% |
| Motor fuel taxes | 1,269 | 1,302 | - | - | 1,269 | 1,302 | (2.5%) |
| Public utility taxes | 1,488 | 1,573 | - | - | 1,488 | 1,573 | (5.4%) |
| Riverboat taxes | 495 | 458 | - | - | 495 | 458 | 8.1% |
| Hospital assessment taxes | 964 | 943 | - | - | 964 | 943 | 2.2% |
| Other taxes | 2,341 | 1,801 | - | - | 2,341 | 1,801 | 30.0% |
| Interest and investment earnings | 54 | 62 | 40 | 42 | 94 | 104 | (9.6%) |
| Other revenue | 1,029 | 1,019 | - | 3 | 1,029 | 1,022 | 0.7% |
| Total revenues | 59,953 | 55,442 | 9,090 | 9,644 | 69,043 | 65,086 | 6.1% |
| Expenses | | | | | | | |
| Health and social services | 26,022 | 24,973 | - | - | 26,022 | 24,973 | 4.2% |
| Education | 17,703 | 17,839 | - | - | 17,703 | 17,839 | (0.8%) |
| General government | 2,576 | 1,755 | - | - | 2,576 | 1,755 | 46.8% |
| Employment and economic development | 1,332 | 1,582 | - | - | 1,332 | 1,582 | (15.8%) |
| Transportation | 4,471 | 4,867 | - | - | 4,471 | 4,867 | (8.1%) |
| Public protection and justice | 3,621 | 3,580 | - | - | 3,621 | 3,580 | 1.1% |
| Environment and business regulation | 1,033 | 1,055 | - | - | 1,033 | 1,055 | (2.1%) |
| Unemployment compensation fund | - | - | 5,088 | 6,425 | 5,088 | 6,425 | (20.8%) |
| Water revolving fund | - | - | 85 | 84 | 85 | 84 | 1.2% |
| Prepaid tuition programs | - | - | 194 | 94 | 194 | 94 | 106.4% |
| Designated account purchase program fund | - | - | 42 | 58 | 42 | 58 | (27.6%) |
| Lottery | - | - | 1,941 | 1,601 | 1,941 | 1,601 | 21.2% |
| Federal student loans | - | - | 189 | 239 | 189 | 239 | (20.9%) |
| Other business-type activities | - | - | 176 | 169 | 176 | 169 | 4.1% |
| Intergovernmental | 5,330 | 5,191 | - | - | 5,330 | 5,191 | 2.7% |
| Interest | 1,608 | 1,369 | - | - | 1,608 | 1,369 | 17.5% |
| Total expenses | 63,696 | 62,211 | 7,715 | 8,670 | 71,411 | 70,881 | 0.7% |
| Excess (deficiency) before transfers | (3,743) | (6,769) | 1,375 | 974 | (2,368) | (5,795) | 59.1% |
| Transfers | 778 | 695 | (778) | (695) | - | - | 0.0% |
| Increase (Decrease) in net assets | (2,965) | (6,074) | 597 | 279 | (2,368) | (5,795) | 59.1% |
| Net assets - beginning, as restated | (43,609) | (37,535) | 1,238 | 959 | (42,371) | (36,576) | (15.8%) |
| Net assets - ending | <u>\$ (46,574)</u> | <u>\$ (43,609)</u> | <u>\$ 1,835</u> | <u>\$ 1,238</u> | <u>\$ (44,739)</u> | <u>\$ (42,371)</u> | <u>(5.6%)</u> |

Governmental Activities:

Governmental activities of the State are financed primarily through taxes collected. The functions reported for governmental activities consist of the following:

- *Health and social services* – The health and social services function consists of programs such as Medicaid, Temporary Assistance for Needy Families (TANF), and Child Support Enforcement which are administered mostly by the Department of Healthcare and Family Services, the Department of Human Services, and the Department of Children and Family Services.
- *Education* – The education function consists of support for local public school districts and post-secondary institutions administered mostly by the State Board of Education, the State Board of Higher Education, and the Illinois Community College Board.
- *General government* – The general government consists of the day-to-day operations of the State performed mostly by the Elected Officials, Members of the General Assembly, the Department of Central Management Services, and the Department of Revenue.
- *Employment and economic development* – The employment and economic development function consists of job training for citizens and support for the growth of public sector commerce administered mostly by the Department of Commerce and Economic Opportunity and the Department of Employment Security.
- *Transportation* – The transportation function consists of support for building and maintaining infrastructure capital assets owned by the State and owned by local governments of the State which is administered mostly by the Department of Transportation.
- *Public protection and justice* – The public protection and justice function consists of law enforcement functions of the State and other public safety regulatory programs performed mostly by the Department of Corrections and the Department of State Police.
- *Environment and business regulation* – The environment and business regulation function consists of regulation of the environment of the State and regulation of various business types in the State performed mostly by the Environmental Protection Agency, the Department of Commerce and Economic Opportunity, the Department of Natural Resources, the Department of Financial and Professional Regulation, and the Department of Labor.

The following charts display revenues and expenses of the State for governmental activities during the fiscal year:



The State's governmental activities revenues increased \$4.511 billion (8.1%) during fiscal year 2012 with the largest revenue increase consisting of \$5.177 billion in income taxes. This increase was offset by a decrease in operating grants and contributions of \$1.356 billion.

The State's governmental activities expenses increased \$1.485 billion (2.4%) during fiscal year 2012. The State's largest expenses, health and social services expenses, increased \$1.049 billion. Health and social services expenses increased due to costs associated with the State's Medicaid program.

Business-type Activities:

Net assets of business-type activities increased \$597 million during the fiscal year 2012. This increase was attributed mainly to a \$768 million increase in net assets of the Unemployment Compensation Trust Fund, which had a decrease in unemployment benefit expenses of \$1.383 billion.

FINANCIAL ANALYSIS OF THE STATE'S MAJOR GOVERNMENTAL FUNDS

General Fund

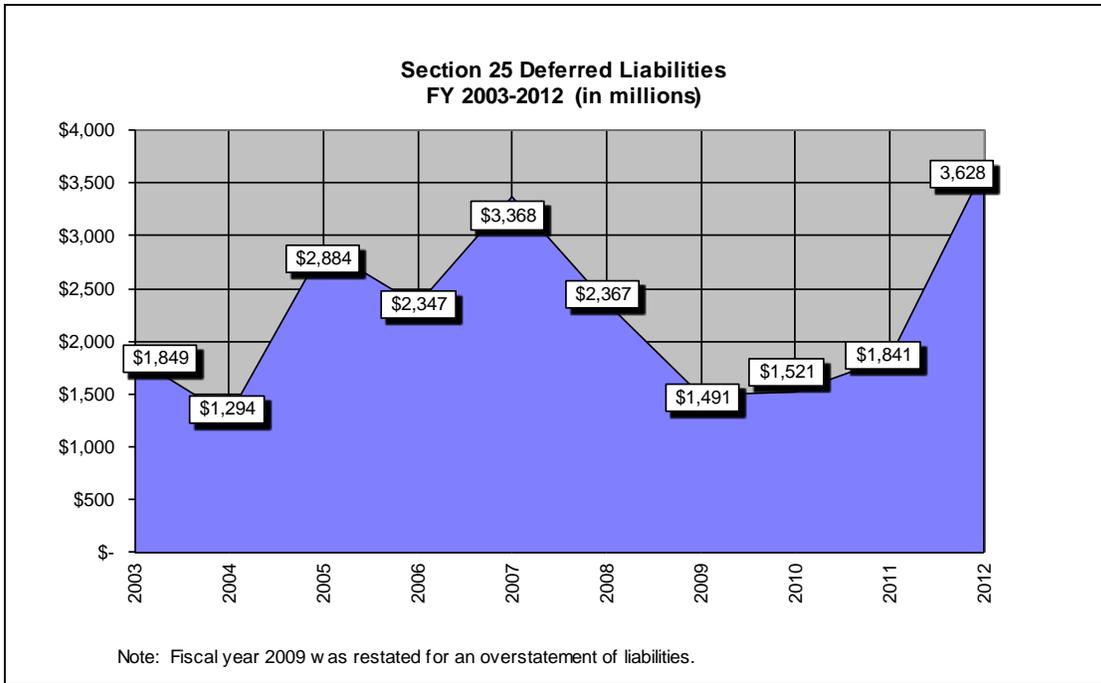
The General Fund accounts for resources obtained and used for those services traditionally provided by the State which are not accounted for in another fund. Accordingly, the majority of the State's tax revenues and program support expenses are accounted for in the General Fund. For financial reporting purposes, the General Fund consists of several accounts of the State which are described on page 169. For budgetary purposes the General Funds consist of the General Revenue, Common School-Special, Education Assistance, and Common School Accounts.

The State's General Funds' budgetary fund balance ended fiscal year 2012 with a deficit for the eleventh consecutive year. At June 30, 2012, the General Funds' budgetary fund balance was a deficit of \$4.984 billion compared to a \$4.507 billion deficit recorded at June 30, 2011. The original budget projected a \$4.749 billion deficit at the end of the fiscal year. The final budget projected a \$5.101 billion deficit.

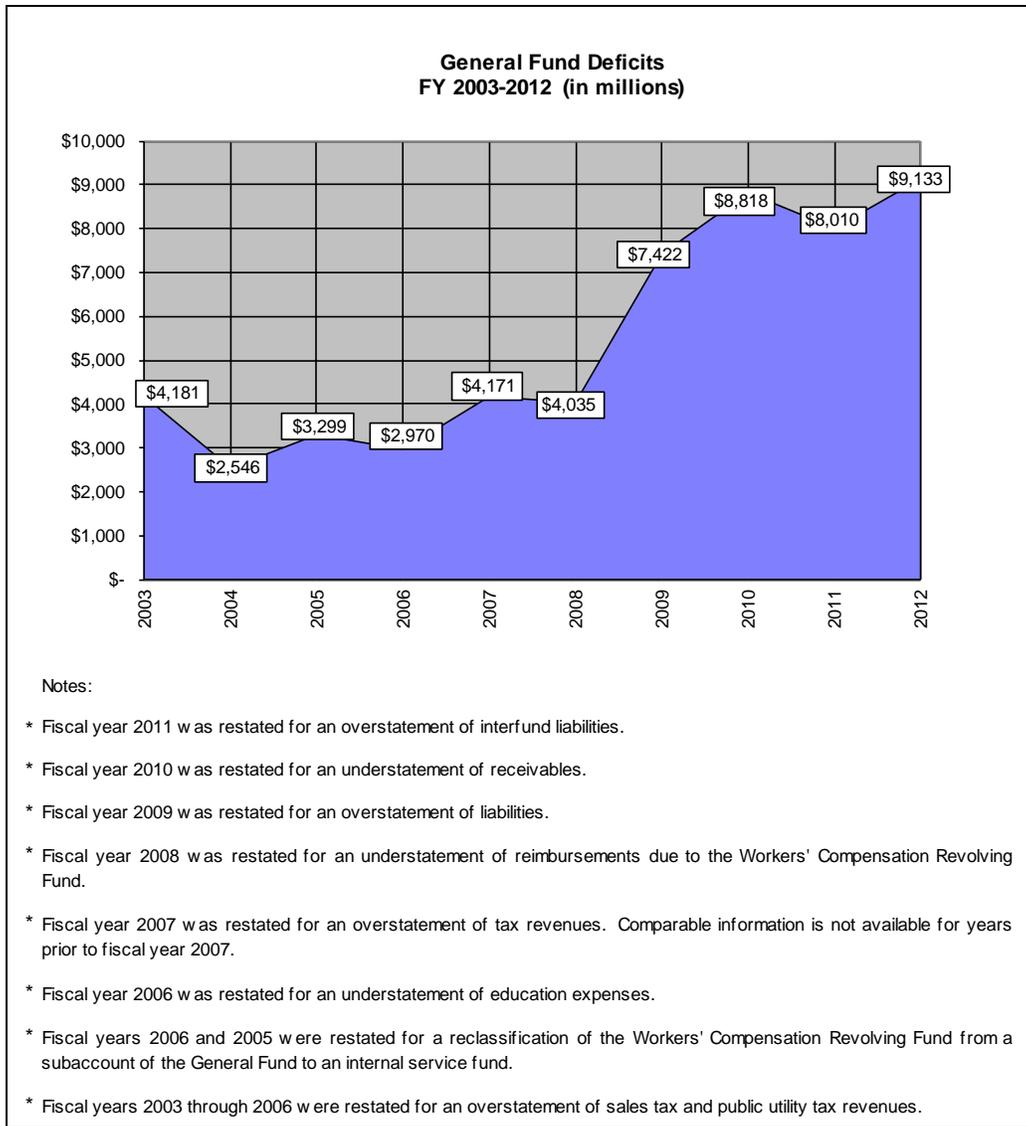
The majority of the \$117 million increase in the General Funds' budgetary balance between the final budget and the actual results was due to \$155 million less in actual revenues than budgeted revenues and \$272 million less in actual expenditures than budgeted expenditures. Actual federal government revenues were \$1.125 billion less than budgeted, while income tax revenues and sales tax revenues were \$321 million and \$640 million more than budgeted, respectively. Health and social services expenditures were \$177 million less than budgeted.

The General Fund's assets at June 30, 2012, were \$8.699 billion, which is an increase of \$2.082 billion from the June 30, 2011, balance of \$6.617 billion. Intergovernmental receivables increased \$1.251 billion and taxes receivables increased \$260 million from June 30, 2011, respectively, offset by a decrease in cash of \$339 million.

The General Fund's liabilities at June 30, 2012, were \$17.832 billion, which is an increase of \$3.205 billion from the June 30, 2011, balance of \$14.627 billion. Cash flow problems caused the State to hold over \$2.826 billion in payments in the General Fund, which are included in the liabilities reported at June 30, 2012. Another factor that determines a significant portion of the General Fund liabilities is the accrued liabilities payable from future year's appropriations. One of the largest components of those liabilities is Section 25 of the State Finance Act (Section 25) deferrals which consist mostly of Medicaid program liabilities. These statutory deferrals allow expenses incurred during one fiscal year to be paid for from the subsequent fiscal year's budget in limited situations. Section 25 deferrals increased \$1.787 billion from \$1.841 billion at June 30, 2011 to \$3.628 billion at June 30, 2012.



During fiscal year 2012, the General Fund's fund deficit increased from \$8.010 billion to \$9.133 billion, a \$1.123 billion increase. The current year increase in the fund deficit was driven by a \$4.690 billion increase in expenditures, partially offset by a \$3.727 billion increase in revenues, in comparison to fiscal year 2011. Fiscal year 2011 had a decrease in fund deficit of \$808 million.



During fiscal year 2012, General Fund revenues increased \$3.727 billion to \$37.324 billion. An increase in income taxes of \$4.966 billion was the largest increase in revenues. The increase was the result of the legislative vote to increase individual and corporate income tax rates effective January 1, 2011. This increase was offset by a decrease in federal government revenue of \$1.593 billion, mostly due to the decline in proceeds of the American Recovery and Reinvestment Act. General Fund expenditures increased \$4.690 billion to \$37.173 billion in fiscal year 2012 due mainly to increased spending on education programs of \$2.347 billion and health and social services programs of \$1.171 billion.

Road Fund

The Road Fund incurred a \$243 million increase in fund balance in the current year and has a \$676 million fund balance. Transportation expenditures decreased \$255 million to \$1.786 billion in fiscal year 2012, due mostly to a decrease in federal government revenue of \$205 million, mostly due to the decline in proceeds of the American Recovery and Reinvestment Act as compared to fiscal year 2011.

State Construction Account

The State Construction Account's fund balance increased \$27 million in fiscal year 2012 to an ending fund balance of \$237 million. Revenues from licenses and fees increased from \$462 million in fiscal year 2011 to \$465 million in fiscal year 2012. Transportation expenditures decreased by \$93 million, offset by an increase in capital outlay expenditures of \$134 million in fiscal year 2012 compared to fiscal year 2011.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets:

At June 30, 2012, the State had \$20.864 billion in capital assets, net of accumulated depreciation, in the following categories:

| Capital Assets as of June 30 (net of depreciation, in millions of dollars) | | | | | | |
|---|----------------------------|-----------------|-----------------------------|-------------|-----------------|-----------------|
| | Governmental Activities | | Business-type Activities | | Total | |
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Land and land improvements | \$ 3,023 | \$ 2,918 | \$ - | \$ - | \$ 3,023 | \$ 2,918 |
| Site improvements | 326 | 339 | - | - | 326 | 339 |
| Buildings and building improvements | 2,094 | 2,150 | 1 | 1 | 2,095 | 2,151 |
| Equipment | 240 | 216 | 2 | 2 | 242 | 218 |
| Intangible assets | 182 | 159 | 2 | 1 | 184 | 160 |
| Infrastructure | 14,884 | 14,293 | - | - | 14,884 | 14,293 |
| Other | 38 | 38 | - | - | 38 | 38 |
| Subtotal | 20,787 | 20,113 | 5 | 4 | 20,792 | 20,117 |
| Construction in progress | 72 | 45 | - | - | 72 | 45 |
| Total | \$ 20,859 | \$20,158 | \$ 5 | \$ 4 | \$20,864 | \$20,162 |

Infrastructure assets consist of 71% of the State's net capital assets and comprise \$1.640 billion of the \$1.967 billion (83%) of the current year additions to capital assets of governmental activities. The State capitalizes and depreciates its roads and road improvements over a twenty year period and its bridges over a forty year period. More detailed information regarding the State's capital assets is presented in Note 7 of the financial statements on page 92.

Debt Administration:

Bonded Indebtedness

The State, certain State agencies and component units of the State are empowered by law to authorize, issue, and sell debt obligations. General obligation bonds, issued by the State, are backed by the full faith and credit of the State and are considered a direct debt of the State. Special obligation bonds are also considered direct debt of the State but are not backed by the full faith and credit of the State. Rather, special obligation bonds are supported and repaid only by a dedicated State revenue source. Revenue bonds are not backed by the full faith and credit of the State but are backed by a specific revenue stream. Some revenue bonds can be considered moral

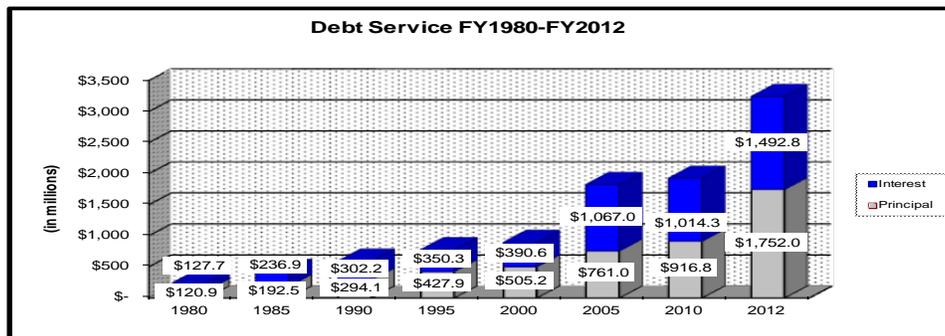
obligation debt which means that if resources from the specified revenue stream are insufficient to support the debt service, the State is then obligated. Also, some revenue bonds are classified as indirect debt which means that the asset is the property of a local government but part of the payment of the debt service comes from State resources. Lastly, some revenue bonds can be considered conduit debt which implies no obligation for the State. More detailed information regarding the State's long-term debt obligations is presented in Notes 9, 10 and 11 to the financial statements beginning on page 102.

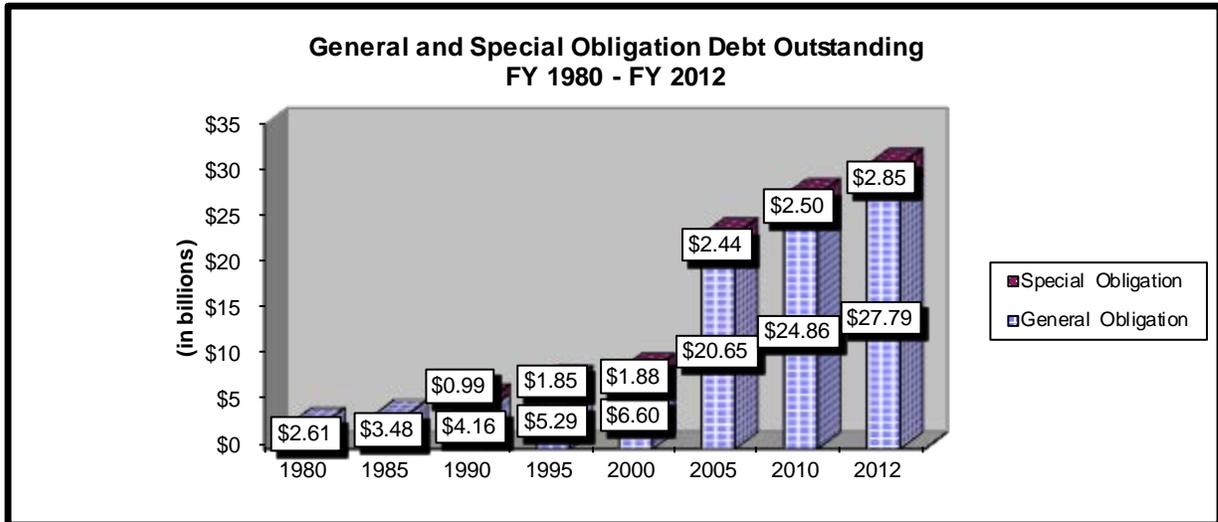
| <u>Primary Government</u> | Governmental Activities | | Business-type Activities | | Total | |
|--|---|------------------|-----------------------------|---------------|-----------------|------------------|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| | General obligation bonds (backed by the State) | \$ 27,793 | \$ 28,016 | \$ - | \$ - | \$27,793 |
| Special obligation bonds (backed by specific fee revenue) | 2,852 | 2,314 | - | - | 2,852 | 2,314 |
| Revenue bonds (backed by specific tax and fee revenue) | 1,444 | 1,503 * | 535 | 645 | 1,979 | 2,148 |
| | <u>\$ 32,089</u> | <u>\$ 31,833</u> | <u>\$ 535</u> | <u>\$ 645</u> | <u>\$32,624</u> | <u>\$ 32,478</u> |

* Revenue bonds were issued in fiscal year 2011 by the Railsplitter Tobacco Settlement Authority, a blended component unit of the State.

As shown above, Illinois had outstanding general and special obligation bonds at June 30, 2012 totaling \$30.645 billion. Bonds have been issued primarily to provide funds for acquisition and construction of capital facilities for higher education, public and mental health, correction and conservation purposes, and for maintenance and construction of highway and waterway facilities. Bonds also have been issued to provide assistance to municipalities for construction of sewage treatment facilities, port districts, aquarium facilities, local schools, mass transportation and aviation purposes, and to fund research and development of coal and alternative energy sources. In addition, bonds have been issued to make pension contributions to the State's retirement systems and to fund a portion of the State's unfunded portion of prior year's retirement liabilities. The outstanding amount of \$9.700 billion, \$2.080 billion and \$3.700 billion for pension purposes, issued in 2003, 2010, and 2011 respectively, are included in the outstanding general obligation bonds as of June 30, 2012.

General obligation bonds aggregating \$3.173 billion were issued during fiscal year 2012 at interest rates ranging from 0.75% to 5.75%. In addition, special obligation bonds aggregating \$725 million were issued during fiscal year 2012 at interest rates ranging from 0.44% to 5.00%. Debt service principal of \$1.752 billion and interest costs of \$1.493 billion were paid and charged, respectively, in fiscal year 2012. The dramatic increase in debt service payments and outstanding debt since fiscal year 1980 is displayed in the following charts:





In addition to general and special obligation bonds, the primary government had \$1.979 billion of revenue bonds and \$10.520 billion of non-pension long-term obligations outstanding as of June 30, 2012.

The State’s general obligation bond ratings were A2 with a Stable Outlook by Moody’s Investor Services, A+ with a Negative Outlook by Standard and Poor’s, and A with a Stable Outlook by Fitch Ratings as of June 30, 2012. These ratings were downgraded from A1 with a Negative Outlook by Moody’s at June 30, 2011. In addition, since June 30, 2012, the Standard and Poor’s rating has been downgraded to A- with a Negative Outlook, the Moody’s rating has been downgraded to A2 with a Negative Outlook, and the Fitch rating has been downgraded to A with a Negative Outlook.

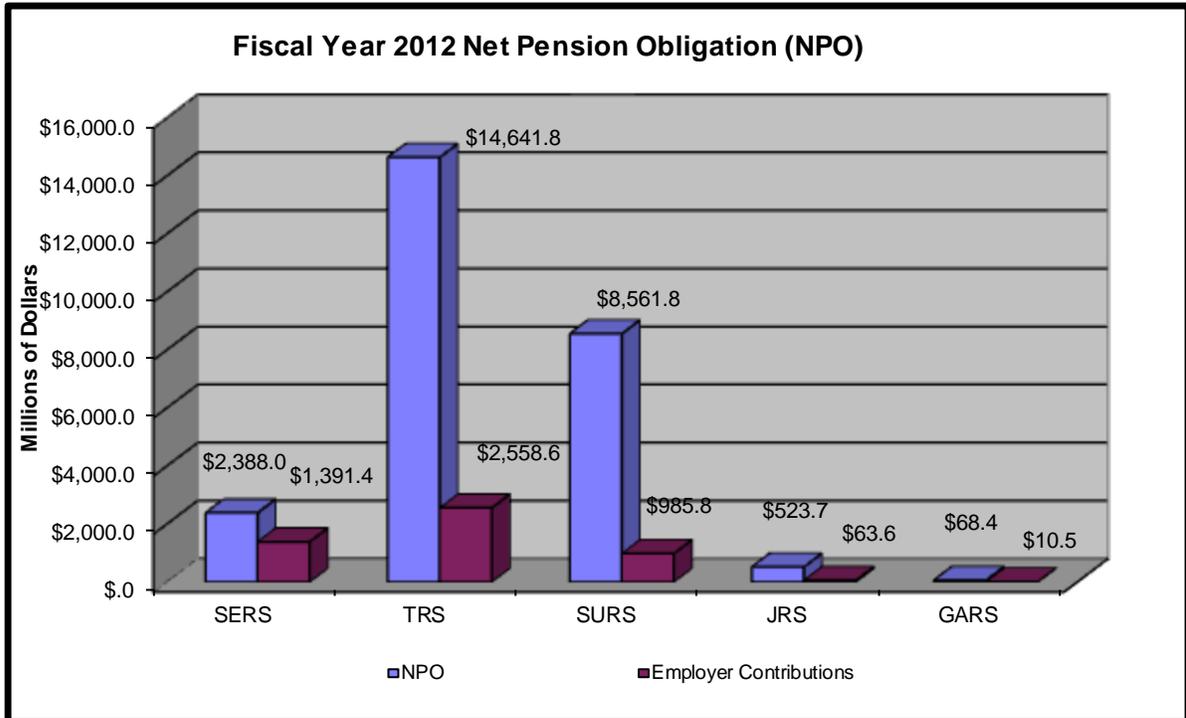
The State’s special obligation—Build Illinois Bonds – ratings were A2 with a Stable Outlook from Moody’s Investor Services, AAA with a Stable Outlook from Standard and Poor’s, and AA+ with a Stable Outlook from Fitch Ratings as of June 30, 2012.

Retirement Systems

Besides general and special obligation bond indebtedness, the State’s largest liability is its net pension obligation. During fiscal year 2012, this obligation increased \$2.158 billion from \$24.026 billion at June 30, 2011, to \$26.184 billion at June 30, 2012. Of the \$2.158 billion increase, \$1.223 billion occurred at Teachers’ Retirement System where the annual pension cost (“APC”) was calculated to be \$3.782 billion and employer contributions were \$2.559 billion. In addition, at State Universities Retirement System the APC was calculated to be \$1.607 billion and employer contributions were \$986 million while at State Employees Retirement System the APC was calculated to be \$1.648 billion and employer contributions were \$1.391 billion.

During fiscal year 2012, all of the State systems were substantially funded in accordance with the *statutory funding* requirement. The new law enacted in fiscal year 1996 provides for a 50-year funding plan with a 15 year phase-in and a “continuing appropriation”. For fiscal years 2006 and 2007, however, the law was amended allowing for decreased contributions to the systems of only \$938.4 million and \$1,374.7 million, respectively, and requiring equal annual increments from fiscal year 2008 to 2010 (the end of the 15 year phase-in) so that by fiscal year 2011, the State would be contributing at the rate otherwise required by State law. The continuing appropriation

provides the Comptroller’s Office with the authority to automatically provide funding to the pension systems based on actuarial cost requirements and amortization of the unfunded liability without being subject to the General Assembly’s appropriation process. However, the State’s 50-year funding plan does *not* meet the more stringent 30-year maximum amortization “parameters” required to be reported in the State’s financial statements in accordance with Government Accounting Standards Board Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*. As the statutory funding requirement allows for the 15-year phase-in and is amortized over a maximum period which is greater than the maximum period allowed by GASB, the net pension obligation has annually increased, except for fiscal year 2004 due to a general obligation bond issuance, since the implementation of GASB Statement No. 27.



ECONOMIC CONDITION AND OUTLOOK

Fiscal Year 2012

Illinois continued to suffer from the effects of the intense recession during fiscal year 2012. Each of the measures of Illinois economic activity remained weak during the fiscal year. Illinois’ non-agricultural employment (derived from survey data from Illinois companies) averaged 5.710 million workers in fiscal year 2012, an increase of 66,000 jobs or 1.2% above 2011 employment and 335,000 jobs or 5.5% below peak employment of 6.045 million jobs in fiscal year 2001. A second Illinois employment estimate, obtained through household surveys, also showed an increase in Illinois employment. According to these surveys, an average of 5.970 million Illinoisans were employed in fiscal year 2012, up 28,000 or 0.5% from the prior year employment level.

The average Illinois unemployment rate decreased from 10.9% and 9.7% in fiscal years 2010 and 2011, respectively, to 9.4% in fiscal year 2012. The decreased average unemployment rate was

caused by the increase in employment levels and the drop in the average number of unemployed which decreased from 637,000 during fiscal year 2011 to 619,000 for fiscal year 2012.

The shift in Illinois employment from the manufacturing to the service sectors continued in fiscal year 2012. Average fiscal year 2012 manufacturing employment of 578,500 jobs was down 328,100 jobs or 36.2% from the cyclical peak manufacturing employment of 906,600 jobs during fiscal year 1998.

A more comprehensive measure of Illinois' economic performance is the change in state personal income adjusted for inflation. This value decreased 0.5% in fiscal year 2012 as nominal personal income rose 2.4% and the consumer price index was up 2.9%. State personal income adjusted for inflation had shown a decrease in 2010 of 3.0% and an increase of 3.1% in 2011.

Outlook

In the current national recession, the State has shown an inability to generate sufficient cash from its current revenue structure to pay operating expenditures on a timely basis. The State's two largest revenue sources, income tax and sales tax, are especially susceptible to major downturns in the economy.

Budgetary challenges and economic uncertainties along with the accumulated deficit in the General Fund, continued growth in unfunded actuarial postemployment benefit costs, and the recent ratings downgrades on debt issuances of the State may impact the State's ability to access credit markets for the continued short-term borrowings being issued to pay operational expenditures more timely and may increase interest costs of those borrowings.

REQUESTS FOR INFORMATION

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors a general overview of the State's financial position and changes in the State's net assets for the year ended June 30, 2012. If you have any questions about this report or need additional financial information, contact the Office of the Comptroller at (217) 782-6000.

The State's component units issue separate audited financial statements and reports. These statements and reports may be obtained by directly contacting the component unit. Contact information can be obtained from the Office of the Comptroller at (217) 782-6000.

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State of Illinois

Statement of Net Assets

June 30, 2012 (Expressed in Thousands)

| | Primary Government | | | |
|---|----------------------------|-----------------------------|------------------------|----------------------|
| | Governmental Activities | Business-type Activities | Total | Component Units |
| ASSETS | | | | |
| Cash equity with State Treasurer | \$ 8,194,924 | \$ 440,479 | \$ 8,635,403 | \$ 438,931 |
| Cash and cash equivalents | 276,846 | 145,470 | 422,316 | 1,653,912 |
| Securities lending collateral of State Treasurer | 4,120,082 | 136,334 | 4,256,416 | 8,336 |
| Investments | 6,700 | 1,470,020 | 1,476,720 | 1,535,659 |
| Securities lending collateral | | | | 90,732 |
| Receivables, net: | | | | |
| Taxes | 1,722,239 | 625,667 | 2,347,906 | |
| Intergovernmental | 3,641,528 | 147,158 | 3,788,686 | 169,772 |
| Other | 646,829 | 258,946 | 905,775 | 505,911 |
| Internal balances | 11,618 | (11,618) | - | |
| Due from fiduciary funds | 4,112 | 232 | 4,344 | |
| Due from component units | 433,313 | 381 | 433,694 | 76,485 |
| Due from primary government | | | | 681,712 |
| Inventories | 108,788 | | 108,788 | 53,269 |
| Prepaid expenses | 9,635 | 322 | 9,957 | 38,681 |
| Unamortized bond issuance costs | 110,583 | 6,354 | 116,937 | 51,234 |
| Loans and notes receivable, net | 76,473 | 2,128,387 | 2,204,860 | 1,820,461 |
| Restricted assets: | | | | |
| Cash equity with State Treasurer | 268,359 | | 268,359 | 164,288 |
| Cash and cash equivalents | 119,212 | 48,672 | 167,884 | 747,850 |
| Investments | 106,098 | | 106,098 | 2,899,812 |
| Intergovernmental receivables | 2,823 | | 2,823 | |
| Other receivables | 204,809 | 16,705 | 221,514 | 97,925 |
| Due from component units | 671 | | 671 | |
| Loans and notes receivable, net | 402 | 1,008,969 | 1,009,371 | 53,286 |
| Other assets | 5,952 | | 5,952 | 2,478 |
| Derivative instrument - asset | | | | 107 |
| Other assets | 16,250 | | 16,250 | 50,617 |
| Capital assets not being depreciated | 3,243,137 | 476 | 3,243,613 | 1,363,733 |
| Capital assets being depreciated, net | 17,615,801 | 4,197 | 17,619,998 | 9,811,822 |
| Total assets | 40,947,184 | 6,427,151 | 47,374,335 | 22,317,013 |
| Deferred outflow of resources | 179,112 | | 179,112 | 343,519 |
| Total assets and deferred outflow of resources | 41,126,296 | 6,427,151 | 47,553,447 | 22,660,532 |
| LIABILITIES | | | | |
| Accounts payable and accrued liabilities | 8,929,418 | 387,604 | 9,317,022 | 871,597 |
| Intergovernmental payables | 5,249,580 | 62,706 | 5,312,286 | 3,902 |
| Due to fiduciary funds | 619,211 | | 619,211 | |
| Due to component units | 625,278 | 56,431 | 681,709 | 76,485 |
| Due to primary government | | | | 433,378 |
| Unearned revenue | 852,263 | 32,549 | 884,812 | 447,247 |
| Obligations under security lending of State Treasurer | 4,120,082 | 136,334 | 4,256,416 | 8,336 |
| Securities lending collateral | | | | 90,732 |
| Assets held for others | | | | 251,377 |
| Short-term notes payable | | 1,414,221 | 1,414,221 | 8,529 |
| Derivative instrument - swap liability | 179,112 | | 179,112 | 347,660 |
| Other liabilities | | | | 41,427 |
| Long-term obligations: | | | | |
| Due within one year | 2,184,812 | 208,966 | 2,393,778 | 825,785 |
| Due subsequent to one year | 64,940,500 | 2,293,256 | 67,233,756 | 8,417,415 |
| Total liabilities | 87,700,256 | 4,592,067 | 92,292,323 | 11,823,870 |
| Deferred inflow of resources | | | | 107 |
| Total liabilities and deferred inflow of resources | 87,700,256 | 4,592,067 | 92,292,323 | 11,823,977 |
| NET ASSETS | | | | |
| Invested in capital assets, net of related debt | 14,990,452 | 4,673 | 14,995,125 | 4,631,932 |
| Restricted for: | | | | |
| Debt service | 2,857,036 | 9,300 | 2,866,336 | 354,609 |
| Capital projects | 195 | | 195 | 87,773 |
| Repayment of loan from component unit | | 200,880 | 200,880 | |
| Municipal lending | | 2,000,344 | 2,000,344 | |
| Education | 5,117 | 42,569 | 47,686 | |
| Employment and economic development | 86,190 | | 86,190 | |
| Health and social services | 70,954 | | 70,954 | |
| Public protection and justice | 68,128 | | 68,128 | |
| Environment and business regulation | 199,495 | | 199,495 | |
| Transportation | 46,031 | | 46,031 | |
| Other purposes | 220,452 | | 220,452 | |
| Funds held as permanent investments: | | | | |
| Nonexpendable purposes | 11,837 | | 11,837 | 1,124,063 |
| Expendable purposes | 3,377 | | 3,377 | 2,244,332 |
| Unrestricted net assets | (65,133,224) | (422,682) | (65,555,906) | 2,393,846 |
| Total net assets | \$ (46,573,960) | \$ 1,835,084 | \$ (44,738,876) | \$ 10,836,555 |

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

State of Illinois

Statement of Activities

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

| Functions/Programs | Expenses | Program Revenues | | |
|---|---------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary government | | | | |
| Governmental activities | | | | |
| Health and social services | \$26,021,677 | \$ 175,218 | \$ 14,418,723 | |
| Education | 17,703,469 | 6,666 | 2,260,816 | |
| General government | 2,575,789 | 2,177,712 | 102,210 | \$ 23,916 |
| Employment and economic development | 1,332,412 | 17,107 | 845,284 | |
| Transportation | 4,471,245 | 38,595 | 392,967 | 1,530,169 |
| Public protection and justice | 3,621,072 | 131,729 | 189,249 | |
| Environment and business regulation | 1,033,428 | 446,925 | 169,251 | 1,125 |
| Intergovernmental-revenue sharing | 5,329,498 | | | |
| Interest | 1,608,440 | | | |
| Total governmental activities | <u>63,697,030</u> | <u>2,993,952</u> | <u>18,378,500</u> | <u>1,555,210</u> |
| Business-type activities | | | | |
| Unemployment compensation trust | 5,087,631 | 3,216,031 | 2,636,721 | |
| Water revolving | 85,366 | 42,958 | 71,970 | |
| Prepaid tuition program | 193,523 | 35,294 | | |
| Lottery | 1,941,324 | 2,682,379 | | |
| Designated account purchase program | 41,617 | 36,110 | | |
| Federal student loans | 189,251 | 23,688 | 182,872 | |
| Other | 176,034 | 122,779 | 107 | |
| Total business-type activities | <u>7,714,746</u> | <u>6,159,239</u> | <u>2,891,670</u> | |
| Total primary government | <u>\$71,411,776</u> | <u>\$9,153,191</u> | <u>\$ 21,270,170</u> | <u>\$ 1,555,210</u> |
| Component units | | | | |
| Authorities | | | | |
| Illinois Housing Development Authority | \$ 412,414 | \$ 109,201 | \$ 412,544 | |
| Toll Highway Authority | 799,517 | 697,871 | | |
| Other Authorities | 265,238 | 140,688 | 6,022 | \$ 3,696 |
| Universities | | | | |
| Illinois State University | 509,964 | 269,773 | 42,913 | 452 |
| Northern Illinois University | 583,519 | 269,679 | 112,521 | |
| Southern Illinois University | 1,136,593 | 526,519 | 101,259 | 8,028 |
| University of Illinois | 4,859,020 | 2,479,931 | 1,016,805 | 56,383 |
| Other Universities | 946,387 | 416,101 | 101,872 | 31 |
| Total component units | <u>\$ 9,512,652</u> | <u>\$4,909,763</u> | <u>\$ 1,793,936</u> | <u>\$ 68,590</u> |
| General revenues | | | | |
| Taxes: | | | | |
| Income taxes | | | | |
| Sales taxes | | | | |
| Motor fuel taxes | | | | |
| Public utility taxes | | | | |
| Riverboat taxes | | | | |
| Hospital assessment taxes | | | | |
| Other taxes | | | | |
| Interest and investment income | | | | |
| Other revenues | | | | |
| Payments from the State of Illinois | | | | |
| Additions to permanent endowments | | | | |
| Transfers | | | | |
| Total general revenues, payments from the State of Illinois, additions to permanent funds and transfers | | | | |
| Change in net assets | | | | |
| Net assets, July 1, 2011, as restated | | | | |
| Net assets, June 30, 2012 | | | | |

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

| Net (Expense) Revenues and Changes in Net Assets | | | |
|---|-------------------------------------|------------------------|----------------------------|
| Primary Government | | | |
| Governmental Activities | Business-type Activities | Total | Component Units |
| \$ (11,427,736) | | \$ (11,427,736) | |
| (15,435,987) | | (15,435,987) | |
| (271,951) | | (271,951) | |
| (470,021) | | (470,021) | |
| (2,509,514) | | (2,509,514) | |
| (3,300,094) | | (3,300,094) | |
| (416,127) | | (416,127) | |
| (5,329,498) | | (5,329,498) | |
| (1,608,440) | | (1,608,440) | |
| (40,769,368) | | | |
| | \$ 765,121 | 765,121 | |
| | 29,562 | 29,562 | |
| | (158,229) | (158,229) | |
| | 741,055 | 741,055 | |
| | (5,507) | (5,507) | |
| | 17,309 | 17,309 | |
| | (53,148) | (53,148) | |
| | <u>1,336,163</u> | | |
| | | <u>(39,433,205)</u> | |
| | | | \$ 109,331 |
| | | | (101,646) |
| | | | (114,832) |
| | | | (196,826) |
| | | | (201,319) |
| | | | (500,787) |
| | | | (1,305,901) |
| | | | <u>(428,383)</u> |
| | | | <u>(2,740,363)</u> |
| 19,585,251 | | 19,585,251 | |
| 9,800,153 | | 9,800,153 | |
| 1,269,484 | | 1,269,484 | |
| 1,487,570 | | 1,487,570 | |
| 495,055 | | 495,055 | |
| 964,307 | | 964,307 | |
| 2,341,243 | | 2,341,243 | |
| 53,597 | 39,750 | 93,347 | 72,910 |
| 1,029,051 | | 1,029,051 | 481,971 |
| | | | 2,903,755 |
| | | | 59,358 |
| <u>778,423</u> | <u>(778,423)</u> | <u>-</u> | |
| 37,804,134 | (738,673) | 37,065,461 | 3,517,994 |
| (2,965,234) | 597,490 | (2,367,744) | 777,631 |
| (43,608,726) | 1,237,594 | (42,371,132) | 10,058,924 |
| <u>\$ (46,573,960)</u> | <u>\$ 1,835,084</u> | <u>\$ (44,738,876)</u> | <u>\$ 10,836,555</u> |

State of Illinois

**Balance Sheet -
Governmental Funds**

June 30, 2012 (Expressed in Thousands)

| | General Fund | Road Fund | State Construction Account | Other Nonmajor Funds | Total Governmental Funds |
|---|---------------------|---------------------|----------------------------------|----------------------------|--------------------------------|
| ASSETS | | | | | |
| Cash equity with State Treasurer | \$ 1,615,749 | \$ 834,488 | \$ 268,769 | \$ 5,562,631 | \$ 8,281,637 |
| Cash and cash equivalents | 16,868 | 5 | 13 | 314,529 | 331,415 |
| Securities lending collateral of State Treasurer | 2,742,227 | 392,475 | 99,790 | 782,718 | 4,017,210 |
| Investments | | | | 112,798 | 112,798 |
| Receivables, net: | | | | | |
| Taxes | 1,351,837 | | | 370,402 | 1,722,239 |
| Intergovernmental | 2,234,442 | 311,873 | | 1,061,313 | 3,607,628 |
| Other | 405,013 | 23,408 | 2,455 | 384,963 | 815,839 |
| Due from other funds | 282,837 | 54,885 | 34,705 | 2,268,829 | 2,641,256 |
| Due from component units | 537 | 59,575 | | 340,198 | 400,310 |
| Inventories | 26,785 | 57,804 | | 15,640 | 100,229 |
| Loans and notes receivable, net | 7,867 | | | 69,008 | 76,875 |
| Other assets | 15,000 | | | 7,202 | 22,202 |
| Total assets | \$ 8,699,162 | \$ 1,734,513 | \$ 405,732 | \$ 11,290,231 | \$ 22,129,638 |
| LIABILITIES | | | | | |
| Accounts payable and accrued liabilities | \$ 6,079,646 | \$ 243,233 | \$ 60,692 | \$ 709,721 | \$ 7,093,292 |
| Intergovernmental payables | 3,065,507 | 52,317 | 1,586 | 2,113,002 | 5,232,412 |
| Due to other funds | 3,179,378 | 182,354 | 101 | 1,843,839 | 5,205,672 |
| Due to component units | 450,331 | 119,143 | | 54,842 | 624,316 |
| Unavailable revenue | 1,790,451 | 55,963 | | 738,628 | 2,585,042 |
| Unearned revenue | 522,599 | 11,559 | 6,023 | 323,644 | 863,825 |
| Obligations under security lending of State Treasurer | 2,742,227 | 392,475 | 99,790 | 782,718 | 4,017,210 |
| Matured portion of long-term liabilities | 2,002 | 1,216 | | | 3,218 |
| Total liabilities | 17,832,141 | 1,058,260 | 168,192 | 6,566,394 | 25,624,987 |
| FUND BALANCES (DEFICITS) | | | | | |
| Nonspendable - long-term portion of loans and notes receivable | 7,867 | | | | 7,867 |
| Nonspendable - inventories | 26,785 | 57,804 | | 15,640 | 100,229 |
| Nonspendable - endowments and similar funds | | | | 11,837 | 11,837 |
| Restricted | 39,276 | | | 3,249,709 | 3,288,985 |
| Committed | 864,077 | 618,449 | 237,540 | 2,992,245 | 4,712,311 |
| Assigned | | | | 7,959 | 7,959 |
| Unassigned | (10,070,984) | | | (1,553,553) | (11,624,537) |
| Total fund balances (deficits) | (9,132,979) | 676,253 | 237,540 | 4,723,837 | (3,495,349) |
| Total liabilities and fund balances (deficits) | \$ 8,699,162 | \$ 1,734,513 | \$ 405,732 | \$ 11,290,231 | \$ 22,129,638 |

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

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

Total fund balances-governmental funds \$ (3,495,349)

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

Capital assets used in governmental activities, not including amounts included as assets in internal service funds of \$272,022, are not financial resources and therefore are not reported in the funds. 20,586,916

Prepaid expenses for governmental activities are current uses of financial resources for funds. 9,592

Bond issuance costs are reported as current expenditures in governmental funds. However, bond issuance costs are deferred and amortized over the life of the bonds and are included as governmental activities in the Statement of Net Assets. 110,583

Bond refunding costs are reported as current expenditures in governmental funds. However, bond refunding costs are deferred and amortized over the life of the defeased bonds and are included in governmental activities in the Statement of Net Assets. 103,026

Internal service funds are used to charge costs of certain activities to individual funds. The assets and liabilities of the internal service funds are reported as governmental activities in the Statement of Net Assets. 471,643

Some revenues will be collected after year-end but are "unavailable" to pay for the current period's expenditures due to not being collectible for several months and therefore are deferred in governmental funds. 2,585,042

Some receivables do not meet the criteria for reporting under the modified accrual basis of accounting and are not reported in the fund level statements. 13,034

Some unearned revenue reported in the fund level statements is recognized as revenue in the governmental activities and is excluded as liabilities in the Statement of Net Assets. 12,875

Some liabilities reported in the Statement of Net Assets do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds. These liabilities, not including amounts included as liabilities in internal service funds of \$600,552, consist of:

| | | |
|---|-----------------|--------------|
| Net pension obligation | \$ (26,183,685) | |
| Net other postemployment benefit obligation | (7,300,079) | |
| General obligation bonds | (27,792,980) | |
| Special obligation bonds | (2,851,752) | |
| Revenue bonds | (1,444,085) | |
| Unamortized premiums | (542,618) | |
| Unamortized discounts | 1,808 | |
| Other commitments | (237) | |
| Compensated absences | (417,382) | |
| Certificates of participation | (36,165) | |
| Pollution remediation obligation | (37,800) | |
| Auto liability | (10,337) | |
| Capital leases | (7,598) | |
| Installment purchases | (1,658) | |
| Accrued interest | (346,754) | |
| | (66,971,322) | (66,971,322) |

Net assets of governmental activities \$ (46,573,960)

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

State of Illinois

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

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

| | General Fund | Road Fund | State Construction Account | Other Nonmajor Funds | Total Governmental Funds |
|--|-----------------------|-------------------|----------------------------------|----------------------------|--------------------------------|
| REVENUES | | | | | |
| Income taxes | \$ 17,379,739 | | | \$ 2,218,018 | \$ 19,597,757 |
| Sales taxes | 6,924,776 | | | 2,869,795 | 9,794,571 |
| Motor fuel taxes | | \$ 296,373 | \$ 209,733 | 768,936 | 1,275,042 |
| Public utility taxes | 991,906 | | | 503,345 | 1,495,251 |
| Riverboat taxes | | | | 495,055 | 495,055 |
| Hospital assessment taxes | 961,546 | | | | 961,546 |
| Other taxes | 1,778,076 | | | 390,127 | 2,168,203 |
| Federal government | 7,467,224 | 1,614,718 | | 9,132,019 | 18,213,961 |
| Licenses and fees | 636,353 | 872,080 | 464,522 | 614,076 | 2,587,031 |
| Interest and other investment income | 26,592 | 4,508 | 763 | 20,632 | 52,495 |
| Other | 1,157,626 | 81,503 | | 867,534 | 2,106,663 |
| Total revenues | 37,323,838 | 2,869,182 | 675,018 | 17,879,537 | 58,747,575 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| Health and social services | 19,732,337 | | | 5,911,083 | 25,643,420 |
| Education | 12,061,831 | | | 3,002,922 | 15,064,753 |
| General government | 1,881,097 | | | 333,286 | 2,214,383 |
| Employment and economic development | 69,493 | | | 1,228,810 | 1,298,303 |
| Transportation | 523,138 | 1,785,825 | | 963,805 | 3,272,768 |
| Public protection and justice | 2,756,184 | | | 424,793 | 3,180,977 |
| Environment and business regulation | 128,984 | | | 801,430 | 930,414 |
| Debt service: | | | | | |
| Principal | 1,742 | 222 | | 1,817,339 | 1,819,303 |
| Interest | 1,619 | 160 | | 1,574,760 | 1,576,539 |
| Capital outlays | 16,490 | 530,261 | 648,011 | 721,912 | 1,916,674 |
| Intergovernmental | | | | 5,329,498 | 5,329,498 |
| Total expenditures | 37,172,915 | 2,316,468 | 648,011 | 22,109,638 | 62,247,032 |
| Excess (deficiency) of revenues over (under) expenditures | 150,923 | 552,714 | 27,007 | (4,230,101) | (3,499,457) |
| OTHER SOURCES (USES) OF FINANCIAL RESOURCES | | | | | |
| General and special obligation bonds issued | | | | 2,100,040 | 2,100,040 |
| Premiums on general and special obligation bonds issued | | | | 80,268 | 80,268 |
| General obligation refunding bonds issued | | | | 1,797,740 | 1,797,740 |
| Premiums on general obligation refunding bonds issued | | | | 165,789 | 165,789 |
| Transfers-in | 1,633,753 | 22,299 | 392 | 4,442,688 | 6,099,132 |
| Transfers-out | (2,908,412) | (339,707) | | (2,086,625) | (5,334,744) |
| Capital lease financing | 1,164 | 1,383 | | 241 | 2,788 |
| Payment to refunded bond escrow agent | | | | (1,934,435) | (1,934,435) |
| Net other sources (uses) of financial resources | (1,273,495) | (316,025) | 392 | 4,565,706 | 2,976,578 |
| Net change in fund balances | (1,122,572) | 236,689 | 27,399 | 335,605 | (522,879) |
| Fund balances (deficits), July 1, 2011, as restated | (8,009,956) | 433,043 | 210,141 | 4,387,981 | (2,978,791) |
| Increase (decrease) for changes in inventories | (451) | 6,521 | | 251 | 6,321 |
| FUND BALANCES (DEFICITS), JUNE 30, 2012 | \$ (9,132,979) | \$ 676,253 | \$ 237,540 | \$ 4,723,837 | \$ (3,495,349) |

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

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

| | |
|------------------------------------|--------------|
| Net change in fund balances | \$ (522,879) |
| Change in inventories | 6,321 |
| | (516,558) |

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

| | |
|---|----------|
| Prepaid expenses are recorded as uses of current financial resources in governmental funds but do not affect the expenses reported on the Statement of Activities. Prepaid expenses decreased by this amount during the year. | (12,116) |
|---|----------|

| | |
|---|--------------|
| Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current year, these amounts are: | |
| Capital outlays | \$ 1,916,674 |
| Depreciation expense | (1,219,002) |
| Excess of capital outlays over depreciation expense | 697,672 |

| | |
|---|--------|
| Revenues for capital assets acquired through noncash transactions are not recorded in governmental funds. However, in the Statement of Activities, program revenues are recorded for donated capital assets in this amount. | 22,417 |
|---|--------|

| | |
|--|----------|
| Gains and losses from capital assets no longer in use are not recorded in governmental funds but are reported as other revenues and expenses in the Statement of Activities. In the current year, these transactions include losses on capital assets scrapped, damaged or stolen. | (23,039) |
|--|----------|

| | |
|--|----------|
| The amount of net revenue for internal service funds below includes contributions of capital assets from governmental activities that does not affect the net assets of governmental activities. | (15,209) |
|--|----------|

| | |
|---|--------|
| Internal service funds are used to charge the costs of certain activities to individual funds. The net revenue of the internal service funds is reported as governmental activities in the Statement of Activities. | 65,105 |
|---|--------|

| | |
|--|-----------|
| Because some revenues will not be collected for several months, they are considered "unavailable" revenues and revenue recognition is deferred in the governmental funds. Unavailable revenues increased by this amount during the year. | 1,045,977 |
|--|-----------|

| | |
|--|-------|
| Some revenues are not recognized in the governmental funds as they relate to receivables that do not meet the criteria for reporting under the modified accrual basis of accounting. | (211) |
|--|-------|

| | |
|---|-------|
| Some unearned revenue reported in the governmental funds is recognized as revenue in the governmental activities. | (180) |
|---|-------|

| | |
|---|-------------|
| The incurrence of long-term debt provides current financial resources to governmental funds while the repayment of the long-term debt is recorded as uses of current financial resources in governmental funds. Neither transaction has an affect on net assets. Also, governmental funds report the effect of premiums, discounts, and deferred amounts on refundings of debt when the long-term debt is issued whereas these amounts are deferred and amortized in the Statement of Activities. | |
| Bond proceeds, including premiums of \$246,057 | (2,209,402) |
| Bond issuance costs deferred | 19,789 |
| Bond principal retirements | 1,811,400 |
| Deferred loss on current year refundings of debt | 28,589 |
| Accrued interest paid to refunding agent | (76,642) |
| Amortization of bond premiums | 124,867 |
| Amortization of bond discounts | (125) |
| Amortization of bond issuance costs | (19,751) |
| Amortization of deferred loss on refundings of debt | (17,758) |
| Capital lease and installment purchase agreement proceeds | (2,788) |
| Capital lease and installment purchase principal retirements | 2,208 |
| Certificates of participation principal retirements | 5,695 |
| Net decrease in change in fund balance of governmental funds from long-term debt transactions | (333,918) |

| | |
|--|-------------|
| Some expenses reported in the Statement of Activities do not require the use of current financial resources and are therefore 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 Assets and are therefore not reported as expenses in the Statement of Activities. | |
| Increase in net pension obligation | (2,157,524) |
| Increase in net other postemployment benefit obligation | (1,686,054) |
| Decrease in compensated absences obligation | 37,695 |
| Interest accreted on capital appreciation debt | (26,720) |
| Decrease in auto liability obligation | 1,657 |
| Increase in pollution remediation obligations | (1,500) |
| Increase in accrued interest on obligations | (62,532) |
| Increase in other obligations | (196) |
| Net increase in expenses for net increase in long-term liabilities not reported in governmental funds | (3,895,174) |

| | |
|--|-----------------------|
| Change in net assets of governmental activities | \$ (2,965,234) |
|--|-----------------------|

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

State of Illinois

Statement of Net Assets -
Proprietary Funds

June 30, 2012 (Expressed in Thousands)

| | Business-type Activities - Enterprise Funds | | | | | Governmental Activities - Internal Service Funds |
|---|---|----------------------------|----------------------------|---------------------------------|---------------------|---|
| | Major | | | | Total | |
| | Unemployment Compensation Trust Fund | Water Revolving Fund | Prepaid Tuition Fund | Nonmajor Enterprise Funds | | |
| ASSETS | | | | | | |
| Cash equity with State Treasurer | | \$ 167,818 | \$ 6,054 | \$ 266,607 | \$ 440,479 | \$ 181,646 |
| Cash and cash equivalents | \$ 94,355 | 24,686 | 1,363 | 25,066 | 145,470 | 64,643 |
| Securities lending collateral of State Treasurer | | 80,163 | | 56,171 | 136,334 | 102,872 |
| Investments | | | 115,454 | 91,157 | 206,611 | |
| Receivables, net: | | | | | | |
| Taxes | 625,667 | | | | 625,667 | |
| Intergovernmental | 95,499 | 20,577 | | 31,082 | 147,158 | 23,689 |
| Other | 109,166 | 13,113 | 38,673 | 31,539 | 192,491 | 35,799 |
| Due from other funds | 14,134 | | | 8,066 | 22,200 | 1,988,303 |
| Due from component units | 239 | 134 | | 8 | 381 | 33,674 |
| Loans and notes receivable, net | | 160,115 | | | 160,115 | |
| Restricted assets: | | | | | | |
| Cash and cash equivalents | | | | 48,672 | 48,672 | |
| Other receivables, net | | 1,321 | | 15,384 | 16,705 | |
| Loans and notes receivable, net | | 27,521 | | 113,318 | 140,839 | |
| Unamortized bond issuance costs | | 78 | | 765 | 843 | |
| Inventories | | | | | | 8,559 |
| Prepaid expenses | | | | 322 | 322 | 43 |
| Total current assets | 939,060 | 495,526 | 161,544 | 688,157 | 2,284,287 | 2,439,228 |
| Investments | | | 948,058 | 315,351 | 1,263,409 | |
| Other receivables, net | | | 66,455 | | 66,455 | |
| Loans and notes receivable, net | | 1,968,272 | | | 1,968,272 | |
| Restricted loans and notes receivable, net | | 172,038 | | 696,092 | 868,130 | |
| Unamortized bond issuance costs | | 261 | | 5,250 | 5,511 | |
| Capital assets not being depreciated | | | | 476 | 476 | 57,884 |
| Capital assets being depreciated, net | | 56 | | 4,141 | 4,197 | 214,138 |
| Total noncurrent assets | | 2,140,627 | 1,014,513 | 1,021,310 | 4,176,450 | 272,022 |
| Total assets | 939,060 | 2,636,153 | 1,176,057 | 1,709,467 | 6,460,737 | 2,711,250 |
| LIABILITIES | | | | | | |
| Accounts payable and accrued liabilities | 166,153 | 40 | 1,349 | 220,062 | 387,604 | 1,489,372 |
| Intergovernmental payables | 52,428 | 37 | | 10,241 | 62,706 | 17,168 |
| Due to other funds | 1,386 | 5,076 | 193 | 26,931 | 33,586 | 27,368 |
| Due to component units | | 49,190 | 180 | 7,061 | 56,431 | 962 |
| Unearned revenue | | | | 32,549 | 32,549 | 1,313 |
| Obligations under securities lending of State Treasurer | | 80,163 | | 56,171 | 136,334 | 102,872 |
| Short-term notes payable | 1,138,264 | | | 275,957 | 1,414,221 | |
| Current portion of long-term obligations | | 101 | 145,599 | 63,266 | 208,966 | 141,721 |
| Total current liabilities | 1,358,231 | 134,607 | 147,321 | 692,238 | 2,332,397 | 1,780,776 |
| Noncurrent portion of long-term obligations | | 1,489 | 1,449,123 | 842,644 | 2,293,256 | 458,831 |
| Total liabilities | 1,358,231 | 136,096 | 1,596,444 | 1,534,882 | 4,625,653 | 2,239,607 |
| NET ASSETS | | | | | | |
| Invested in capital assets, net of related debt | | 56 | | 4,617 | 4,673 | 248,193 |
| Net assets restricted for: | | | | | | |
| Debt service | | | | 9,300 | 9,300 | 4,031 |
| Repayment of loan from component unit | | 200,880 | | | 200,880 | |
| Municipal lending | | 2,000,344 | | | 2,000,344 | |
| Education | | | | 42,569 | 42,569 | |
| Unrestricted | (419,171) | 298,777 | (420,387) | 118,099 | (422,682) | 219,419 |
| Total net assets | \$ (419,171) | \$ 2,500,057 | \$ (420,387) | \$ 174,585 | \$ 1,835,084 | \$ 471,643 |

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

State of Illinois

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

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

| | Business-type Activities - Enterprise Funds | | | | | Governmental Activities - Internal Service Funds |
|---|---|----------------------------|-------------------------|---------------------------------|---------------------|---|
| | Major | | | Nonmajor Enterprise Funds | Total | |
| | Unemployment Compensation Trust Fund | Water Revolving Fund | Prepaid Tuition Fund | | | |
| OPERATING REVENUES | | | | | | |
| Charges for sales and services | | | \$ 609 | \$ 2,823,462 | \$ 2,824,071 | \$ 3,069,828 |
| Interest income pledged as revenue bond security | | | | 36,110 | 36,110 | |
| Interest and other investment income | | \$ 42,958 | 34,685 | 1 | 77,644 | |
| Employer contributions | \$ 3,216,031 | | | | 3,216,031 | |
| Federal government | 2,535,043 | | | | 2,535,043 | 23,181 |
| Other | | | | 5,383 | 5,383 | 27 |
| Total operating revenues | 5,751,074 | 42,958 | 35,294 | 2,864,956 | 8,694,282 | 3,093,036 |
| OPERATING EXPENSES | | | | | | |
| Cost of sales and services | | | | 398,581 | 398,581 | 499,620 |
| Benefit payments and refunds | 5,041,591 | | | 44,668 | 5,086,259 | 2,326,310 |
| Prizes and claims | | | | 1,620,405 | 1,620,405 | |
| Interest | 46,040 | | | 27,209 | 73,249 | 94,667 |
| General and administrative | | 18,525 | 5,059 | 218,550 | 242,134 | 137,473 |
| Depreciation | | 59 | | 782 | 841 | 23,982 |
| Other | | 62,341 | 188,464 | 11,421 | 262,226 | 12,761 |
| Total operating expenses | 5,087,631 | 80,925 | 193,523 | 2,321,616 | 7,683,695 | 3,094,813 |
| Operating income (loss) | 663,443 | (37,967) | (158,229) | 543,340 | 1,010,587 | (1,777) |
| NONOPERATING REVENUES (EXPENSES) | | | | | | |
| Interest and investment income | 86 | 1,194 | | 38,470 | 39,750 | 657 |
| Interest expense | | (3,440) | | (17,186) | (20,626) | (1,580) |
| Federal government | 101,678 | 71,970 | | 182,979 | 356,627 | 37,975 |
| Other revenues | | | | | | 603 |
| Other expenses | | (1,005) | | (9,428) | (10,433) | (17) |
| Income (loss) before transfers | 765,207 | 30,752 | (158,229) | 738,175 | 1,375,905 | 35,861 |
| Contributions of capital assets | | | | | | 15,217 |
| Transfers-in | 18,590 | 2,532 | | 30,641 | 51,763 | 14,100 |
| Transfers-out | (15,638) | | (27) | (814,513) | (830,178) | (73) |
| Change in net assets | 768,159 | 33,284 | (158,256) | (45,697) | 597,490 | 65,105 |
| Net assets, July 1, 2011, as restated | (1,187,330) | 2,466,773 | (262,131) | 220,282 | 1,237,594 | 406,538 |
| NET ASSETS, JUNE 30, 2012 | \$ (419,171) | \$ 2,500,057 | \$ (420,387) | \$ 174,585 | \$ 1,835,084 | \$ 471,643 |

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

State of Illinois

Statement of Cash Flows -
Proprietary Funds

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

| | Business-type Activities - Enterprise Funds | | | | | Governmental Activities - Internal Service Funds |
|--|---|----------------------------|-------------------------|---------------------------------|-------------------|---|
| | Major | | | | | |
| | Unemployment Compensation Trust Fund | Water Revolving Fund | Prepaid Tuition Fund | Nonmajor Enterprise Funds | Total | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | |
| Cash received from sales and services | | | \$ 609 | \$ 227,184 | \$ 227,793 | \$ 159,076 |
| Cash received from lottery sales | | | | 2,669,984 | 2,669,984 | |
| Cash received from transactions with other funds | | | | | | 3,032,707 |
| Cash payments to suppliers for goods and services | | \$ (4,751) | (2,488) | (164,987) | (172,226) | (2,877,856) |
| Cash payments to employees for services | | (13,567) | (2,862) | (75,097) | (91,526) | (147,876) |
| Cash payments for lottery prizes | | | | (1,561,172) | (1,561,172) | |
| Cash payments for commissions and bonuses | | | | (151,421) | (151,421) | |
| Cash receipts from unemployment taxes | \$ 3,229,859 | | | | 3,229,859 | |
| Cash receipts from federal unemployment grants | 2,515,598 | | | | 2,515,598 | |
| Cash payments for unemployment benefits | (4,862,312) | | | | (4,862,312) | |
| Cash receipts from prepaid tuition contract sales | | | 45,411 | | 45,411 | |
| Cash payments for tuition | | | (92,957) | | (92,957) | |
| Cash payments for tuition contract refunds | | | (39,618) | | (39,618) | |
| Cash receipts from student loan principal | | | | 133,935 | 133,935 | |
| Cash receipts from student loan interest | | | | 23,640 | 23,640 | |
| Cash payments for student loans issued | | | | (9,819) | (9,819) | |
| Cash payments for workers' compensation | | | | | | (125,234) |
| Cash receipts from other operating activities | | | | 5,849 | 5,849 | 48,423 |
| Cash payments for other operating activities | | | | (308,798) | (308,798) | |
| Net cash provided (used) by operating activities | 883,145 | (18,318) | (91,905) | 789,298 | 1,562,220 | 89,240 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | | |
| Proceeds from borrowings, net of bond issuance costs | 1,795,152 | | | | 1,795,152 | |
| Principal paid on revenue bonds and other borrowings | (2,794,952) | (15,323) | | (147,997) | (2,958,272) | |
| Interest paid on revenue bonds and other borrowings | | (3,349) | | (80,731) | (84,080) | (138) |
| Grants received | | 65,008 | | 185,933 | 250,941 | 37,890 |
| Grants paid | | | | (9,789) | (9,789) | |
| Transfers-in from other funds | 18,590 | 8,400 | | 81,635 | 108,625 | 4,100 |
| Transfers-out to other funds | (15,784) | | (27) | (764,061) | (779,872) | (73) |
| Federal recovery funds | 101,678 | | | | 101,678 | |
| Reimbursement for arbitrage | | (1,000) | | | (1,000) | |
| Net cash provided (used) by noncapital financing activities | (895,316) | 53,736 | (27) | (735,010) | (1,576,617) | 41,779 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | | |
| Acquisition and construction of capital assets | | (21) | | (1,610) | (1,631) | (27,503) |
| Principal paid on capital debt | | (4) | | | (4) | (7,097) |
| Interest paid on capital debt | | | | | | (1,530) |
| Proceeds from sales of capital assets | | | | | | 7 |
| Net cash used by capital and related financing activities | | (25) | | (1,610) | (1,635) | (36,123) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | |
| Purchase of investment securities | | | (348,337) | (87,628) | (435,965) | |
| Proceeds from sales and maturities of investment securities | | | 419,608 | 149,200 | 568,808 | |
| Cash paid to investment managers | | | (1,493) | | (1,493) | |
| Cash paid for long-term annuity prizes payable | | | | (68,581) | (68,581) | |
| Loan disbursements | | (396,213) | | | (396,213) | |
| Loan repayments | | 172,977 | | | 172,977 | |
| Interest and dividends on investments | 86 | 45,610 | 21,737 | 1,090 | 68,523 | 620 |
| Net cash provided (used) by investing activities | 86 | (177,626) | 91,515 | (5,919) | (91,944) | 620 |
| Net increase (decrease) in cash and cash equivalents | (12,085) | (142,233) | (417) | 46,759 | (107,976) | 95,516 |
| Cash and cash equivalents, July 1, 2011, as restated | 106,440 | 334,737 | 7,834 | 293,586 | 742,597 | 150,773 |
| CASH AND CASH EQUIVALENTS, JUNE 30, 2012 | \$ 94,355 | \$ 192,504 | \$ 7,417 | \$ 340,345 | \$ 634,621 | \$ 246,289 |
| Reconciliation of cash and cash equivalents to the Statement of Net Assets: | | | | | | |
| Total cash and cash equivalents per Statement of Net Assets | \$ 94,355 | \$ 24,686 | \$ 1,363 | \$ 25,066 | \$ 145,470 | \$ 64,643 |
| Add: cash equity with State Treasurer | | 167,818 | 6,054 | 266,607 | 440,479 | 181,646 |
| Add: restricted cash equivalents | | | | 48,672 | 48,672 | |
| CASH AND CASH EQUIVALENTS, JUNE 30, 2012 | \$ 94,355 | \$ 192,504 | \$ 7,417 | \$ 340,345 | \$ 634,621 | \$ 246,289 |

State of Illinois

Statement of Cash Flows -

Proprietary Funds

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

| | Business-type Activities - Enterprise Funds | | | | | Governmental Activities - Internal Service Funds |
|---|---|----------------------------|-------------------------|---------------------------------|--------------|---|
| | Major | | | | | |
| | Unemployment Compensation Trust Fund | Water Revolving Fund | Prepaid Tuition Fund | Nonmajor Enterprise Funds | Total | |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | | | | |
| OPERATING INCOME (LOSS) | \$ 663,443 | \$ (37,967) | \$ (158,229) | \$ 543,340 | \$ 1,010,587 | \$ (1,777) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | | | |
| Depreciation | | 59 | | 782 | 841 | 23,982 |
| Provision for uncollectible accounts | 254,367 | 62,341 | | 16,254 | 332,962 | 675 |
| Amortization | | | 184,399 | 2,586 | 186,985 | |
| Interest and investment income | | (42,958) | (30,586) | (343) | (73,887) | |
| Interest expense | | | | 27,034 | 27,034 | |
| Changes in assets and liabilities: | | | | | | |
| (Increase) decrease in accounts receivable | (169,564) | | (105,127) | (8,240) | (282,931) | (6,956) |
| (Increase) decrease in intergovernmental receivables | (22,751) | | | 65 | (22,686) | (11,247) |
| (Increase) decrease in due from other funds | 46,837 | | | 908 | 47,745 | 90,954 |
| (Increase) decrease in due from component units | 40 | | | (8) | 32 | 2,567 |
| (Increase) decrease in loans and notes receivable | | | | 112,379 | 112,379 | |
| (Increase) decrease in inventory | | | | 248 | 248 | 487 |
| (Increase) decrease in prepaid expenses | | | | 24 | 24 | (33) |
| (Increase) decrease in other assets | | | | 1 | 1 | |
| Increase (decrease) in accounts payable and accrued liabilities | 63,321 | 8 | (523) | 66,964 | 129,770 | 14,995 |
| Increase (decrease) in intergovernmental payables | 47,452 | 29 | | 272 | 47,753 | 4,455 |
| Increase (decrease) in due to other funds | | (69) | 193 | (913) | (789) | 1,969 |
| Increase (decrease) in due to component units | | 53 | 65 | 7,061 | 7,179 | (25) |
| Increase (decrease) in unearned revenue | | | | 2,336 | 2,336 | (2,362) |
| Increase (decrease) in other liabilities | | 186 | 17,903 | (1,262) | 16,827 | (28,444) |
| Increase (decrease) in long-term annuity prizes payable | | | | 19,810 | 19,810 | |
| Total adjustments | 219,702 | 19,649 | 66,324 | 245,958 | 551,633 | 91,017 |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | \$ 883,145 | \$ (18,318) | \$ (91,905) | \$ 789,298 | \$ 1,562,220 | \$ 89,240 |
| NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES | | | | | | |
| Gain (Loss) on disposal of capital assets | | \$ (1) | | \$ (6) | \$ (7) | \$ (16) |
| Transfer of assets from (to) other state funds | | (4) | | | (4) | 15,217 |
| Increase (decrease) in fair value of investments | | | | 20,636 | 20,636 | |
| Interest accreted on investments | | | | 17,186 | 17,186 | |
| Interest accreted on long-term annuity prizes payable | | | | (17,186) | (17,186) | |

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

State of Illinois

Statement of Fiduciary Net Assets -
Fiduciary Funds

June 30, 2012 (Expressed in Thousands)

| | Pension (and Other Employee Benefit) Trust Funds | Investment Trust Fund Public Treasurers' External Investment Pool | Private-Purpose Trust Funds | Agency Funds |
|---|--|---|--------------------------------|---------------------|
| ASSETS | | | | |
| Cash equity with State Treasurer | \$ 211,346 | | \$ 1,242 | \$ 441,591 |
| Cash and cash equivalents | 711,932 | \$ 3,518,081 | 324,492 | 42,273 |
| Securities lending collateral of State Treasurer | 153,241 | | 571 | 137,563 |
| Investments: | | | | |
| Equities | 27,705,227 | | 2,357,150 | |
| Fixed income | 10,984,205 | 581,299 | 1,857,288 | |
| Private equity | 4,175,728 | | | |
| Real estate | 4,909,096 | | | |
| Other | 6,561,644 | | 20 | 923,210 |
| Equity in Illinois State Board of Investments | 11,283,936 | | | |
| Securities lending collateral | 2,571,295 | | | |
| Receivables, net: | | | | |
| Taxes | | | | 209,205 |
| Members | 76,888 | | | |
| Employers | 25,022 | | | |
| Investment income | 130,744 | 715 | 7,039 | |
| Intergovernmental | 6,425 | | | 559 |
| Pending investment sales | 2,840,224 | | | |
| Other | 22,404 | | | 217,893 |
| Due from other funds | 95 | | | |
| Due from primary government funds | 572,442 | | | 46,769 |
| Due from component units | 2,055 | | | |
| Prepaid expenses | 3,620 | | | |
| Loans and notes receivable, net | | | 72 | |
| Other assets | | | | 169 |
| Capital assets not being depreciated | 1,724 | | | |
| Capital assets being depreciated, net | 11,121 | | | |
| Total assets | 72,960,414 | 4,100,095 | 4,547,874 | \$ 2,019,232 |
| LIABILITIES | | | | |
| Accounts payable and accrued liabilities | 284,507 | 150 | 1,274 | \$ 48,043 |
| Intergovernmental payables | 5 | | | 653,159 |
| Due to other funds | 95 | | | |
| Due to primary government funds | 4,112 | 232 | | |
| Due to component units | | | | 64 |
| Obligations under securities lending of State Treasurer | 153,241 | | 571 | 137,563 |
| Security lending collateral | 2,570,933 | | | |
| Payable to brokers for unsettled trades | 3,787,342 | | | |
| Depository and other liabilities | | | 5,187 | 1,180,403 |
| Long-term obligations: | | | | |
| Due within one year | 72 | | | |
| Due subsequent to one year | 4,003 | | | |
| Total liabilities | 6,804,310 | 382 | 7,032 | \$ 2,019,232 |
| NET ASSETS | | | | |
| Net assets held in trust for: | | | | |
| Pension and other employee benefits | 66,156,104 | | | |
| Pool participants | | 4,099,713 | | |
| Other purposes | | | 4,540,842 | |
| Total net assets | \$ 66,156,104 | \$ 4,099,713 | \$ 4,540,842 | |

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

State of Illinois

**Statement of Changes in Fiduciary Net Assets -
Fiduciary Funds**

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

| | Pension (and Other Employee Benefit) Trust Funds | Investment Trust Fund Public Treasurers' External Investment Pool | Private-Purpose Trust Funds |
|--|--|---|--------------------------------|
| ADDITIONS | | | |
| Deposits/Contributions: | | | |
| Employer | \$ 354,454 | | |
| State | 4,869,091 | | |
| Participants | | | \$ 1,628,564 |
| Members: | | | |
| Employees | 1,781,681 | | |
| Retirees | 180,604 | | |
| Federal Medicare Part D | 27,335 | | |
| Other contributions | 6,960 | | 23 |
| Total contributions | 7,220,125 | | 1,628,587 |
| Investment income: | | | |
| Interest and other investment income | 1,706,586 | \$ 6,334 | 39,723 |
| Increase (decrease) in fair value of investments | (1,090,795) | | 40,552 |
| Reimbursements of expenses | | | |
| not separable from investment income | 2,301 | | |
| Less investment expense | (314,572) | (3,335) | |
| Net investment income | 303,520 | 2,999 | 80,275 |
| Capital share and individual account transactions: | | | |
| Shares sold | | 6,436,905 | |
| Reinvested distributions | | 2,999 | |
| Shares redeemed | | (6,600,044) | |
| Net capital share and individual account transactions | | (160,140) | |
| Total additions | 7,523,645 | (157,141) | 1,708,862 |
| DEDUCTIONS | | | |
| Benefit payments | 8,780,463 | | |
| Refunds | 194,163 | | |
| Payments in accordance with trust agreements | | | 1,278,129 |
| Distribution to pool investors | | 2,999 | |
| Depreciation | 1,475 | | |
| General and administration | 56,695 | | 15,556 |
| Total deductions | 9,032,796 | 2,999 | 1,293,685 |
| Change in fiduciary net assets held in trust for: | | | |
| Pension and other employee benefits | (1,509,151) | | |
| Pool participants | | (160,140) | |
| Individuals, organizations, and other governments | | | 415,177 |
| Net Assets, July 1, 2011, as restated | 67,665,255 | 4,259,853 | 4,125,665 |
| Net Assets, June 30, 2012 | \$ 66,156,104 | \$ 4,099,713 | \$ 4,540,842 |

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

State of Illinois

Statement of Net Assets -
Component Units

June 30, 2012 (Expressed in Thousands)

| | Illinois Housing Development Authority | Toll Highway Authority | Other Authorities | Illinois State University | Northern Illinois University | Southern Illinois University | University of Illinois |
|--|--|---------------------------|----------------------|------------------------------|------------------------------------|---------------------------------|---------------------------|
| ASSETS AND DEFERRED OUTFLOW OF RESOURCES | | | | | | | |
| Cash equity with State Treasurer | \$ 451 | \$ 438,480 | | | | | |
| Cash and cash equivalents | 387,415 | 29,808 | \$ 162,002 | \$ 41,594 | \$ 44,147 | \$ 131,446 | \$ 616,404 |
| Securities lending collateral of State Treasurer | | | 8,336 | | | | |
| Investments | 96,046 | | 16,102 | 150,386 | 189,732 | 124,823 | 929,776 |
| Securities lending collateral | | | | | | | 90,732 |
| Receivables, net: | | | | | | | |
| Intergovernmental | | 18,659 | 2 | | | | 146,667 |
| Other | 7,810 | 17,425 | 3,852 | 12,782 | 40,991 | 67,661 | 312,007 |
| Due from component units | | | 76,205 | 21 | 137 | 76 | 37 |
| Due from primary government | 62 | 114,692 | 62,764 | 25,937 | 28,359 | 73,196 | 316,929 |
| Inventories | | | | 3,158 | 3,307 | 9,638 | 32,490 |
| Prepaid expenses | | 10,182 | 92 | 1,673 | 33 | 530 | 24,434 |
| Unamortized bond issuance costs | 11,648 | 15,422 | 938 | 2,454 | 2,430 | 4,615 | 7,942 |
| Loans and notes receivable, net | 1,696,825 | | 11,776 | 9,138 | 8,718 | 17,600 | 62,246 |
| Restricted assets: | | | | | | | |
| Cash equity with State Treasurer | | 146,511 | 17,777 | | | | |
| Cash and cash equivalents | | 380,390 | 47,189 | 5,387 | 22,463 | 43,401 | 201,833 |
| Investments | 575,083 | | 61,062 | 91,018 | 71,645 | 171,572 | 1,835,413 |
| Other receivables, net | 92,662 | 3 | 3,069 | 100 | | | |
| Loans and notes receivable, net | | | 53,286 | | | | |
| Other assets | | | | | | | |
| Derivative instrument - asset | 107 | | | | | | |
| Other assets | 20,912 | | 123 | 1,332 | 134 | 19,949 | 4,522 |
| Capital assets not being depreciated | 2,600 | 391,007 | 46,014 | 60,304 | 165,354 | 177,395 | 326,056 |
| Capital assets being depreciated, net | 30,348 | 4,721,242 | 19,056 | 388,542 | 293,585 | 618,083 | 3,075,255 |
| Total assets | 2,921,969 | 6,283,821 | 589,645 | 793,826 | 871,035 | 1,459,985 | 7,982,743 |
| Deferred outflow of resources | 3,183 | 307,308 | | | | | 33,028 |
| Total assets and deferred outflow of resources | 2,925,152 | 6,591,129 | 589,645 | 793,826 | 871,035 | 1,459,985 | 8,015,771 |
| LIABILITIES AND DEFERRED INFLOW OF RESOURCES | | | | | | | |
| Accounts payable and accrued liabilities | 67,624 | 170,308 | 11,817 | 24,314 | 53,075 | 60,073 | 429,363 |
| Intergovernmental payables | | | | | | | |
| Due to component units | | | 30,497 | 20 | 15,885 | 36 | 30,019 |
| Due to primary government | 323,015 | 59,905 | 17,152 | | 101 | 312 | 32,485 |
| Unearned revenue | 11,392 | 162,925 | 23,713 | 7,861 | 26,564 | 43,537 | 147,611 |
| Obligations under securities lending collateral of State Treasurer | | | 8,336 | | | | |
| Securities lending collateral | | | | | | | 90,732 |
| Assets held for others | 174,991 | | | 3,752 | | 20,643 | 44,607 |
| Short-term notes payable | | | 3,058 | | | | 4,084 |
| Derivative instrument - liability | 3,183 | 307,308 | | | | | 37,169 |
| Other liabilities | | | 35,656 | | | | |
| Long-term obligations: | | | | | | | |
| Due within one year | 242,912 | 194,600 | 24,837 | 10,173 | 12,743 | 39,848 | 277,179 |
| Due subsequent to one year | 1,269,203 | 3,845,333 | 227,811 | 160,781 | 378,561 | 352,880 | 1,829,491 |
| Total liabilities | 2,092,320 | 4,740,379 | 382,877 | 206,901 | 486,929 | 517,329 | 2,922,740 |
| Deferred inflow of resources | | | | | | | 107 |
| Total liabilities and deferred inflow of resources | 2,092,427 | 4,740,379 | 382,877 | 206,901 | 486,929 | 517,329 | 2,922,740 |
| NET ASSETS | | | | | | | |
| Invested in capital assets, net of related debt | (6,464) | 1,095,893 | 28,819 | 300,293 | 172,806 | 501,108 | 1,940,396 |
| Restricted for: | | | | | | | |
| Debt service | | 295,858 | 3,634 | | | 18,555 | 31,604 |
| Capital projects | | | 17 | | | 85,188 | 2,568 |
| Nonexpendable purposes | | | 241 | 68,170 | 45,711 | 96,950 | 845,090 |
| Other expendable purposes | 737,108 | 69 | 82,910 | 35,175 | 29,857 | 86,404 | 1,226,680 |
| Unrestricted | 102,081 | 458,930 | 91,147 | 183,287 | 135,732 | 154,451 | 1,046,693 |
| Total net assets | \$ 832,725 | \$ 1,850,750 | \$ 206,768 | \$ 586,925 | \$ 384,106 | \$ 942,656 | \$ 5,093,031 |

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

| Other Universities | | Total |
|--------------------|----|------------|
| | \$ | 438,931 |
| \$ 241,096 | | 1,653,912 |
| | | 8,336 |
| 28,794 | | 1,535,659 |
| | | 90,732 |
| 4,444 | | 169,772 |
| 43,383 | | 505,911 |
| 9 | | 76,485 |
| 59,773 | | 681,712 |
| 4,676 | | 53,269 |
| 1,737 | | 38,681 |
| 5,785 | | 51,234 |
| 14,158 | | 1,820,461 |
| | | 164,288 |
| 47,187 | | 747,850 |
| 94,019 | | 2,899,812 |
| 2,091 | | 97,925 |
| | | 53,286 |
| 2,478 | | 2,478 |
| | | 107 |
| 3,645 | | 50,617 |
| 195,003 | | 1,363,733 |
| 665,711 | | 9,811,822 |
| 1,413,989 | | 22,317,013 |
| | | 343,519 |
| 1,413,989 | | 22,660,532 |
| 55,023 | | 871,597 |
| 3,902 | | 3,902 |
| 28 | | 76,485 |
| 408 | | 433,378 |
| 23,644 | | 447,247 |
| | | 8,336 |
| | | 90,732 |
| 7,384 | | 251,377 |
| 1,387 | | 8,529 |
| | | 347,660 |
| 5,771 | | 41,427 |
| 23,493 | | 825,785 |
| 353,355 | | 8,417,415 |
| 474,395 | | 11,823,870 |
| | | 107 |
| 474,395 | | 11,823,977 |
| 599,081 | | 4,631,932 |
| 4,958 | | 354,609 |
| | | 87,773 |
| 67,901 | | 1,124,063 |
| 46,129 | | 2,244,332 |
| 221,525 | | 2,393,846 |
| \$ 939,594 | \$ | 10,836,555 |

State of Illinois

**Statement of Activities -
Component Units**

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

| Functions/Programs | Expenses | Program revenues | | | Net (expense) revenue |
|--|---------------------|------------------------|--|--|-----------------------------|
| | | Charges for service | Operating grants and contributions | Capital grants and contributions | |
| Authorities: | | | | | |
| Illinois Housing Development Authority | \$ 412,414 | \$ 109,201 | \$ 412,544 | | \$ 109,331 |
| Toll Highway Authority | 799,517 | 697,871 | | | (101,646) |
| Other authorities | 265,238 | 140,688 | 6,022 | \$ 3,696 | (114,832) |
| Universities: | | | | | |
| Illinois State University | 509,964 | 269,773 | 42,913 | 452 | (196,826) |
| Northern Illinois University | 583,519 | 269,679 | 112,521 | | (201,319) |
| Southern Illinois University | 1,136,593 | 526,519 | 101,259 | 8,028 | (500,787) |
| University of Illinois | 4,859,020 | 2,479,931 | 1,016,805 | 56,383 | (1,305,901) |
| Other universities | 946,387 | 416,101 | 101,872 | 31 | (428,383) |
| Total | <u>\$ 9,512,652</u> | <u>\$ 4,909,763</u> | <u>\$ 1,793,936</u> | <u>\$ 68,590</u> | <u>\$ (2,740,363)</u> |

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

| State appropriations | General revenues | | Additions to permanent endowments | Total general revenues and additions to permanent endowments | Change in net assets | Net assets, July 1, 2011, as restated | Net assets, June 30, 2012 |
|----------------------|--------------------------------|-------------------|-----------------------------------|--|----------------------|---------------------------------------|---------------------------|
| | Interest and investment income | Other | | | | | |
| | \$ 4,887 | \$ 6,307 | | \$ 11,194 | \$ 120,525 | \$ 712,200 | \$ 832,725 |
| | 765 | 29,644 | | 30,409 | (71,237) | 1,921,987 | 1,850,750 |
| \$ 25,535 | 2,301 | 87,951 | \$ 50 | 115,837 | 1,005 | 205,763 | 206,768 |
| 179,332 | (51) | 45,384 | 5,031 | 229,696 | 32,870 | 554,055 | 586,925 |
| 218,887 | 762 | 5,197 | 5,161 | 230,007 | 28,688 | 355,418 | 384,106 |
| 501,870 | 5,020 | 82,561 | 2,341 | 591,792 | 91,005 | 851,651 | 942,656 |
| 1,544,831 | 57,439 | 161,277 | 40,344 | 1,803,891 | 497,990 | 4,595,041 | 5,093,031 |
| 433,300 | 1,787 | 63,650 | 6,431 | 505,168 | 76,785 | 862,809 | 939,594 |
| <u>\$ 2,903,755</u> | <u>\$ 72,910</u> | <u>\$ 481,971</u> | <u>\$ 59,358</u> | <u>\$ 3,517,994</u> | <u>\$ 777,631</u> | <u>\$ 10,058,924</u> | <u>\$ 10,836,555</u> |

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STATE OF ILLINOIS
Notes to the Financial Statements
June 30, 2012

I **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements of the State of Illinois have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) as prescribed in pronouncements of the Governmental Accounting Standards Board (“GASB”).

A. Financial Reporting Entity

The State of Illinois is a “primary government” whose financial statements consist of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. The financial statements include all funds, elected offices, departments, and agencies as well as boards, commissions, authorities, and universities for which the State’s elected officials are financially accountable. Financial accountability exists when the State’s governing body appoints a majority of an organization’s governing board and (1) the State can impose its will upon the organization or (2) there is a potential for the organization to provide specific financial benefit to, or impose specific financial burdens on, the State.

The State’s governing body consists of the legislative, executive, and judicial branches of government. The legislative function is controlled by an elected General Assembly composed of a 59-member Senate and a 118-member House of Representatives. The executive branch consists of the Governor (the chief executive of the State), the Lieutenant Governor, the Attorney General, the Secretary of State, the Comptroller, and the Treasurer. The judicial branch is composed of a seven-member Supreme Court, five Appellate court districts, and twenty-three Circuit Court judicial districts including Cook County.

The financial statements distinguish between the “primary government” and its “component units.” The State’s participation in a joint venture, related organizations, and jointly governed organizations is separately disclosed below. The primary government, which consists of organizations that make up the State’s legal entity, is the nucleus of the State’s reporting entity. Component units are legally separate organizations for which the State is financially accountable. Complete financial statements of the individual component units can be obtained from the respective component unit’s administrative offices (as listed in parentheses below).

Fiduciary Component Units

The State has two fiduciary component units that administer pension (and other employee benefit) trust funds. These entities are legally separate from the State and meet the definition of a component unit because they are fiscally dependent on the State; however, due to their fiduciary nature they are presented in the Fiduciary Fund Statements as pension (and other employee benefit) trust funds along with other primary government fiduciary funds.

1. *Teachers' Retirement System ("TRS")*. TRS is the administrator of a cost-sharing multiple-employer public employee defined benefit pension plan which provides coverage to teachers employed by public school districts in Illinois (excluding Chicago) even though most covered employees are not State employees. The State of Illinois is legally mandated to make contributions to TRS.
2. *State Universities Retirement System ("SURS")*. SURS is the administrator of a cost-sharing multiple-employer public employee defined benefit pension plan which provides coverage to faculty and staff of State universities, community colleges, and related agencies even though most covered employees are not State employees. The State of Illinois is legally mandated to make contributions to SURS.

Blended Component Unit

The following component units are reported, as exclusion would be misleading to the State's financial statements, as though they are a part of the primary government using the blending method since they provide services primarily to benefit the State:

1. *Office of the Special Deputy Receiver ("OSD")*. The OSD acts as agent for the State of Illinois in supervising the conservation, rehabilitation, or liquidation of insurance companies. The OSD reports on a December 31 year-end. (Administrative Office: 222 Merchandise Mart Plaza, Suite 960, Chicago, Illinois 60654).
2. *Railsplitter Tobacco Settlement Authority ("RTSA")*. The RTSA was established in July 2010 as a special purpose corporation to sell revenue bonds, repayment of which is supported solely by future tobacco settlement revenues ("TSRs"). The State relinquished rights to \$4.1 billion of TSRs to RTSA in exchange for a significant portion of the revenue bond proceeds and a residual certificate representing the State's ownership in excess TSRs to be received by RTSA during the term of the Sales Agreement. (Administrative Office: James R. Thompson Center, 100 W. Randolph St., Chicago, Illinois 60601).

Discretely Presented Component Units

Discretely presented component units are reported in separate columns to emphasize that they are legally separate from the State. The discretely presented component units presented below have a voting majority of their governing bodies appointed by the State.

1. *Illinois Housing Development Authority ("IHDA")*. The IHDA issues notes and bonds to make loans for the acquisition, construction, and rehabilitation of housing and to encourage home ownership. The State approves bonds and notes issued by the IHDA and is secondarily liable for its debt if there is not sufficient IHDA monies available to pay principal and interest. (Administrative Offices: 401 North Michigan Avenue, Suite 700, Chicago, Illinois 60611).
2. *Illinois State Toll Highway Authority ("THA")*. The THA operates a toll highway system to promote the public welfare and to facilitate vehicular traffic by providing convenient, safe, modern, and limited access highways within Illinois. The State substantially approves the THA's budget. The THA reports on a December 31 year-end. (Administrative Offices: 2700 Ogden Avenue, Downers Grove, Illinois 60515).

3. *Illinois Literacy Foundation (“Foundation”)*. The Foundation promotes literacy among the residents of the State of Illinois by supporting literacy programs and enhancing Statewide literacy awareness. The State has the ability to appoint, hire, reassign, and dismiss those persons responsible for the day-to-day operations of the Foundation. (Administrative Offices: 100 West Randolph, Suite 5-400, Chicago, Illinois 60601).
4. *Illinois Grain Insurance Corporation (“Corporation”)*. The Corporation was created for the purpose of improving the economic stability of agriculture in the State of Illinois by establishing a fund to pay grain producers and other claimants for losses incurred by the failure of a grain dealer or warehouseman. The State has the ability to remove appointed members of the Corporation’s governing board at will. (Administrative Offices: State Fairgrounds, Springfield, Illinois 62794).
5. *Illinois Conservation Foundation (“Foundation”)*. The Foundation was created to promote, support, assist, sustain, and encourage the charitable, educational, scientific, and recreational programs, projects, and policies of the Illinois Department of Natural Resources. The State has the ability to appoint, hire, reassign, and dismiss those persons responsible for the day-to-day operations of the Foundation. (Administrative Offices: One Natural Resources Way, Springfield, Illinois 62702-1271).
6. *Comprehensive Health Insurance Plan (“CHIP”) Board*. The CHIP provides an alternate market for health insurance for eligible Illinois residents having a pre-existing health condition. The State substantially approves the CHIP’s budget. (Administrative Offices: 320 West Washington, Suite 700, Springfield, Illinois 62701).
7. *East St. Louis Financial Advisory Authority (“Authority”)*. The Authority was created to provide a secure financial basis for and to furnish assistance to the city of East St. Louis. The State funds certain programs of the Authority. (Administrative Offices: 10 Collinsville Avenue, East St. Louis, Illinois 62201).
8. *Illinois Finance Authority (“Authority”)*. The Authority was created to foster economic development to the public and private institutions that create and retain jobs and improve the quality of life in Illinois by providing access to capital. The State approves bonds and notes issued by the Authority and is secondarily liable for its debt if there are not sufficient Authority monies to pay principal and interest. (Administrative Offices: 180 North Stetson, Suite 2555, Chicago, Illinois 60601).
9. *Illinois Medical District Commission (“Commission”)*. The Commission was created to maintain and expand a designated “medical district.” The State substantially approves the Commission’s budget. (Administrative Offices: 2100 W. Harrison Street, Chicago, Illinois 60612-3706).
10. *Quad Cities Regional Economic Development Authority (“Authority”)*. The Authority promotes economic development within the counties of Rock Island, Henry, and Mercer in the State of Illinois. The State approves bonds and notes issued by the Authority and is secondarily liable for its debt if there are not sufficient Authority monies to pay principal and interest. (Administrative Offices: 1830 Second Avenue, Suite 200, Rock Island, Illinois 61201).
11. *Southwestern Illinois Development Authority (“Authority”)*. The Authority promotes economic development within the counties of St. Clair and Madison in the State of

- Illinois. The State approves bonds and notes issued by the Authority and is secondarily liable for its debt if there are not sufficient Authority monies to pay principal and interest. (Administrative Offices: 1022 Eastport Plaza, Collinsville, Illinois 62234).
12. *Southeastern Illinois Economic Development Authority (“Authority”)*. The Authority promotes economic development in Fayette, Cumberland, Clark, Effingham, Jasper, Crawford, Marion, Clay, Richland, Lawrence, Jefferson, Wayne, Edwards, Wabash, Hamilton, and White counties and Irvington Township in Washington County. The State approves bonds and notes issued by the Authority and is secondarily liable for its debt if there are not sufficient Authority monies to pay principal and interest. (Administrative Offices: 200 Potomac Boulevard, Mt. Vernon, Illinois 62864).
 13. *Upper Illinois River Valley Development Authority (“Authority”)*. The Authority promotes economic development within the counties of Grundy, LaSalle, Bureau, Putnam, Kendall, Kane, McHenry, and Marshall in the State of Illinois. The State approves bonds and notes issued by the Authority and is secondarily liable for its debt if there are not sufficient Authority monies to pay principal and interest. (Administrative Offices: 633 LaSalle Street, Suite 401, Ottawa, Illinois 61350).
 14. *Boards of Trustees of Chicago State University (“CSU”), Eastern Illinois University (“EIU”), Governors State University (“GSU”), Northeastern Illinois University (“NEIU”), Western Illinois University (“WIU”), Illinois State University (“ISU”), Northern Illinois University (“NIU”), Southern Illinois University (“SIU”), and University of Illinois (“U of I”) (“boards”)*. The boards of the respective universities operate, manage, control, and maintain the schools. The State provides significant financial support to the boards of the universities. Certain universities have donor restricted endowments that are restricted as to spending by the donor which are detailed in their separately issued financial statements. The Uniform Management of Institutional Funds Act permits the boards to spend net appreciation of endowments as they determine to be prudent. (Administrative Offices:
 - CSU, 9501 South King Drive, Chicago, Illinois 60628
 - EIU, 600 Lincoln Avenue, Charleston, Illinois 61920
 - GSU, 1 University Parkway, University Park, Illinois 60466
 - NEIU, 5500 North St. Louis Avenue, Chicago, Illinois 60625
 - WIU, 1 University Circle, Macomb, Illinois 61455
 - ISU, Hovey Hall, Normal, Illinois 61790-1200
 - NIU, 300 Altgeld Hall, DeKalb, Illinois 60115
 - SIU, 1400 Douglas Drive, Carbondale, Illinois 62901
 - U of I, 111 East Green, Champaign, Illinois 61820).

The following component units must obtain the State’s approval for debt issuances:

1. *Will-Kankakee Regional Development Authority (“Authority”)*. The Authority promotes economic development within the counties of Will and Kankakee in the State of Illinois. The State approves bonds and notes issued by the Authority and is secondarily liable for its debt if there are not sufficient Authority monies to pay principal and interest. (Administrative Offices: 116 North Chicago Street, Suite 101, Joliet, Illinois 60432).
2. *Western Illinois Economic Development Authority (“Authority”)*. The Authority promotes economic development within the counties of Adams, Brown, Cass, Fulton,

Hancock, Henderson, Mason, McDonough, Morgan, Pike, Scott, Schuyler, and Warren in the State of Illinois. The State approves bonds and notes issued by the Authority and is secondarily liable for its debt if there are not sufficient Authority monies to pay principal and interest (Administrative Offices: 510 North Pearl Street, Suite 300, Macomb, Illinois 61455).

Excluding the following component units from the State's financial statements would be misleading and therefore the component units are included because of the nature of the component units' relationship with the State:

1. *IMSA Fund for Advancement of Education ("IMSA Fund")*. The IMSA Fund was established for the purpose of benefiting, performing the function of, and carrying out certain charitable, educational, literary, and scientific purposes of the Illinois Mathematics and Science Academy, a primary government agency. (Administrative Offices: 1500 West Sullivan Road, Aurora, Illinois 60506-1000).
2. *Illinois Arts Council Foundation ("Foundation")*. The Foundation was established to further charitable, literary, and educational art awareness programs. (Administrative Offices: James R. Thompson Center, 100 West Randolph, Suite 10-500, Chicago, Illinois 60601-3298).

Joint Venture

The State is a participant with the states of Michigan, Minnesota, New York, Ohio, Pennsylvania, and Wisconsin in the Great Lakes Protection Fund ("Fund"), an Illinois not-for-profit corporation. The Fund is the nation's first multi-state environmental endowment and was established in 1989 for furthering Federal and State commitments to programs that restore and maintain the Great Lakes' water quality. This purpose is achieved by providing grant money for projects that promote the objectives of the regional Great Lakes Toxic Substance Control Agreement and the binational Great Lakes Water Quality Agreement.

A state becomes a member of the Fund by agreeing to contribute an amount set forth in the Articles of Incorporation. The required contribution from all member states at incorporation was \$81 million. The Fund's net assets on December 31, 2011 were \$104.766 million.

Once a state agrees to make the required contribution, that state's governor becomes a "member" of the Fund. Each member is entitled to appoint two individuals to the board of directors. Budgetary and financial decisions rest with the board of directors except where restricted by the Articles of Incorporation. Two-thirds of the Fund's income is used to finance projects compatible with the organization's objectives as set forth in the Articles of Incorporation. The remaining one-third of income is paid to member states in proportion to the amount and period of time that each state's contribution was invested with the Fund ("state shares"). Illinois received a state share for 2011 of \$83 thousand. Complete financial statements of the Fund can be obtained from the Fund's Administrative Offices at 1560 Sherman Avenue, Suite 880, Evanston, Illinois 60201.

Related Organizations and Jointly Governed Organizations

The State's officials are responsible for appointing the majority of the members of the boards of various related organizations, but the State's accountability for these organizations does not extend beyond making the appointments.

The State's officials, in conjunction with various other state and local government officials, are members of the boards of other organizations. However, the State has no ongoing financial interest or responsibility except the role of a participant in the various organizations' purpose and, in certain instances, pays annual dues or assessments.

B. Basis of Presentation

Government-wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the State and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the State and between the State and its discretely presented component units. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Net Assets presents the reporting entity's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

- **Invested in capital assets, net of related debt** consists of capital assets, net of accumulated depreciation reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.
- **Restricted net assets** result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through enabling legislation.
- **Unrestricted net assets** consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints that are imposed by management, but can be removed or modified.

The Statement of Activities presents a comparison between direct expenses and program revenues for the different business-type activities of the State and for each function of the State's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular 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 State's funds, including fiduciary funds and blended component units. Separate statements for each fund category-governmental, proprietary, and fiduciary-are presented. The emphasis on fund financial statements is on the major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

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

Proprietary fund operating expenses include costs directly related to providing services and producing and delivering goods. All expenses not meeting this definition are reported as nonoperating expenses.

The State reports the following major governmental funds:

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. These services include, among others, employment and economic development, education, and health and social services. Certain resources obtained from federal grants and used to support general governmental activities are accounted for in the General Fund consistent with applicable legal requirements. The State’s General Fund contains four primary sub-accounts (General Revenue, Education Assistance, Common School, and Medicaid Provider Assessment Program) with numerous secondary sub-accounts.

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, transfers from the Motor Fuel Tax Fund, and various license and fee charges.

State Construction Account – This fund accounts for the construction, reconstruction, and maintenance of the State maintained highway system. Funding sources include a portion of motor vehicle registration fees, weight taxes, and transfers from the Motor Fuel Tax Fund.

The State reports the following major proprietary funds:

Unemployment Compensation Trust – This fund accounts for the activities of the unemployment insurance program including employer contributions, Federal Unemployment Trust advances, and benefit claims.

Water Revolving – This fund accounts for the activities of a revolving loan program for local government drinking water and sewage treatment infrastructure. Certain loans receivable in the fund are restricted due to revenue bond covenants.

Prepaid Tuition Fund – This fund accounts for the net assets held by *College Illinois!*, the Illinois prepaid tuition program. The program provides Illinois families with an affordable tax-advantaged method to pay for college.

Additionally, the State reports the following fund types:

Governmental Fund Types:

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

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

Capital Projects – These funds account for and report resources obtained and restricted, committed or assigned to 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.

Permanent – These funds account for and report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the government or its citizens.

Proprietary Fund Types:

Enterprise – These funds account for operations where the intent of the State is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

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

Fiduciary Fund Types:

Pension (and Other Employee Benefit) Trust – These funds account for resources that are required to be held in trust for the members and beneficiaries of the State's five Public Employee Retirement Systems, the State's Deferred Compensation Plan Fund, and the health insurance postemployment benefit plans for community colleges and for local school districts, excluding Chicago, administered by the State.

Investment Trust – The Public Treasurer's External Investment Pool Fund accounts for the external portion of the investment pool sponsored by the State.

Private-Purpose Trust – These funds account for resources legally held in trust for use by individuals in the State's qualified tuition program under Section 529 of the Internal Revenue Code and other amounts held for individuals, private organizations, and other governments. There is no requirement that any portion of these resources be preserved as capital.

Agency – These funds account for collections of child support payments, sales and telecommunications taxes assessed by local governments but collected by the State, and other deposits, deductions, and property collected by the State, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

Component Units

The component units' statements provide aggregate information about the State's discretely presented component units, emphasizing major component units. The State's major component units are the Illinois Housing Development Authority, the Illinois State Toll Highway Authority, Illinois State University, Northern Illinois University, Southern Illinois University, and the University of Illinois.

C. Measurement Focus and Basis of Accounting

Government-wide, Proprietary Fund, Fiduciary Fund, and Component Unit Financial Statements

The government-wide, proprietary fund, fiduciary fund, and component unit financial statements are reported using the economic resources measurement focus (except for agency funds which do not have a 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 State gives (or receives) value without directly receiving (or giving) equal value in exchange, include income taxes, excise taxes, wealth taxes, grants, entitlements, and donations. On an accrual basis, revenues from self-assessed taxes, principally income, excise, and wealth taxes, are recognized in the fiscal year in which the underlying exchange transaction occurs. Revenue from grants, entitlements, and similar items are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements

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 collected 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 formal debt issues and acquisitions under capital leases and installment purchases are reported as other financing sources.

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

licenses, and other miscellaneous revenues are considered to be measurable and available only when cash is received.

Private-Sector Standards

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

D. Eliminations

Eliminations have been made in the government-wide statement of net assets to minimize the “grossing-up” effect on assets and liabilities within the governmental and business-type activities columns of the primary government. As a result, amounts reported in the funds as interfund receivables and payables have been eliminated in the governmental and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances. Amounts reported in the funds as receivable from or payable to fiduciary funds have been included in the statement of net assets as receivable from and payable to external parties, rather than as internal balances.

Eliminations have been made in the statement of activities to remove the “doubling-up” effect of internal service fund activity. The effect of similar internal events that are, in effect, allocations of overhead expenses from one function to another or within the same function also have been eliminated, so that the allocated expenses are reported only by the function to which they were allocated.

E. Cash Equivalents

Cash equivalents are defined as short-term, highly liquid investments readily convertible to cash with maturities of 90 days or less at time of purchase. Cash equivalents consist principally of certificates of deposit, repurchase agreements, and U.S. treasury bills and are stated at cost.

F. Investments

Investments are reported at fair value. Generally, the marketable securities are valued at closing prices listed on national securities exchanges and quotes from independent pricing services as of June 30. Real estate and venture capital are valued based upon appraisals and discounted cash flow analysis.

The Illinois Public Treasurers’ Investment Pool, known as The Illinois Funds, operates as a 2a7-like pool and thus reports all investments at amortized cost rather than market value. The fair value of the pool is the same as the value of the pool shares. The Treasurer’s investment policies are governed by State statute. In addition, the Treasurer’s Office has adopted its own investment practices that supplement the statutory requirement. The Treasurer’s Office issues a separate financial report for The Illinois Funds which may be obtained by contacting the Administrative Office at Illinois Business Center, 400 West Monroe Street, Suite 401, Springfield, Illinois 62704.

The State's financial statements contain certain investments that meet the definition of "derivatives." Derivative investments included in the pension trust funds are described in more detail in Note 14.

G. Inventories and Prepaid Expenditures

Inventory is generally reported on the financial statements at moving-average cost. For governmental funds, the State recognizes the costs of material inventories as expenditures when purchased. The inventory amounts reported in the governmental funds do not reflect current appropriable resources, and therefore, the State reports an equivalent portion as nonspendable fund balance.

For governmental funds, prepaid expenditures are recognized when paid.

H. Interfund Transactions

The State has the following types of interfund transactions:

Interfund Loans – amounts provided with a requirement for repayment, which are reported as interfund receivables in lender funds and interfund payables in borrower funds. When interfund loan repayments are not expected within a reasonable time, the interfund balances are reduced and the amount that is not expected to be repaid is reported as a transfer from the fund that made the loan to the fund that received the loan.

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 at year-end are reported as interfund receivables and payables in the fund balance sheets or fund statements of net assets.

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

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

I. Capital Assets

Capital assets, which include property, plant, equipment, intangible items and infrastructure, are reported at cost or estimated historical cost based on appraisals or deflated current replacement costs. Contributed assets are reported at estimated fair value at the time received.

Capitalization thresholds of the primary government generally are as follows:

| Table 1-1 (amounts expressed in thousands) | |
|--|--------------------------|
| Capital Asset Category | Capitalization Threshold |
| Infrastructure | \$ 250 |
| Land | 100 |
| Land Improvements | 25 |
| Site Improvements | 25 |
| Buildings | 100 |
| Building Improvements | 25 |
| Equipment | 5 |
| Works of Art and Historical Treasures | 5 |
| Intangible assets - internally generated | 1,000 |
| Intangible assets - non-internally generated | 25 |

Certain component units, however, may have adopted different capitalization thresholds. These thresholds can be obtained from their separately issued financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset’s estimated useful life are not capitalized.

Major capital outlays for capital assets and improvements are capitalized as project costs are incurred. Interest incurred during the construction phase of capital assets used in business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

| Table 1-2 | |
|--|-----------------------------------|
| Capital Asset Category | Estimated Useful Lives (In Years) |
| Infrastructure | 5-50 |
| Land | N/A |
| Land Improvements | N/A |
| Site Improvements | 3-50 |
| Buildings | 10-60 |
| Building Improvements | 10-45 |
| Equipment | 3-25 |
| Works of Art and Historical Treasures | 5-7 |
| Intangible assets - internally generated | 3-25 |
| Intangible assets - non-internally generated | 3-25 |

The State and the University of Illinois, a major component unit, do not capitalize certain collections of works of art or historical treasures held for public exhibition, education, or research in furtherance of public service rather than capital gain. These collections are protected, kept unencumbered, cared for, and preserved. Proceeds from the sale, exchange, or other disposal of any item belonging to non-capitalized collections of works of art or historical treasures for the

State and the University of Illinois must be applied to the acquisition of additional items for the same collection.

J. Retirement Costs

Substantially all State employees, including members of the General Assembly and Judicial Branch, participate in one of three State public employee retirement systems (see Note 16). The State also maintains and funds public employee retirement systems for employees of the various State supported universities and community colleges and for public school teachers in cities other than Chicago. It is the State's policy to fund retirement costs without regard to amounts calculated under the actuarial requirements. Except for in fiscal year 2004 when the State contributed the majority of the proceeds from a \$10 billion general obligation bond, the State's contributions have been less than the retirement benefits paid during the year for the last thirty-one fiscal years. Prior to fiscal year 1982, the State had funded the retirement costs at a level at least as great as the retirement benefits paid during the year.

Annual pension cost is recorded as an expense in the government-wide statement of activities and is comprised of the State's annual required contribution ("ARC"), which equals normal cost plus interest on unfunded prior service costs and amortization of prior service costs over thirty years, one year's interest on the net pension obligation, and an adjustment to the ARC to offset the effect of actuarial amortization of past under or over contributions.

K. Capital Appreciation ("deep-discount") Bonds

Capital appreciation bonds are those bonds that are issued at stated interest rates significantly below their effective interest rate, resulting in a substantial discount. The implicit interest (i.e., discount) is not paid until the bonds mature. Therefore, the net value of the bonds "accrete" (i.e., the discount is reduced) over the life of the bonds. Capital appreciation bonds are reported in the government-wide statement of net assets at their accreted value.

L. Compensated Absences

The liability for compensated absences reported in the government-wide, proprietary, and fiduciary fund financial statements consists of unpaid, accumulated vacation and sick leave balances. A liability for these amounts is reported in governmental funds only if the liability has 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 are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments are included. The liability has been calculated based on the employees' current salary level and includes salary related costs (e.g., social security and Medicare tax).

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

Sick days earned between 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.

Component unit financial statements also include a liability amount for compensated absences. However, they may have adopted different compensated absences policies. These policies can be obtained from their separately issued financial statements.

M. Bond Premiums, Discounts, and Issuance Costs

In the government-wide and proprietary fund financial statements, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the bonds outstanding method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

N. Advance Refundings of Debt

In the government-wide and proprietary fund financial statements, gains and losses from advance refundings of debt resulting in defeasance are deferred and amortized as a component of interest expense over the shorter of the remaining life of the old debt or the life of the new debt using the effective interest method. Bonds payable are reported net of these deferred gains and losses.

O. Pollution Remediation Obligations

In the government-wide financial statements, pollution remediation obligations are reported at the current value of expected outlays to fund remediation costs using the expected cash flows technique. This technique measures the sum of probability-weighted amounts in a range of possible estimated amounts and uses all expectations about possible cash flows on a site-specific basis. Such ranges are weighted within “most likely”, “worst case”, and/or “best case” scenarios and are based on actual remediation cost experience, remediation cost estimates, and/or discrete cost remediation treatment possibilities. All reported obligation amounts are estimates and are subject to change resulting from price increases or reductions, technology, or changes in applicable laws or regulations. In cases where remediation activities beyond site investigation/assessment or feasibility studies have not begun, remaining remediation costs are not reasonably estimable and liabilities for such cases are not reported.

P. Net Assets/Fund Balances

The difference between fund assets and liabilities is “Net Assets” on government-wide, proprietary fund, and fiduciary fund financial statements and “Fund Balance” on governmental fund financial statements.

The following classifications of fund balances for governmental funds comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds:

Nonspendable – includes amounts that cannot be spent because they are either not in spendable form such as inventories or are contractually required to be maintained intact.

Restricted – includes amounts restricted for specific purposes, that is, containing constraints placed on the use of the resources either by an external party such as creditors, grantors, contributors or laws or regulations of other governments or by imposition of law through constitutional provisions or enabling legislation.

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

Assigned – amounts constrained by the State’s intent to be used for specific purposes, which don’t meet the restricted or committed criteria. Intent can be expressed by the Illinois State Legislature whom the State has delegated the authority to assign amounts to be used for specific purposes.

Unassigned – includes the residual fund balance (deficit) which has not been restricted, committed or assigned to specific purposes within the general fund and deficit fund balances of other governmental funds.

The State utilizes encumbrance accounting to identify governmental fund obligations. Unexpended appropriations at June 30th are available for subsequent expenditure to the extent that encumbrances for the purchase of equipment and commodities have been incurred at June 30th, provided the expenditure is presented for payment during the succeeding two months.

The State has a general policy to first use restricted resources for expenditures incurred for which both restricted and unrestricted (committed, assigned or unassigned) resources are available. When expenditures are incurred for which only unrestricted resources are available, the policy is to use committed resources first, then assigned. Unassigned amounts are only used after the other resources have been used.

Q. Endowments

For donor restricted endowments, the Uniform Prudent Management of Institutional Funds Act, as adopted by the State of Illinois, permits the State and its component units to appropriate an amount of realized and unrealized endowment appreciation as determined to be prudent. The State and its component units’ policy is to retain the realized and unrealized appreciation within the endowment after spending rule distributions. Amounts available for expenditure are reported as restricted fund balances in governmental fund financial statements and as expendable restricted net assets held as permanent investments on government-wide, proprietary fund, and fiduciary fund financial statements.

R. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

S. New Accounting Pronouncements

Effective for the year ending June 30, 2012, the State adopted GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – An Amendment to GASB Statement No. 53*, which establishes criteria to determine when hedge accounting should continue after the replacement of a swap counterparty or a swap counterparty's credit support provider. Information regarding derivatives is disclosed in Note 14. The implementation of the provisions of this statement required the restatement of beginning net assets in the government-wide statements, as well as a restatement of beginning net assets of the University of Illinois, a major component unit of the State.

T. Future Adoption of GASB Statements

Effective for the year ending June 30, 2013, the State will adopt GASB Statement No. 60, *Accounting and Reporting for Service Concession Agreements*, which improves financial reporting by addressing issues related to service concession arrangements which are a type of public-private or public-public partnership. A service concession agreement is a contractual agreement between a transferor, a government, and an operator, a governmental or non-governmental entity, whereby a government transfers to another entity the right and related obligation to provide public services through the use of government-owned infrastructure or other public asset in exchange for significant consideration from that entity and the operator collects and is compensated by fees from third parties. The State has not yet determined the impact on its financial statements as a result of adopting this statement.

Effective for the year ending June 30, 2013, the State will adopt GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, which modifies certain requirements for inclusion of component units in the financial reporting entity and amends the criteria for reporting component units as though they are a part of the primary government using the blending method. Additionally, the statement clarifies the reporting of equity interests in legally separate organizations. The State does not believe adoption of this statement will have a material impact on its financial statements.

Effective for the year ending June 30, 2013, the State will adopt GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the objective of which is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in certain Financial Accounting Standards Board ("FASB") Statements and the American Institute of CPA's ("AICPA") pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The State does not believe adoption of this statement will have a material impact on its financial statements.

Effective for the year ending June 30, 2013, the State will adopt GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net*

Position, which was established to standardize the financial statement presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. Additionally, the statement provides guidance for reporting net position within a framework that includes deferred outflows of resources and deferred inflows of resources, in addition to assets and liabilities. The State has not yet determined the impact on its financial statements as a result of adopting this statement.

Effective for the year ending June 30, 2014, the State will adopt GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources (expense or expenditure) or inflows of resources (revenue), certain items that were previously reported as assets and liabilities. The State has not yet determined the impact on its financial statements as a result of adopting this statement.

Effective for the year ending June 30, 2014, the State will adopt GASB Statement No. 67, *Financial Reporting for Pension Plans*, which for defined benefit pension plans, establishes standards of financial reporting for separately issued financial reports and specifies the required approach to measuring the pension liability of employers and nonemployer contributing entities for benefits provided through the pension plan about which information is required to be presented. The statement also provides the note disclosure requirements for defined contribution pension plans administered through trusts which meet criteria identified within the statement. The State has not yet determined the impact on its financial statements as a result of adopting this statement.

Effective for the year ending June 30, 2015, the State will adopt GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which was established to set standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, expenses and expenditures. The statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to periods of employee service. The State has not yet determined the impact on its financial statements as a result of adopting this statement.

2 FUND BALANCE / NET ASSETS

A. Classification of Fund Balances

Fund Balance classifications comprise a hierarchy based primarily on the extent to which the State is bound to observe constraints imposed upon the use of resources reported in governmental funds. The following table summarizes the fund balance classifications:

Table 2-1 (amounts expressed in thousands)

| | General Fund | Road Fund | State Construction Account | Other Nonmajor Funds | Total Governmental Funds |
|---|-----------------------|-------------------|----------------------------------|----------------------------|--------------------------------|
| Fund Balances Nonspendable: | | | | | |
| Long-Term Portion of Loans and Notes Receivable | \$ 7,867 | \$ - | \$ - | \$ - | \$ 7,867 |
| Inventories | 26,785 | 57,804 | - | 15,640 | 100,229 |
| Endowments and Similar Funds | - | - | - | 11,837 | 11,837 |
| Total Nonspendable | 34,652 | 57,804 | - | 27,477 | 119,933 |
| Restricted For: | | | | | |
| Debt Service | - | - | - | 2,716,442 | 2,716,442 |
| Health and Social Services | 21,421 | - | - | 38,027 | 59,448 |
| Education | - | - | - | 1,317 | 1,317 |
| General Government | 10 | - | - | 155,009 | 155,019 |
| Employment and Economic Development | - | - | - | 83,688 | 83,688 |
| Transportation | 45 | - | - | 46,181 | 46,226 |
| Public Protection and Justice | 17,800 | - | - | 50,327 | 68,127 |
| Environment and Business Regulation | - | - | - | 158,718 | 158,718 |
| Total Restricted | 39,276 | - | - | 3,249,709 | 3,288,985 |
| Committed For: | | | | | |
| Capital Projects | - | - | - | 1,204,531 | 1,204,531 |
| Health and Social Services | 359,668 | - | - | 159,168 | 518,836 |
| Drug Rebate | 368,470 | - | - | - | 368,470 |
| Education | - | - | - | 17,696 | 17,696 |
| General Government | 80,356 | - | - | 313,927 | 394,283 |
| Affordable Housing | - | - | - | 373,846 | 373,846 |
| Employment and Economic Development | 14,160 | - | - | 239,877 | 254,037 |
| Transportation | 17,694 | 618,449 | 237,540 | 196,971 | 1,070,654 |
| Public Protection and Justice | 23,729 | - | - | 154,776 | 178,505 |
| Environment and Business Regulation | - | - | - | 331,453 | 331,453 |
| Total Committed | 864,077 | 618,449 | 237,540 | 2,992,245 | 4,712,311 |
| Assigned For: | | | | | |
| Health and Social Services | - | - | - | 1,202 | 1,202 |
| Education | - | - | - | 2,101 | 2,101 |
| General Government | - | - | - | 1,023 | 1,023 |
| Employment and Economic Development | - | - | - | 758 | 758 |
| Public Protection and Justice | - | - | - | 1,493 | 1,493 |
| Environment and Business Regulation | - | - | - | 1,382 | 1,382 |
| Total Assigned | - | - | - | 7,959 | 7,959 |
| Unassigned | <u>(10,070,984)</u> | <u>-</u> | <u>-</u> | <u>(1,553,553)</u> | <u>(11,624,537)</u> |
| | <u>\$ (9,132,979)</u> | <u>\$ 676,253</u> | <u>\$ 237,540</u> | <u>\$ 4,723,837</u> | <u>\$ (3,495,349)</u> |

B. Restatements

As shown in Table 2-2, the financial statements have been restated as of July 1, 2011, due to the following:

- Overstatement of net other postemployment benefits obligation
- Overstatement of interfund balances
- Consolidation of the activity of the Deferred Prize Winners’ Trust with the State Lottery Fund, a nonmajor enterprise fund. The activity of the Deferred Prize Winners’ Trust was previously reported as an investment trust fund.
- Implementation of GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions, an amendment of GASB Statement No. 53.*

Table 2-2 (amounts expressed in thousands)

| | Governmental Activities | | Business-type Activities | | Component Units | |
|---|-------------------------|-------------------------|---------------------------|--------------------------|------------------------|----------------------|
| | Governmental Funds | | Proprietary Funds | | Component Units | |
| | General Fund | Governmental Activities | Nonmajor Enterprise Funds | Business-Type Activities | University of Illinois | Component Units |
| | | | | | | |
| Fund Balance/Net Assets, June 30, 2011, as previously reported | \$ (8,079,857) | \$ (43,817,650) | \$ 251,243 | \$ 1,268,555 | \$ 4,592,995 | \$ 10,056,878 |
| Corrections of Prior Errors | | | | | | |
| Overstatement of net other postemployment benefits obligation | - | 102,332 | - | - | - | - |
| Overstatement of interfund balances | 69,901 | 69,901 | (69,901) | (69,901) | - | - |
| Reclassification of Deferred Prize Winners’ Trust | - | - | 38,940 | 38,940 | - | - |
| Implementation of New Accounting Standards | | | | | | |
| Implementation of GASB Statement No. 64 | - | 36,691 | - | - | 2,046 | 2,046 |
| Fund Balance/Net Assets, June 30, 2011, as restated | <u>\$ (8,009,956)</u> | <u>\$ (43,608,726)</u> | <u>\$ 220,282</u> | <u>\$ 1,237,594</u> | <u>\$ 4,595,041</u> | <u>\$ 10,058,924</u> |

C. Net Assets Restricted by Enabling Legislation

The government-wide statement of net assets reports \$5.822 billion of restricted net assets, of which \$2.764 billion is restricted by enabling legislation.

3 DEPOSITS AND INVESTMENTS

The State Treasurer is the custodian of the State’s deposits and investments for most funds and maintains these deposits and investments in the State Treasury. The investment authority and guidelines for the Treasurer’s published investment policy for the State Treasury is found in Section 22.8 of the Deposit of State Moneys Act (15 ILCS 520). The pooling of cash allows the Treasurer to invest monies not needed to pay immediate obligations so that investment earnings on available cash are maximized. Investments of the State Treasury are not segregated by fund; rather, each contributing fund’s balance is treated as equity in the State Treasury. Accordingly, the State Treasury is not reported as a separate fund in this report. Instead, each State fund’s and each component unit’s balance in the State Treasury is presented as “Cash equity with State Treasurer”. Investments held by the State Treasurer in the State Treasury at June 30, 2012, consisted of the following:

Table 3-1 (amounts expressed in thousands)

| Investment Type | Fair Value |
|---|----------------------|
| Repurchase agreements | \$ 2,004,605 |
| U.S. Treasury obligations | 4,648,142 |
| U.S. Agency obligations | 1,868,848 |
| Commercial paper | 1,374,256 |
| Corporate debt securities | 25,000 |
| Money market mutual funds | 498,617 |
| Private equity | 36,172 |
| Equity in Public Treasurers' Investment Pool | 1,127,074 |
| Equity in other investment pools | 342 |
| Securities lending collateral invested in repurchase agreements | 4,556,511 |
| Total fair value | <u>\$ 16,139,567</u> |

Funds maintained outside the State Treasury have independent statutory authority to manage their own deposits and investments. The investment authority of the Illinois State Board of Investment ("ISBI"), Teachers' Retirement System ("TRS"), and State Universities Retirement System ("SURS") is governed by the Illinois Pension Code (40 ILCS 5). Authorized investments consist of bonds, equities, real estate, venture capital, and other activities to be made with the care, skill, prudence, and diligence which a prudent person acting in a like capacity and familiar with such matters would use in the conduct of investing similar retirement trusts. ISBI, TRS, and SURS each have published investment policies incorporating these guidelines. Primary government investments held outside of the State Treasury at June 30, 2012, except for investments held by ISBI, TRS, and SURS, consisted of the following:

Table 3-2 (amounts expressed in thousands)

| Investment Type | Fair Value |
|--|----------------------|
| Repurchase agreements | \$ 13,892 |
| Negotiable certificates of deposit | 1,601 |
| U.S. Treasury obligations | 1,215,713 |
| U.S. Agency obligations | 160,482 |
| Municipal debt | 124,430 |
| Annuities | 1,458 |
| Corporate debt securities | 138,070 |
| Debt mutual funds | 1,674,466 |
| Equity in Public Treasurers' Investment Pool | 4,289,359 |
| Equity in other investment pools | 4,881 |
| Government notes - non U.S. | 822 |
| Foreign equity security | 76,075 |
| Money market mutual funds | 748,028 |
| Equity securities | 247,209 |
| Equity mutual funds | 4,046,832 |
| Blended mutual funds | 539,633 |
| Guaranteed investment contracts | 886,607 |
| Bond trust funds | 101,166 |
| Equity trust funds | 242,809 |
| Other | 482,040 |
| Total fair value | <u>\$ 14,995,573</u> |

The ISBI is considered to be an internal investment pool of the State of Illinois, operating solely from investment income. The ISBI manages and invests the pension assets of three separate

public employee retirement systems: General Assembly Retirement System, Judges’ Retirement System of Illinois, and State Employees’ Retirement System of Illinois. The ISBI’s member systems retain all of the cash necessary for current operating expenditures in the State Treasury. The amount of cash received by the ISBI’s member systems in excess of their current operating expenditures is transferred to the ISBI for purposes of long-term investment. The ISBI is not reported as a separate fund in this report. Instead, each member system’s balance in the ISBI is presented as “Equity in the Illinois State Board of Investments”. The member systems equity is approximately \$5.392 million greater than the deposits and investments of the ISBI, due to net investment assets of the ISBI.

Investments held by ISBI at June 30, 2012, consisted of the following:

Table 3-3 (amounts expressed in thousands)

| <u>Investment Type</u> | <u>Fair Value</u> |
|------------------------------------|----------------------|
| U.S. Treasury obligations | \$ 383,122 |
| U.S. Agency obligations | 575,009 |
| Corporate obligations | 708,599 |
| Common stock and equity funds | 3,501,762 |
| Foreign debt obligations | 334,008 |
| Foreign equity securities | 1,764,116 |
| Foreign preferred stock | 592 |
| Commingled funds | 225,609 |
| Hedge funds | 1,026,726 |
| Real estate | 967,346 |
| Private equity | 679,423 |
| Money market instruments | 255,922 |
| Infrastructure funds | 507,020 |
| Bank loans | 328,594 |
| Forward foreign currency contracts | <u>(44)</u> |
| Total Investments | <u>\$ 11,257,804</u> |

CUSTODIAL CREDIT RISK

Custodial credit risk is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Custodial credit risk for investments is the risk that, in the event of failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party.

Deposits

Primary Government:

In accordance with Section 6 of the Public Funds Investment Act (30 ILCS 235), uncollateralized and uninsured deposits may not exceed 75% of the capital stock and surplus of a bank, 75% of the net worth of a savings and loan association or 50% of the unimpaired capital and surplus of a credit union.

The carrying amount and bank balance of cash deposits held by the State Treasury was \$148.082 million and \$146.165 million at June 30, 2012, respectively.

The carrying amount and bank balance of cash deposits held outside of the State Treasury, except for investments held by ISBI, TRS, and SURS, was \$178.068 million and \$172.321 million at June 30, 2012, respectively. Of the total bank balance of these cash deposits at June 30, 2012, \$1.1 million was uninsured with collateral held by the pledging financial institution in the State's name, and \$2.694 million was uninsured with collateral held by the pledging financial institution but not in the State's name.

ISBI's policy outlines the control procedures used to monitor custodial credit risk for deposits. These deposits are under the custody of State Street Bank and Trust. State Street Bank and Trust has an AA- Long-term Deposit/Debt rating by Standard and Poor's and an Aa2 rating by Moody's. The carrying amount and bank balance of ISBI's cash deposits at June 30, 2012, was \$20.740 million and \$20.843 million, respectively.

TRS's foreign currency held by investment managers at June 30, 2012 totaled \$81.922 million, all of which was uninsured and uncollateralized.

SURS's cash held in its investment related bank account in excess of \$250,000 is uninsured and uncollateralized. SURS has a deposit policy for custodial credit risk which outlines due diligence and monitoring procedures. Deposits are under the custody of Northern Trust Company which has an AA- Long-term Deposit/Debt rating by Standard and Poor's and an Aa3 rating by Moody's. At June 30, 2012, the carrying amount was \$422.321 million and the bank balance was \$433.913 million, of which \$11.494 million was uninsured and uncollateralized.

CREDIT RISK

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Primary Government:

Section 2 of the Public Funds Investment Act limits the State's investments, both inside and outside the State Treasury, to securities of the U.S. government or its agencies, short-term obligations of domestic corporations exceeding \$500 million in assets that are rated in the three highest categories by at least two nationally recognized statistical ratings organizations not to exceed ten percent of the domestic corporations outstanding obligations, money market mutual funds invested in the U.S. government and/or its agencies, and repurchase agreements securities of the U.S. government or its agencies or money market mutual funds invested in the U.S. government or its agencies. Additional investments may be authorized in certain funds as exceptions to Section 2 of the Public Funds Investment Act pursuant to State statute prescribing the activities of a fund. The following table summarizes the Moody's credit quality ratings for debt securities held by the State Treasurer in the State Treasury at June 30, 2012:

Table 3-4 (amounts expressed in thousands)

| Investment Type | Aaa | A | P-1 | P-2 | Not Rated | Total |
|--|---------------------|------------------|---------------------|------------------|---------------------|----------------------|
| Repurchase agreements | \$ - | \$ - | \$ 2,004,605 | \$ - | \$ - | \$ 2,004,605 |
| U.S. Agency obligations | 1,501,760 | - | 367,088 | - | - | 1,868,848 |
| Commercial paper | - | - | 1,324,259 | 49,997 | - | 1,374,256 |
| Corporate debt securities | - | 15,000 | - | - | 10,000 | 25,000 |
| Money market mutual funds | 458,617 | - | - | - | 40,000 | 498,617 |
| Equity in Public Treasurers' Investment Pool | - | - | - | - | 1,127,074 | ** 1,127,074 |
| Equity in other investment pools | - | - | - | - | 342 | 342 |
| Securities lending collateral: | | | | | | |
| Invested in repurchase agreements | - | - | - | - | 4,556,511 | * 4,556,511 |
| Total subject to credit risk | \$ 1,960,377 | \$ 15,000 | \$ 3,695,952 | \$ 49,997 | \$ 5,733,927 | 11,455,253 |
| U.S. Treasury obligations | | | | | | 4,648,142 |
| Total fixed income securities | | | | | | \$ 16,103,395 |

* The breakdown of Moody's credit ratings of the collateral for securities lending collateral invested in repurchase agreements was as follows: 25.69% Aaa, 4.09% Aa, 5.49% A, 3.79% Baa, 1.92% Ba, 1.42% B, 1.03% Caa, .01% Ca, 4.53% P-1, 1.64% P-2, 50.39% Not Rated.

** Equity in Public Treasurers' Investment Pool was rated AAA by Standard and Poor's.

The following table summarizes the Moody's credit quality ratings for debt securities held by the primary government, except for debt securities held by ISBI, TRS, and SURS, outside of the State Treasury at June 30, 2012:

Table 3-5 (amounts expressed in thousands)

| Investment Type | Aaa | Aa | A | Baa | Ba | Not Rated* | Total |
|---|-------------------|------------------|------------------|------------------|------------------|---------------------|---------------------|
| Negotiable certificates of deposit | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,601 | \$ 1,601 |
| U.S. Agency obligations | 119,002 | 512 | 1,875 | - | - | 39,093 | 160,482 |
| Municipal debt | 104,960 | 4,611 | 13,990 | - | - | 869 | 124,430 |
| Corporate debt securities | 20,665 | 14,550 | 31,112 | 35,185 | 21,332 | 15,226 | 138,070 |
| Government notes - non U.S. | 822 | - | - | - | - | - | 822 |
| Mutual funds | 13 | 142 | - | - | - | 1,674,311 | 1,674,466 |
| Equity in Public Treasurers' Investment Pool | - | - | - | - | - | 4,289,359 | 4,289,359 |
| Equity in other investment pools | - | - | - | - | - | 4,881 | 4,881 |
| Money market mutual funds | 174,689 | 22 | - | - | - | 573,317 | 748,028 |
| Bond trust funds | - | - | - | - | - | 101,166 | 101,166 |
| Total subject to credit risk | \$ 420,151 | \$ 19,837 | \$ 46,977 | \$ 35,185 | \$ 21,332 | \$ 6,699,823 | 7,243,305 |
| U.S. Treasury obligations | | | | | | | 1,215,713 |
| Repurchase agreements backed by U.S. Treasury obligations | | | | | | | 13,892 |
| Total fixed income securities | | | | | | | \$ 8,472,910 |

* All of the Equity in Public Treasurers' Investment Pool amounts were rated AAA by Standard and Poor's.
\$268.708 million of money market mutual funds were rated AAA by Standard and Poor's.

The portfolios of ISBI, TRS, and SURS are managed by professional investment management firms. Each investment manager must comply with risk management guidelines individually assigned to them as part of their Investment Management Agreement. With the exception of certain commingled funds, bonds below B- are not permissible in any of the fixed income investment manager guidelines. However, in circumstances where position downgrades occur, investment managers have been given permission to hold securities due to circumstances such as a higher peer group rating from another nationally recognized statistical rating organization, firm internal ratings, or other mitigating factors.

The following table summarizes the Moody's credit quality ratings for debt securities held by ISBI at June 30, 2012:

Table 3-6 (amounts expressed in thousands)

| Quality Rating | Corporate Debt Obligations | Foreign Debt Obligations | U.S. Agency Obligations | Money Market Instruments | Total |
|-------------------------------------|----------------------------|--------------------------|-------------------------|--------------------------|---------------------|
| Aaa | \$ 1,076 | \$ 186,588 | \$ 571,955 | \$ - | \$ 759,619 |
| Aa | 43,831 | 70,837 | 3,054 | - | 117,722 |
| A | 122,180 | 33,559 | - | - | 155,739 |
| Baa | 129,636 | 17,922 | - | - | 147,558 |
| Ba | 106,897 | - | - | - | 106,897 |
| B | 270,603 | 1 | - | - | 270,604 |
| Caa | 12,188 | - | - | - | 12,188 |
| Not rated | 22,188 | 25,101 | - | 255,922 | 303,211 |
| Total subject to credit risk | \$ 708,599 | \$ 334,008 | \$ 575,009 | \$ 255,922 | \$ 1,873,538 |

The following table summarizes the Moody's credit quality ratings for debt securities held by TRS at June 30, 2012:

Table 3-7 (amounts expressed in thousands)

| Quality Rating | Corporate Debt Obligations | Foreign Debt Obligations | U.S. Agency Obligations | Municipal Obligations | Commingled Funds | Securities Lending | Total |
|--------------------------------------|----------------------------|--------------------------|-------------------------|-----------------------|---------------------|--------------------|---------------------|
| Aaa | \$ 325,441 | \$ 611,619 | \$ 1,475,086 | \$ 2,921 | \$ - | \$ 62,130 | \$ 2,477,197 |
| Aa | 86,549 | 113,083 | 1,046 | 34,519 | 208,148 | 484,952 | 928,297 |
| A | 232,215 | 151,000 | 434 | 18,608 | - | 114,770 | 517,027 |
| Baa | 970,858 | 222,181 | - | - | 40,189 | - | 1,233,228 |
| Ba | 410,072 | 152,732 | - | - | - | - | 562,804 |
| B | 344,338 | 25,567 | - | - | 30,320 | - | 400,225 |
| Caa | 102,246 | 1 | - | - | - | - | 102,247 |
| Ca | 13,057 | - | - | - | - | - | 13,057 |
| C | 1,025 | - | - | - | - | - | 1,025 |
| Not rated | 60,226 | 87,109 | 51,867 | - | 824,322 | - | 1,023,524 |
| Total subject to credit risk | \$ 2,546,027 | \$ 1,363,292 | \$ 1,528,433 | \$ 56,048 | \$ 1,102,979 | \$ 661,852 | 7,258,631 |
| U.S. Treasury obligations | | | | | | | 229,516 |
| Total fixed income securities | | | | | | | \$ 7,488,147 |

The following table summarizes the Standard and Poor's credit quality ratings for debt securities held by SURS at June 30, 2012:

| Quality Rating | Corporate Debt Securities | Foreign Debt Securities | U.S. Agency Obligations | Municipal Obligations | Total |
|--|---------------------------|-------------------------|-------------------------|-----------------------|--------------------|
| AAA | \$ 135,811 | \$ 17,665 | \$ - | \$ 603 | \$ 154,079 |
| AA | 102,947 | 36,881 | 1,074,312 | 29,074 | 1,243,214 |
| A | 305,375 | 32,227 | 247 | 30,592 | 368,441 |
| BBB | 257,593 | 16,189 | - | 199 | 273,981 |
| BB | 77,763 | 1,688 | - | - | 79,451 |
| B | 31,184 | - | - | 2,150 | 33,334 |
| CCC | 24,334 | 243 | - | - | 24,577 |
| CC | 9,827 | - | - | - | 9,827 |
| D | 14,353 | - | - | 185 | 14,538 |
| Not rated | 484,676 | 22,428 | - | 424 | 507,528 |
| Total subject to credit risk | \$ 1,443,863 | \$ 127,321 | \$ 1,074,559 | \$ 63,227 | 2,708,970 |
| U.S. Treasury obligations | | | | | 1,167,386 |
| U.S. Agency obligations explicitly guaranteed by U.S. government | | | | | 42,029 |
| Less cash equivalents | | | | | (76,930) |
| Total fixed income securities | | | | | \$3,841,455 |

INTEREST RATE RISK

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

Primary Government:

As a means of limiting its exposure to fair value losses arising from rising interest rates, the State Treasurer's investment policy for the State Treasury limits investments to maturities not to exceed five years with the majority required to be in authorized investments with less than one-year maturity. In addition, no more than 10% of the investment portfolio shall be allocated to investments with a 2 to 4 year maturity band and no more than 10% of the investment portfolio shall be allocated to investments with a 4 to 5 year maturity band. For funds held outside of the State Treasury, excluding pension (and other employee benefit) trust funds, there is no formal policy limiting investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

The following table summarizes the segmented time distribution of debt securities held by the State Treasurer in the State Treasury at June 30, 2012:

Table 3-9 (amounts expressed in thousands)

| Investment Type | Fair Value | Less Than 1 Year | 1 to 5 Years | 6 to 10 Years | More Than 10 Years |
|--|----------------------|---------------------|---------------------|---------------|--------------------|
| Repurchase agreements | \$ 2,004,605 | \$ 2,004,605 | \$ - | \$ - | \$ - |
| U.S. Treasury obligations | 4,648,142 | 4,648,142 | - | - | - |
| U.S. Agency obligations | 1,868,848 | 367,088 | 1,501,760 | - | - |
| Commercial paper | 1,374,256 | 1,374,256 | - | - | - |
| Corporate debt securities | 25,000 | 10,000 | 15,000 | - | - |
| Money market mutual funds | 498,617 | 498,617 | - | - | - |
| Equity in Public Treasurers' Investment Pool | 1,127,074 | 1,127,074 | - | - | - |
| Equity in other investment pools | 342 | - | - | 219 | 123 |
| Securities lending collateral: | | | | | |
| Invested in repurchase agreements | 4,556,511 | 4,556,511 | - | - | - |
| Total fixed income investments | \$ 16,103,395 | \$14,586,293 | \$ 1,516,760 | \$ 219 | \$ 123 |

The following table summarizes the Weighted Average Maturity (“WAM”) for debt securities held by the primary government, except for debt securities held by ISBI, TRS, and SURS, outside of the State Treasury at June 30, 2012. The WAM expresses investment time horizons – the time when investments become due and payable – in years to reflect the dollar size of individual investments within an investment type. The portfolio’s WAM is derived by dollar-weighting the WAM for each investment type.

Table 3-10 (amounts expressed in thousands)

| Investment Type | Fair Value | Weighted Average Maturity (Years) |
|--|--------------------|-----------------------------------|
| Repurchase agreements | \$ 13,892 | 0.003 |
| Negotiable certificates of deposit | 1,601 | 3.735 |
| U.S. Treasury obligations | 1,215,713 | 4.829 |
| U.S. Agency obligations | 160,482 | 10.487 |
| Municipal debt | 124,430 | 10.437 |
| Corporate debt securities | 138,070 | 9.239 |
| Government notes - non U.S. | 822 | 4.630 |
| Mutual funds | 1,674,466 | 5.009 |
| Equity in Public Treasurers' Investment Pool | 4,289,359 | 0.070 |
| Equity in other investment pools | 4,881 | 0.041 |
| Money market mutual funds | 748,028 | 0.103 |
| Bond trust funds | 101,166 | 7.010 |
| Total fixed income investments | \$8,472,910 | |

Pensions:

ISBI manages its exposure to fair value losses arising from interest rate risk by diversifying the debt securities portfolio and maintaining the debt securities portfolio to an effective weighted average rate between 80 and 120 percent of the benchmark index.

Duration is a measure of a debt investment’s exposure to fair value changes arising from changing interest rates. It uses the present value of cash flows, weighted for those cash flows as a percentage of the investment’s portfolio. The effective duration measures the sensitivity of market price to parallel shifts in the yield curve. ISBI benchmarks its debt security portfolio to

Barclay's Capital Intermediate U.S. Government/Credit Bond Index. At June 30, 2012 the effective duration of the Barclay's Capital Intermediate U.S. Government/Credit Bond Index was 3.9 years. At the same point in time, the effective duration of the ISBI debt security portfolio was 4.6 years. The following table summarizes the effective duration of the debt securities held by ISBI at June 30, 2012:

Table 3-11 (amounts expressed in thousands)

| Investment Type | Fair Value | Effective Weighted Duration (Years) |
|-------------------------------------|---------------------|-------------------------------------|
| Government and agency obligations: | | |
| U.S. Treasury obligations | \$ 383,122 | 6.7 |
| U.S. Agency obligations | <u>575,009</u> | 2.7 |
| | \$ 958,131 | |
| Corporate obligations: | | |
| Bank and finance | 149,245 | 3.9 |
| Collateralized mortgage obligations | 1,077 | 2.2 |
| Industrials | 412,233 | 4.0 |
| Other | <u>146,044</u> | 3.8 |
| | 708,599 | |
| Foreign obligations: | | |
| Foreign debt obligations | <u>334,008</u> | 6.5 |
| Total subject to interest rate risk | <u>\$ 2,000,738</u> | |

TRS manages its exposure to fair value loss arising from increasing interest rates by diversifying the debt securities portfolio. The following table summarizes the time segmented distribution of the debt securities held by TRS at June 30, 2012:

Table 3-12 (amounts expressed in thousands)

| Investment Type | Fair Value | Less Than 1 Year | 1 to 5 Years | 6 to 10 Years | 10 to 20 Years | More Than 20 Years | Other |
|--------------------------------------|---------------------|---------------------|---------------------|---------------------|-------------------|---------------------|------------------|
| U.S. Treasury obligations | \$ 229,516 | \$ 10,921 | \$ 80,610 | \$ 71,790 | \$ 35,906 | \$ 30,289 | \$ - |
| U.S. Agency obligations | 1,528,433 | 369,211 | 190,369 | 264,392 | 378,763 | 325,698 | - |
| Municipal obligations | 56,048 | 400 | 966 | 1,495 | 21,387 | 31,800 | - |
| Corporate debt securities | 2,546,027 | 46,998 | 647,994 | 1,002,620 | 131,395 | 717,020 | - |
| Foreign debt securities | 1,363,292 | 179,457 | 361,761 | 390,938 | 296,471 | 134,665 | - |
| Commingled funds | 1,102,979 | - | 128,105 | 922,208 | - | - | 52,666 * |
| Securities lending collateral | 661,852 | 524,503 | 137,349 | - | - | - | - |
| Derivatives | 7,298 | (648) | 4,557 | 3,058 | 32 | 299 | - |
| Total subject to interest rate risk | 7,495,445 | <u>\$ 1,130,842</u> | <u>\$ 1,551,711</u> | <u>\$ 2,656,501</u> | <u>\$ 863,954</u> | <u>\$ 1,239,771</u> | <u>\$ 52,666</u> |
| Less derivatives | <u>(7,298)</u> | | | | | | |
| Total fixed income securities | <u>\$ 7,488,147</u> | | | | | | |

* Maturity date is not available or applicable.

SURS manages its exposure to fair value loss arising from increasing interest rates by diversifying the debt securities portfolio. SURS has not adopted a formal policy specific to interest rate risk. The following table summarizes the time segmented distribution of the debt securities held by SURS at June 30, 2012:

Table 3-13 (amounts expressed in thousands)

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Less Than 1 Year</u> | <u>1 to 5 Years</u> | <u>6 to 10 Years</u> | <u>10 to 20 Years</u> | <u>More Than 20 Years</u> |
|--------------------------------------|---------------------------|-------------------------|---------------------|----------------------|-----------------------|---------------------------|
| U.S. Treasury and Agency obligations | \$2,283,974 | \$ 284,183 | \$ 509,581 | \$ 403,901 | \$ 323,062 | \$ 763,247 |
| Municipal obligations | 63,227 | 351 | 1,677 | 6,795 | 9,798 | 44,606 |
| Corporate debt securities | 1,443,863 | 92,500 | 492,391 | 448,524 | 51,388 | 359,060 |
| Foreign debt securities | 127,321 | 20,272 | 36,647 | 40,521 | 11,583 | 18,298 |
| Derivatives - swaps | 11,453 | 797 | 10,375 | (2,204) | 1,895 | 590 |
| Total subject to interest rate risk | 3,929,838 | <u>\$ 398,103</u> | <u>\$ 1,050,671</u> | <u>\$ 897,537</u> | <u>\$ 397,726</u> | <u>\$ 1,185,801</u> |
| Less derivatives - swaps | (11,453) | | | | | |
| Less cash equivalents | (76,930) | | | | | |
| Total fixed income securities | <u>\$3,841,455</u> | | | | | |

FOREIGN CURRENCY RISK

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of a deposit or an investment.

Primary Government:

Only assets held by the State Treasurer and assets held outside the State Treasury by the Prepaid Tuition Fund, a major enterprise fund, and foreign offices are allowed to be used to purchase investments in foreign securities. The State Treasurer is limited by the Deposit of State Moneys Act to investments in debt instruments issued by foreign governments, except the Republic of Sudan, that are guaranteed by the full faith and credit of the foreign government in which the foreign government has not defaulted or been late in payment on similar debt instruments at the time the Treasurer purchases the debt instrument. The Prepaid Tuition Fund has an investment policy limiting international equities to 12% of its total investment portfolio.

The following table summarizes the foreign currency risk, by currency denomination, of the primary government, except for debt securities held by ISBI, TRS, and SURS, outside of the State Treasury at June 30, 2012:

Table 3-14 (amounts expressed in thousands)

| <u>Currency Denomination</u> | <u>Foreign Short-term Deposits</u> | <u>Foreign Equity Securities</u> |
|---|------------------------------------|----------------------------------|
| Australian Dollar | \$ - | \$ 3,036 |
| British Pound Sterling | - | 17,082 |
| Canadian Dollar | 57 | 3,992 |
| Czech Koruna | - | 434 |
| Danish Krone | - | 1,861 |
| Euro | 46 | 20,825 |
| Hong Kong Dollar | 111 | 5,045 |
| Indian Rupees | 20 | - |
| Indonesian Rupiah | - | 335 |
| Japanese Yen | 69 | 7,675 |
| Malaysian Ringgit | - | 1,178 |
| Mexican Peso | 38 | - |
| New Israeli Shekel | - | 902 |
| Norwegian Krone | - | 1,390 |
| Singapore Dollar | - | 1,776 |
| South African Rand | - | 411 |
| Swedish Krona | - | 3,108 |
| Swiss Franc | - | 6,558 |
| Thai Bhat | - | 467 |
| Total deposits and investments subject to foreign currency risk | <u>\$ 341</u> | <u>\$ 76,075</u> |

Pensions:

The ISBI, TRS, and SURS do not have formal foreign currency risk policies. ISBI's international portfolio is constructed on the principles of diversification, quality growth and value. Risk of loss arises from changes in currency exchange rates. International managers may also engage in transactions to hedge currency at their discretion.

TRS's foreign currency risk exposure is primarily derived from its holdings in foreign currency-denominated equity, fixed income investments and foreign currency. TRS's international equity and global fixed income managers, at their discretion, may or may not hedge the portfolio's foreign currency exposures with currency forward contracts depending upon their views on a specific country or foreign currency relative to the U.S. dollar.

International investment management firms must maintain diversified portfolios for SURS. SURS's exposure to foreign currency risk derives from its positions in foreign currency and foreign currency-denominated equity investments.

The following table summarizes the foreign currency risk by currency denomination for deposits and investments held by ISBI as of June 30, 2012:

Table 3-15 (amounts expressed in thousands)

| <u>Currency Denomination</u> | <u>Foreign Equity Securities and Foreign Preferred Stock</u> | <u>Foreign Debt Obligations</u> | <u>Foreign FX Forwards</u> | <u>Foreign Rights</u> | <u>Foreign Warrants</u> |
|--|--|---------------------------------|----------------------------|-----------------------|-------------------------|
| Australian Dollar | \$ 82,315 | \$ 16,470 | \$ (86) | \$ - | \$ - |
| Brazilian Real | 49,365 | - | 2 | - | - |
| British Pound Sterling | 374,618 | 32,868 | 50 | - | - |
| Canadian Dollar | 126,199 | 27,179 | (13) | 11 | - |
| Danish Krone | 27,321 | 4,165 | - | - | - |
| Euro | 394,895 | 103,643 | 119 | 18 | 6 |
| Hong Kong Dollar | 127,340 | 2,384 | - | - | - |
| Japanese Yen | 191,615 | 65,482 | (19) | - | - |
| Mexican Peso | 20,566 | 13,648 | 27 | - | - |
| Norwegian Krone | 24,657 | 6,403 | 4 | - | - |
| Singapore Dollar | 42,091 | 3,814 | (13) | - | - |
| South African Rand | 25,079 | 4,116 | 15 | - | - |
| South Korean Won | 71,317 | 13,527 | 24 | - | - |
| Swedish Krona | 27,254 | 10,680 | (155) | - | - |
| Swiss Franc | 138,839 | 7,456 | (5) | - | - |
| Other currencies | 41,237 | 22,173 | 6 | 1 | - |
| Total investments subject to foreign currency risk | <u>\$ 1,764,708</u> | <u>\$ 334,008</u> | <u>\$ (44)</u> | <u>\$ 30</u> | <u>\$ 6</u> |

In addition, certain investments held in infrastructure funds trade in a reported currency of Euro based dollars valued at \$53.539 million at June 30, 2012.

The following table summarizes the foreign currency risk by currency denomination for deposits and investments held by TRS as of June 30, 2012:

Table 3-16 (amounts expressed in thousands)

| <u>Currency Denomination</u> | <u>Foreign Currency</u> | <u>Foreign Equity Securities</u> | <u>Foreign Debt Obligations</u> | <u>Foreign Derivative Obligations</u> | <u>Total</u> |
|---|-------------------------|----------------------------------|---------------------------------|---------------------------------------|---------------------|
| Australian Dollar | \$ 950 | \$ 238,983 | \$ 68,687 | \$ 32 | \$ 308,652 |
| Brazilian Real | 359 | 173,462 | 53,694 | 1,044 | 228,559 |
| British Pound Sterling | 9,179 | 1,246,781 | 243,932 | 306 | 1,500,198 |
| Canadian Dollar | 3,289 | 331,407 | 135,291 | - | 469,987 |
| Euro | 38,026 | 1,337,645 | 281,550 | 1,569 | 1,658,790 |
| Hong Kong Dollar | 1,965 | 359,672 | - | - | 361,637 |
| Indian Rupee | 757 | 116,472 | - | - | 117,229 |
| Indonesian Rupiah | 600 | 71,510 | 56,741 | - | 128,851 |
| Japanese Yen | 10,658 | 1,005,441 | 61,442 | (282) | 1,077,259 |
| Mexican Peso | 2,234 | 37,106 | 94,235 | 41 | 133,616 |
| New Taiwan Dollar | 2,997 | 120,780 | - | - | 123,777 |
| Singapore Dollar | 281 | 108,275 | 15,734 | - | 124,290 |
| South Korean Won | 1,202 | 145,990 | 70,389 | - | 217,581 |
| Swedish Krona | 940 | 109,366 | 50,817 | - | 161,123 |
| Swiss Franc | 3,733 | 424,004 | - | - | 427,737 |
| Thai Baht | 682 | 126,530 | - | - | 127,212 |
| Other currencies | 4,070 | 400,138 | 230,780 | - | 634,988 |
| Total deposits and investments subject to foreign currency risk | <u>\$ 81,922</u> | <u>\$ 6,353,562</u> | <u>\$ 1,363,292</u> | <u>\$ 2,710</u> | <u>\$ 7,801,486</u> |

In addition, TRS has foreign currency investments in private equity with fair values totaling \$184.453 million (payable in Euros) and real estate with fair values totaling \$80.528 million (payable in Euros) and \$10.684 million (payable in British Pound Sterling).

The following table summarizes the foreign currency risk by currency denomination for deposits and investments held by SURS as of June 30, 2012:

Table 3-17 (amounts expressed in thousands)

| <u>Currency Denomination</u> | <u>Foreign Equity Securities</u> | <u>Foreign Debt Obligations</u> | <u>Foreign Currency and Pending Currency Transactions</u> | <u>Net Foreign Currency Forward Contracts</u> | <u>Other Foreign Derivative Obligations</u> | <u>Total</u> |
|---|--|---|---|---|---|---------------------|
| Australian Dollar | \$ 87,193 | \$ 8,238 | \$ (14,597) | \$ (417) | \$ (1) | \$ 80,416 |
| British Pound Sterling | 319,625 | 2,064 | 2,275 | (2) | 349 | 324,311 |
| Canadian Dollar | 93,170 | 24,165 | (12,277) | (95) | 2,626 | 107,589 |
| Euro | 376,206 | 47,412 | (43,371) | (629) | 3,977 | 383,595 |
| Hong Kong Dollar | 92,924 | 125 | 248 | - | - | 93,297 |
| Japanese Yen | 232,799 | 19,515 | (10,367) | 220 | - | 242,167 |
| Singapore Dollar | 41,148 | 5,725 | 228 | - | - | 47,101 |
| Swiss Franc | 130,460 | - | 532 | (1) | - | 130,991 |
| Other currencies | 174,861 | 20,077 | 4,023 | 548 | 1,147 | 200,656 |
| Total investments subject to foreign currency risk | <u>\$ 1,548,386</u> | <u>\$ 127,321</u> | <u>\$ (73,306)</u> | <u>\$ (376)</u> | <u>\$ 8,098</u> | <u>\$ 1,610,123</u> |

COMPONENT UNITS

The risk disclosures associated with the State's major component unit's deposits and investments are as follows:

ILLINOIS HOUSING DEVELOPMENT AUTHORITY ("IHDA")

Investments

Table 3-18 (amounts expressed in thousands)

| <u>Investment Type</u> | <u>Rating Standard & Poor's/Moody's</u> | <u>Fair Value</u> | <u>Less Than 1 Year</u> | <u>1 to 5 Years</u> | <u>6 to 10 Years</u> | <u>More Than 10 Years</u> |
|--|---|-----------------------|---------------------------------|-------------------------|--------------------------|-----------------------------------|
| U.S. Agency obligations | AA/Aaa | \$ 413,352 | \$ 271,637 | \$ 7,445 | \$ - | \$ 134,270 |
| Money market fund - sweep account | AA/Aaa | 259,395 | 259,395 | - | - | - |
| Total subject to credit risk | | 672,747 | 531,032 | 7,445 | - | 134,270 |
| U.S. Treasury obligations | | 251,279 | 192,485 | 49,472 | 8,098 | 1,224 |
| Repurchase agreements backed by U.S. Government obligations | | 26,951 | 20,454 | - | 300 | 6,197 |
| Total subject to interest rate risk | | 950,977 | \$ 743,971 | \$ 56,917 | \$ 8,398 | \$ 141,691 |
| Less cash equivalents | | (279,848) | | | | |
| Total investments | | <u>\$ 671,129</u> | | | | |

Interest Rate Risk: IHDA's investment policy does not limit the maturity of investments as a means of managing its exposure to fair value losses arising from an increasing rate environment.

Credit Risk: IHDA is limited to investments as described in the State Statutes.

Concentration of Credit Risk: IHDA places no limit on the amount that may be invested in any one issuer. More than 5 percent of IHDA's investments are in Federal Home Loan Bank (\$143.950 million), Federal National Mortgage Association (\$86.614 million), and Federal Home Loan Mortgage Corporation (\$73.585 million).

ILLINOIS TOLL HIGHWAY AUTHORITY ("THA")

Investments

Table 3-19 (amounts expressed in thousands)

| <u>Investment Type</u> | <u>Rating Standard & Poors/Moody's</u> | <u>Fair Value</u> | <u>Less Than 1 Year</u> |
|--|--|-----------------------|---------------------------------|
| Repurchase agreements | AA/Aaa | \$ 15,025 | \$ 15,025 |
| Money market mutual funds | AAA/Aaa | 380,390 | 380,390 |
| Total subject to credit risk and interest rate risk | | 395,415 | <u>\$ 395,415</u> |
| Less cash equivalents | | <u>(395,415)</u> | |
| Total investments | | <u>\$ -</u> | |

Interest Rate Risk: As a means of limiting its exposure to fair value losses from rising interest rates, THA's investment policy requires the majority of THA investments to be less than one year maturity with no investment exceeding a ten-year maturity.

ILLINOIS STATE UNIVERSITY ("ISU")

Investments

University

Table 3-20 (amounts expressed in thousands)

| <u>Investment Type</u> | <u>Rating Moody's/ Standard & Poor's</u> | <u>Fair Value</u> | <u>Less Than 1 Year</u> | <u>1 to 6 Years</u> |
|---|--|-----------------------|---------------------------------|-------------------------|
| U.S. Agency obligations | Aaa/* | \$ 103,488 | \$ 26,272 | \$ 77,216 |
| Illinois Public Treasurers' Investment Pool | Not Rated/AAA | 12,174 | 12,174 | - |
| Money market mutual funds | Not rated | 4,762 | 4,762 | - |
| Total subject to credit risk | | 120,424 | 43,208 | 77,216 |
| U.S. Treasury obligations | | 52,751 | 15,807 | 36,944 |
| Total subject to interest rate risk | | 173,175 | <u>\$ 59,015</u> | <u>\$ 114,160</u> |
| Less cash equivalents | | <u>(16,936)</u> | | |
| Total investments of the University | | 156,239 | | |
| Investments of component units | | <u>85,165</u> | | |
| Total investments | | <u>\$ 241,404</u> | | |

* \$58.779 million and \$44.709 million of U.S. Agency obligations were rated AAA and AA by Standard & Poor's, respectively.

Interest Rate Risk: ISU's investment policy does not limit the maturity of investments as a means of managing its exposure to fair value losses arising from an increasing rate environment.

Credit Risk: ISU is limited to investments as described in the State Statutes.

Concentration of Credit Risk: ISU places no limit on the amount that may be invested in any one issuer. More than 5 percent of ISU's investments are in Federal Farm Credit Bank (\$39.485 million), Federal National Mortgage Association (\$9.68 million), and Federal Home Loan Bank (\$49.1 million).

NORTHERN ILLINOIS UNIVERSITY ("NIU")

Investments

University

Table 3-21 (amounts expressed in thousands)

| <u>Investment Type</u> | <u>Rating Standard & Poor's</u> | <u>Fair Value</u> | <u>Less Than 1 Year</u> | <u>1 to 5 Years</u> |
|---|---|-----------------------|---------------------------------|-------------------------|
| U.S. Agency obligations | AA | \$ 172,929 | \$ 29,505 | \$ 143,424 |
| Money market mutual funds | AAA | 10,117 | 10,117 | - |
| Illinois Public Treasurers' Investment Pool | AAA | 19,227 | 19,227 | - |
| Total subject to credit risk | | 202,273 | 58,849 | 143,424 |
| U.S. Treasury obligations | | 4,998 | 4,998 | - |
| Total subject to interest rate risk | | 207,271 | \$ 63,847 | \$ 143,424 |
| Less cash equivalents | | (17,621) | | |
| Total investments of the University | | 189,650 | | |
| Investments of component units | | 71,727 | | |
| Total investments | | \$ 261,377 | | |

Interest Rate Risk: NIU does not have a formal policy for interest rate risk.

Credit Risk: NIU is limited to investments as described in the State Statutes.

SOUTHERN ILLINOIS UNIVERSITY (“SIU”)**Investments****University**

Table 3-22 (amounts expressed in thousands)

| <u>Investment Type</u> | <u>Rating Standard and Poor's</u> | <u>Fair Value</u> | <u>Less Than 1 Year</u> | <u>1 to 5 Years</u> | <u>6 to 10 Years</u> |
|--|-----------------------------------|-------------------|-------------------------|---------------------|----------------------|
| U.S. Agency obligations | AAA | \$ 74,811 | \$ 21,897 | \$33,913 | \$19,001 |
| Equity in Public Treasurers' Investment Pool | AAA | 130,498 | 130,498 | - | - |
| Total subject to credit risk | | 205,309 | 152,395 | 33,913 | 19,001 |
| U.S. Treasury obligations | | 55,591 | 13,862 | 30,455 | 11,274 |
| Total subject to interest rate risk | | 260,900 | <u>\$166,257</u> | <u>\$64,368</u> | <u>\$30,275</u> |
| Common stock | | 44 | | | |
| Less cash equivalents | | (130,498) | | | |
| Total investments of the University | | 130,446 | | | |
| Investments of component units | | 165,949 | | | |
| Total investments | | <u>\$296,395</u> | | | |

Interest Rate Risk: Interest rate risk is mitigated by structuring SIU's portfolio so that securities mature to meet the SIU's cash requirements for ongoing operations. The internally managed portfolio is managed in accordance with covenants provided from the University's debt issuance activities. The externally managed portfolio is typically allocated with a minimum of \$40 million held in cash equivalents and \$65 to \$115 million held in the intermediate-term portfolio. However, circumstances may occur that cause the allocations to temporarily fall outside the prescribed ranges.

Credit Risk: Credit risk is mitigated by limiting investments to those specified in the *Illinois Public Funds Investment Act*; pre-qualifying the financial institutions which are utilized; and diversifying the investment portfolio so that the failure of any one issue or backer will not place an undue financial burden on SIU.

UNIVERSITY OF ILLINOIS (“U of I”)**Deposits**

Custodial Credit Risk: The carrying amount and bank balance of the U of I's deposits totaled \$224.915 million and \$238.354 million, respectively. Of the total bank balance of these deposits at June 30, 2012, \$6.35 million was not covered by federal depository insurance or by collateral held by an agent in the University's name.

Investments

Interest Rate Risk: The U of I employs multiple investment managers, of which each has specific maturity assignments related to operating funds. The funds are structured with different layers of liquidity. Funds expected to be used within one year are invested in money market instruments. Core operating funds are invested in longer maturity investments. Core operating funds investment manager's performance benchmarks are the Barclay's Capital 1-3 year Government Credit Bond Index and the Barclay's Capital Intermediate Aggregate Bond Index. The manager guidelines provide that the average weighted duration of the portfolio, including

option position, not vary from that of their respective performance benchmarks by more than +/- 20 percent. The U of I's investments and maturities at June 30, 2012 are illustrated below:

University

Table 3-23 (amounts expressed in thousands)

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Less Than 1 Year</u> | <u>1 to 5 Years</u> | <u>6 to 10 Years</u> | <u>More Than 10 Years</u> |
|---|---------------------|-------------------------|---------------------|----------------------|---------------------------|
| U.S. Treasury obligations | \$ 268,785 | \$ 76,749 | \$ 147,560 | \$ 39,349 | \$ 5,127 |
| U.S. Agency obligations | 266,759 | 62,712 | 83,521 | 20,097 | 100,429 |
| Commercial paper | 13,838 | 13,838 | - | - | - |
| Corporate bonds | 274,782 | 29,359 | 216,606 | 25,368 | 3,449 |
| Bond mutual funds | 71,390 | - | 774 | 70,616 | - |
| Money market mutual funds | 545,456 | 545,456 | - | - | - |
| Illinois Public Treasurers' Investment Pool | 28,088 | 28,088 | - | - | - |
| Non government mortgage-backed securities | 66,836 | - | - | 643 | 66,193 |
| Other asset-backed securities | 85,706 | - | 67,616 | 9,617 | 8,473 |
| Government bonds - non U.S. | 35,797 | 6,049 | 24,004 | 3,913 | 1,831 |
| Repurchase agreements | 333 | 333 | - | - | - |
| Total subject to interest rate risk | 1,657,770 | <u>\$ 762,584</u> | <u>\$ 540,081</u> | <u>\$ 169,603</u> | <u>\$ 185,502</u> |
| U.S. equities | 32,513 | | | | |
| Foreign equity securities | 37,251 | | | | |
| U.S. equity mutual funds | 146,998 | | | | |
| Limited partnerships | 19,560 | | | | |
| Real estate | 75,875 | | | | |
| Deposits with maturities greater than 90 days at time of purchase | 7,751 | | | | |
| Less cash equivalents | <u>(592,313)</u> | | | | |
| Total investments of the University | 1,385,405 | | | | |
| Investments of component units | <u>1,379,784</u> | | | | |
| Total investments | <u>\$ 2,765,189</u> | | | | |

At June 30, 2012, the U of I's operating funds pool portfolio had an effective duration of 1.5 years.

Credit Risk: The U of I's policy requires that operating funds be invested in fixed income securities and money market instruments. Fixed income securities shall be rated investment grade or better by one or more nationally recognized statistical rating organizations. Securities not covered by the investment grade standard are allowed if, in the manager's judgment, those instruments are of comparable credit quality. Securities which fall below the stated minimum credit requirements subsequent to initial purchase may be held at the manager's discretion. It is expected that the average credit quality of the operating funds will not fall below Standard & Poor's AA- or equivalent.

At June 30, 2012, the U of I debt securities and quality ratings are as shown in the charts below:

University

Table 3-24 (amounts expressed in thousands)

| Investment Type | Fair Value | Standard and Poor's | | | | | Less Than BB or Not Rated |
|---|--------------|---------------------|------------|------------|-----------|----------|---------------------------|
| | | AAA | AA | A | BBB | BB | |
| U.S. Agency obligations | \$ 266,759 | \$ - | \$ 266,759 | \$ - | \$ - | \$ - | \$ - |
| Commercial paper | 13,838 | 13,838 | - | - | - | - | - |
| Corporate bonds | 274,782 | 9,637 | 60,782 | 140,469 | 53,422 | 2,178 | 8,294 |
| Bond mutual funds | 71,390 | 16,043 | 54,573 | 774 | - | - | - |
| Money market mutual funds | 545,456 | 541,698 | 3,758 | - | - | - | - |
| Illinois Public Treasurers' Investment Pool | 28,088 | 28,088 | - | - | - | - | - |
| Non government mortgage-backed securities | 66,836 | 45,834 | 42 | 2,717 | 2,347 | 882 | 15,014 |
| Other asset-backed securities | 85,706 | 74,925 | 4,290 | 1,803 | - | 97 | 4,591 |
| Government bonds - non U.S. | 35,797 | 9,132 | 18,307 | 3,728 | 935 | - | 3,695 |
| Repurchase agreements | 333 | - | - | - | - | - | 333 |
| Total subject to credit risk | 1,388,985 | \$ 739,195 | \$ 408,511 | \$ 149,491 | \$ 56,704 | \$ 3,157 | \$ 31,927 |
| U.S. Treasury obligations | 268,785 | | | | | | |
| Total fixed income securities | \$ 1,657,770 | | | | | | |

Foreign Currency Risk: The U of I does not have a formal foreign risk policy. The U.S. dollar balances of the U of I's cash equivalents and investments exposed to foreign currency risk as of June 30, 2012 are categorized by currency below:

University

Table 3-25 (amounts expressed in thousands)

| Currency denomination | Total | Cash Equivalents | Equity Investments |
|--|-----------|------------------|--------------------|
| British Pound Sterling | \$ 7,518 | \$ - | \$ 7,518 |
| Euro | 14,671 | 34 | 14,637 |
| Hong Kong Dollar | 3,083 | - | 3,083 |
| Japanese Yen | 3,390 | - | 3,390 |
| Swiss Franc | 3,163 | - | 3,163 |
| All other currency | 5,615 | 155 | 5,460 |
| Total subject to foreign currency risk | \$ 37,440 | \$ 189 | \$ 37,251 |

SECURITIES LENDING TRANSACTIONS

The investment policies of certain State agencies and component units, principally the State Treasurer, ISBI, TRS, SURS, and the U of I, permit them to enter into securities lending transactions. In these transactions, the agency loans their securities to broker-dealers and other entities for collateral with a simultaneous agreement to return the collateral for the same securities in the future. The agencies' securities custodians are agents in lending the securities for collateral of at least 100% of the fair value of the securities. Collateral can consist of cash, cash equivalents, government securities, commercial paper or irrevocable letters of credit. Depending on their nature, securities on loan at year-end are presented as classified or unclassified in the preceding schedule of custodial credit risk. Generally, at year-end, agencies had no credit risk exposure to borrowers because the amounts they owed to borrowers exceeded the amounts borrowers owed the agencies. Policies regarding indemnification vary among agencies. Some

agencies' contracts with custodians require them to indemnify the agency if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or the borrowers fail to pay the agency for income distributions by the securities' issuers while the securities are out on loan. Other agencies have no provisions for indemnification.

Generally, securities loans can be terminated on demand by either the agency or the borrower, although the average term of the loans is approximately 1 to 15 days. Cash collateral is generally invested in the lending agents' short-term investment pools, which at year-end had weighted average maturities of approximately 2 to 32 days. The relationship between the maturities of the investment pools and the agencies' loans is affected by the maturities of the securities loans made by other entities that use the agents' pools, which the agencies cannot determine. The agencies cannot pledge or sell collateral securities received unless the borrower defaults.

The following table summarizes the fair value and related collateral value of outstanding loaned investment securities as of June 30, 2012.

| State Agency/Component Unit | Fair Value | Collateral Value |
|--------------------------------------|-------------------|-------------------------|
| State Treasurer | \$4,551,829 | \$4,556,511 |
| Illinois State Board of Investments | 115,655 | 120,557 |
| Teachers' Retirement System | 2,682,477 | 2,760,698 |
| State Universities Retirement System | 10,695 | 11,759 |
| University of Illinois | 89,659 | 91,319 |

4 TAXES RECEIVABLE

Taxes receivable for the primary government at June 30, 2012 are as follows:

Table 4-1 (amounts expressed in thousands)

| | Governmental Activities | | | Business-type Activities | |
|-------------------------------------|-------------------------|-------------------|---------------------|--------------------------------------|-------------------|
| | General Fund | Nonmajor Funds | Total | Unemployment Compensation Trust Fund | Fiduciary Funds |
| Income tax | \$ 1,078,798 | \$ 110,486 | \$ 1,189,284 | \$ - | \$ - |
| Less allowance | (455,354) | (53,519) | (508,873) | - | - |
| Net income tax | 623,444 | 56,967 | 680,411 | - | - |
| Sales tax | 564,436 | 229,885 | 794,321 | - | - |
| Less allowance | (245,723) | (77,096) | (322,819) | - | - |
| Net sales tax | 318,713 | 152,789 | 471,502 | - | - |
| Motor fuel tax | - | 143,928 | 143,928 | - | - |
| Less allowance | - | (34,626) | (34,626) | - | - |
| Net motor fuel tax | - | 109,302 | 109,302 | - | - |
| Public utility tax | 12,319 | 11,524 | 23,843 | - | - |
| Less allowance | (5,788) | (1,396) | (7,184) | - | - |
| Net public utility tax | 6,531 | 10,128 | 16,659 | - | - |
| Other tax | 424,153 | 43,206 | 467,359 | - | - |
| Less allowance | (21,004) | (1,990) | (22,994) | - | - |
| Net other tax | 403,149 | 41,216 | 444,365 | - | - |
| Unemployment compensation tax | - | - | - | 776,368 | - |
| Less allowance | - | - | - | (150,701) | - |
| Net unemployment compensation tax | - | - | - | 625,667 | - |
| Taxes assessed by other governments | - | - | - | - | 209,205 |
| Total taxes receivable, net | \$ 1,351,837 | \$ 370,402 | \$ 1,722,239 | \$ 625,667 | \$ 209,205 |

5 INTERFUND BALANCES AND ACTIVITY

Interfund due to and due from balances at June 30, 2012 consisted of the following:

| Due From | Due To | | | | | | | | | | Total |
|--------------------------------------|---------------------|-------------------|----------------------------|-----------------------------|--------------------------------------|----------------------|----------------------|---------------------------|------------------------|-----------------|---------------------|
| | General Fund | Road Fund | State Construction Account | Nonmajor Governmental Funds | Unemployment Compensation Trust Fund | Water Revolving Fund | Prepaid Tuition Fund | Nonmajor Enterprise Funds | Internal Service Funds | Fiduciary Funds | |
| General Fund | \$ - | \$ 179 | \$ - | \$ 257,918 | \$ - | \$ 78 | \$ 18 | \$ 18,605 | \$ 6,039 | \$ - | \$ 282,837 |
| Road Fund | 20 | - | - | 54,865 | - | - | - | - | - | - | 54,885 |
| State Construction Account | - | - | - | 34,705 | - | - | - | - | - | - | 34,705 |
| Nonmajor Governmental Funds | 860,106 | 2,354 | 101 | 1,399,872 | 1,386 | 4,979 | - | 4 | 26 | 1 | 2,268,829 |
| Unemployment Compensation Trust Fund | 14,103 | - | - | 31 | - | - | - | - | - | - | 14,134 |
| Nonmajor Enterprise Funds | - | - | - | 91 | - | - | 175 | 7,568 | - | 232 | 8,066 |
| Internal Service Funds | 1,706,961 | 179,821 | - | 75,582 | - | 19 | - | 754 | 21,055 | 4,111 | 1,988,303 |
| Fiduciary Funds | 598,188 | - | - | 20,775 | - | - | - | - | 248 | 95 | 619,306 |
| Total | \$ 3,179,378 | \$ 182,354 | \$ 101 | \$ 1,843,839 | \$ 1,386 | \$ 5,076 | \$ 193 | \$ 26,931 | \$ 27,368 | \$ 4,439 | \$ 5,271,065 |

Interfund due to and due from balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Because of resource constraints in the current fiscal year, the payment time of transactions from the General Revenue Account of the General Fund was significantly slower than in previous fiscal years.

Interfund balances include \$1.103 billion of deferred expense related to a payment of approximately \$1.305 billion from the Railsplitter Tobacco Settlement Authority, a blended component unit, to the Tobacco Settlement Recovery Fund, a nonmajor governmental fund. This expense will be amortized over the life of the related bonds, as summarized in Note 11. All other interfund balances are expected to be repaid within one year.

Interfund transfers activity at June 30, 2012 consisted of the following:

| Transfers-In | Transfers-Out | | | | | | | Total |
|--------------------------------------|---------------------|-------------------|-----------------------------|--------------------------------------|-------------------------|---------------------------|------------------------|---------------------|
| | General Fund | Road Fund | Nonmajor Governmental Funds | Unemployment Compensation Trust Fund | Prepaid Tuition Program | Nonmajor Enterprise Funds | Internal Service Funds | |
| General Fund | \$ - | \$ - | \$ 875,442 | \$ - | \$ - | \$ 758,238 | \$ 73 | \$ 1,633,753 |
| Road Fund | 21,634 | - | 665 | - | - | - | - | 22,299 |
| State Construction Account | - | - | 392 | - | - | - | - | 392 |
| Nonmajor Governmental Funds | 2,872,678 | 339,707 | 1,207,594 | 15,638 | 27 | 7,044 | - | 4,442,688 |
| Unemployment Compensation Trust Fund | - | - | - | - | - | 18,590 | - | 18,590 |
| Water Revolving Fund | - | - | 2,532 | - | - | - | - | 2,532 |
| Nonmajor Enterprise Funds | - | - | - | - | - | 30,641 | - | 30,641 |
| Internal Service Funds | 14,100 | - | - | - | - | - | - | 14,100 |
| Total | \$ 2,908,412 | \$ 339,707 | \$ 2,086,625 | \$ 15,638 | \$ 27 | \$ 814,513 | \$ 73 | \$ 6,164,995 |

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts to debt service funds as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

INTERENTITY

The due from amounts for the State of Illinois from its component units, as of June 30, 2012, consisted of the following:

| Due To | Due From | | | | | | | | Total |
|--------------------------------------|--|------------------------|----------------------|---------------------------|------------------------------|------------------------------|------------------------|-----------------------|-------------------|
| | Illinois Housing Development Authority | Toll Highway Authority | Nonmajor Authorities | Illinois State University | Northern Illinois University | Southern Illinois University | University of Illinois | Nonmajor Universities | |
| General Fund | \$ 121 | \$ - | \$ - | \$ - | \$ 101 | \$ 312 | \$ 3 | \$ - | \$ 537 |
| Road Fund | - | 59,561 | - | - | - | - | 14 | - | 59,575 |
| Nonmajor Governmental Funds | 322,894 | - | 17,007 | - | - | - | 278 | 19 | 340,198 |
| Unemployment Compensation Trust Fund | - | - | - | - | - | - | 191 | 48 | 239 |
| Water Revolving Fund | - | - | 134 | - | - | - | - | - | 134 |
| Nonmajor Enterprise Funds | - | - | 8 | - | - | - | - | - | 8 |
| Internal Service Funds | - | 3,386 | - | - | - | - | 30,039 | 249 | 33,674 |
| Fiduciary Funds | - | - | 3 | - | - | - | 1,960 | 92 | 2,055 |
| Total | \$ 323,015 | \$ 62,947 | * \$ 17,152 | \$ - | \$ 101 | \$ 312 | \$ 32,485 | \$ 408 | \$ 436,420 |

* The amounts due to the Toll Highway Authority at December 31, 2011, its fiscal year-end, were \$59,905.

The due to amounts for the State of Illinois to its component units, as of June 30, 2012, consisted of the following:

Table 5-4 (amounts expressed in thousands)

| Due From | Due To | | | | | | | | |
|-----------------------------|--|------------------------|----------------------|---------------------------|------------------------------|------------------------------|------------------------|-----------------------|-------------------|
| | Illinois Housing Development Authority | Toll Highway Authority | Nonmajor Authorities | Illinois State University | Northern Illinois University | Southern Illinois University | University of Illinois | Nonmajor Universities | Total |
| General Fund | \$ 62 | \$ 13 | \$ 13,203 | \$ 22,392 | \$ 24,428 | \$ 68,260 | \$ 277,214 | \$ 44,759 | \$ 450,331 |
| Road Fund | - | 114,716 | 9 | - | 951 | 685 | 2,782 | - | 119,143 |
| Nonmajor Governmental Funds | - | 10 | 364 | 2,006 | 2,088 | 3,486 | 36,336 | 10,552 | 54,842 |
| Water Revolving Fund | - | - | 49,137 | 7 | 4 | - | 35 | 7 | 49,190 |
| Prepaid Tuition Fund | - | - | - | 85 | - | - | 78 | 17 | 180 |
| Nonmajor Enterprise Funds | - | - | - | 696 | 876 | 765 | 287 | 4,437 | 7,061 |
| Internal Service Funds | - | 1 | - | 751 | 12 | - | 197 | 1 | 962 |
| Fiduciary Funds | - | 13 | 51 | - | - | - | - | - | 64 |
| Total | \$ 62 | \$ 114,753 | * \$ 62,764 | \$ 25,937 | \$ 28,359 | \$ 73,196 | \$ 316,929 | \$ 59,773 | \$ 681,773 |

* The amounts due from the Toll Highway Authority at December 31, 2011, its fiscal year-end, were \$114,692.

Transactions between the State of Illinois and its component units consist mostly of appropriations for general administrative expenses and capital projects. In addition, most of the State's universities receive pass-through and other grants from the State.

6 LOANS AND NOTES RECEIVABLE

Loans and notes receivable at June 30, 2012, consisted of the following:

Table 6-1 (amounts expressed in thousands)

| | Primary Government | | | | | | |
|--|-------------------------|-----------------------------|------------------|--------------------------|---------------------------|---------------------|-----------------|
| | Governmental Activities | | | Business-type Activities | | | Fiduciary Funds |
| | General Fund | Nonmajor Governmental Funds | Total | Water Revolving Fund | Nonmajor Enterprise Funds | Total | |
| Student loan program | \$ 21,803 | \$ 1,732 | \$ 23,535 | \$ - | \$ 852,113 | \$ 852,113 | \$ 92 |
| Local government infrastructure | - | - | - | 2,327,946 | - | 2,327,946 | - |
| Port district construction | 14,968 | 347 | 15,315 | - | - | - | - |
| Other | 639 | 67,653 | 68,292 | - | - | - | - |
| | <u>37,410</u> | <u>69,732</u> | <u>107,142</u> | <u>2,327,946</u> | <u>852,113</u> | <u>3,180,059</u> | <u>92</u> |
| Less: Allowance for uncollectible accounts | <u>29,543</u> | <u>724</u> | <u>30,267</u> | <u>-</u> | <u>42,703</u> | <u>42,703</u> | <u>20</u> |
| Total | <u>7,867</u> | <u>69,008</u> | <u>76,875</u> | <u>2,327,946</u> | <u>809,410</u> | <u>3,137,356</u> | <u>72</u> |
| Less: Amounts representing restricted assets | <u>-</u> | <u>-</u> | <u>-</u> | <u>199,559</u> | <u>809,410</u> | <u>1,008,969</u> | <u>-</u> |
| Loans and notes receivable, net | <u>\$ 7,867</u> | <u>\$ 69,008</u> | <u>\$ 76,875</u> | <u>\$ 2,128,387</u> | <u>\$ -</u> | <u>\$ 2,128,387</u> | <u>\$ 72</u> |

Table 6-2 (amounts expressed in thousands)

| | Major Component Units | | | | |
|--|--|---------------------------|------------------------------|------------------------------|------------------------|
| | Illinois Housing Development Authority | Illinois State University | Northern Illinois University | Southern Illinois University | University of Illinois |
| Mortgage loan program | \$ 1,765,485 | \$ - | \$ - | \$ - | \$ - |
| Student loan program | - | 10,127 | 8,794 | 20,598 | 64,903 |
| Other | - | - | - | 73 | 66 |
| | <u>1,765,485</u> | <u>10,127</u> | <u>8,794</u> | <u>20,671</u> | <u>64,969</u> |
| Less: Allowance for uncollectible accounts | <u>68,660</u> | <u>989</u> | <u>76</u> | <u>3,071</u> | <u>2,723</u> |
| Loans and notes receivable, net | <u>\$ 1,696,825</u> | <u>\$ 9,138</u> | <u>\$ 8,718</u> | <u>\$ 17,600</u> | <u>\$ 62,246</u> |

7 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012, was as follows:

Table 7-1 (amounts expressed in thousands)

| | Beginning Balance | Additions | Deletions | Transfers and Reclassifications | Ending Balance |
|--|----------------------|-------------------|------------------|---------------------------------------|----------------------|
| Primary Government | | | | | |
| Governmental activities | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land and land improvements | \$ 2,917,939 | \$ 125,140 | \$ 19,875 | \$ 8 | \$ 3,023,212 |
| Intangible assets | 119,345 | 21,922 | - | (31,348) | 109,919 |
| Historical treasures and works of art | 38,449 | 5 | - | - | 38,454 |
| Construction in progress | 45,112 | 91,648 | - | (65,208) | 71,552 |
| Total capital assets not being depreciated | <u>3,120,845</u> | <u>238,715</u> | <u>19,875</u> | <u>(96,548)</u> | <u>3,243,137</u> |
| Capital assets being depreciated: | | | | | |
| Infrastructure | 25,174,267 | 1,640,492 | 978,177 | - | 25,836,582 |
| Site improvements | 779,960 | 2,341 | 178 | 8,164 | 790,287 |
| Buildings and building improvements | 4,424,063 | 973 | 1,217 | 45,513 | 4,469,332 |
| Equipment | 1,115,256 | 77,169 | 58,456 | (15,475) | 1,118,494 |
| Historical treasures and works of art | 1,100 | - | - | - | 1,100 |
| Intangible assets | 52,558 | 6,984 | 1,005 | 31,348 | 89,885 |
| Total capital assets being depreciated | <u>31,547,204</u> | <u>1,727,959</u> | <u>1,039,033</u> | <u>69,550</u> | <u>32,305,680</u> |
| Less accumulated depreciation for: | | | | | |
| Infrastructure | 10,881,653 | 1,049,484 | 977,889 | - | 10,953,248 |
| Site improvements | 440,790 | 23,628 | 8 | (768) | 463,642 |
| Buildings and building improvements | 2,274,550 | 109,728 | 35 | (9,204) | 2,375,039 |
| Equipment | 898,818 | 55,646 | 56,909 | (18,546) | 879,009 |
| Historical treasures and works of art | 1,100 | - | - | - | 1,100 |
| Intangible assets | 12,836 | 4,498 | 1,005 | 1,512 | 17,841 |
| Total accumulated depreciation | <u>14,509,747</u> | <u>1,242,984</u> | <u>1,035,846</u> | <u>(27,006)</u> | <u>14,689,879</u> |
| Total capital assets being depreciated, net | <u>17,037,457</u> | <u>484,975</u> | <u>3,187</u> | <u>96,556</u> | <u>17,615,801</u> |
| Governmental activities capital assets, net | <u>\$ 20,158,302</u> | <u>\$ 723,690</u> | <u>\$ 23,062</u> | <u>\$ 8</u> | <u>\$ 20,858,938</u> |
| Depreciation expense for governmental activities was charged to functions as follows: | | | | | |
| Health and social services | | | | | \$ 33,504 |
| Education | | | | | 3,993 |
| General government | | | | | 19,629 |
| Employment and economic development | | | | | 10,311 |
| Transportation | | | | | 1,070,775 |
| Public protection and justice | | | | | 55,895 |
| Environmental and business regulation | | | | | 24,895 |
| Internal service funds | | | | | 23,982 |
| Total | | | | | <u>\$ 1,242,984</u> |

Table 7-2 (amounts expressed in thousands)

| | Beginning Balance | Additions | Deletions | Transfers and Reclassifications | Ending Balance |
|---|----------------------|-----------|-----------|---------------------------------------|-------------------|
| Primary Government Business-type activities | | | | | |
| Water Revolving Fund: | | | | | |
| Capital assets being depreciated: | | | | | |
| Equipment | \$ 408 | \$ 21 | \$ 5 | \$ (10) | \$ 414 |
| Total capital assets being depreciated | 408 | 21 | 5 | (10) | 414 |
| Less accumulated depreciation for: | | | | | |
| Equipment | 309 | 59 | 4 | (6) | 358 |
| Total accumulated depreciation | 309 | 59 | 4 | (6) | 358 |
| Total capital assets being depreciated, net | 99 | (38) | 1 | (4) | 56 |
| Water Revolving Fund capital assets, net | 99 | (38) | 1 | (4) | 56 |
| Nonmajor enterprise funds: | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land and land improvements | 190 | - | - | - | 190 |
| Intangible assets | - | 286 | - | - | 286 |
| Total capital assets not being depreciated | 190 | 286 | - | - | 476 |
| Capital assets being depreciated: | | | | | |
| Buildings and building improvements | 1,714 | - | - | - | 1,714 |
| Equipment | 7,844 | 452 | 500 | (58) | 7,738 |
| Intangible assets | 569 | 872 | - | - | 1,441 |
| Total capital assets being depreciated | 10,127 | 1,324 | 500 | (58) | 10,893 |
| Less accumulated depreciation for: | | | | | |
| Buildings and building improvements | 573 | 117 | - | - | 690 |
| Equipment | 5,949 | 593 | 498 | (54) | 5,990 |
| Intangible assets | - | 72 | - | - | 72 |
| Total accumulated depreciation | 6,522 | 782 | 498 | (54) | 6,752 |
| Total capital assets being depreciated, net | 3,605 | 542 | 2 | (4) | 4,141 |
| Nonmajor enterprise funds capital assets, net | 3,795 | 828 | 2 | (4) | 4,617 |
| Total Business-type activities | | | | | |
| Capital assets not being depreciated | 190 | 286 | - | - | 476 |
| Capital assets being depreciated, net | 3,704 | 504 | 3 | (8) | 4,197 |
| Business-type activities capital assets, net | \$ 3,894 | \$ 790 | \$ 3 | \$ (8) | \$ 4,673 |
| Depreciation expense for business-type activities was charged to functions as follows: | | | | | |
| Water revolving | | | | | \$ 59 |
| Lottery | | | | | 107 |
| Other | | | | | 675 |
| Total | | | | | \$ 841 |

Table 7-3 (amounts expressed in thousands)

| | Beginning Balance | Additions | Deletions | Transfers and Reclassifications | Ending Balance |
|--|----------------------|---------------|-------------|---------------------------------------|-------------------|
| Fiduciary Funds | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land and land improvements | \$ 1,724 | \$ - | \$ - | \$ (3) | \$ 1,721 |
| Intangible assets | - | - | - | 3 | 3 |
| Total capital assets not being depreciated | 1,724 | - | - | - | 1,724 |
| Capital assets being depreciated: | | | | | |
| Site improvements | 418 | 671 | - | - | 1,089 |
| Buildings and building improvements | 17,564 | 43 | - | - | 17,607 |
| Equipment | 20,496 | 726 | 338 | (3) | 20,881 |
| Intangible assets | 852 | 205 | - | - | 1,057 |
| Total capital assets being depreciated | 39,330 | 1,645 | 338 | (3) | 40,634 |
| Less accumulated depreciation for: | | | | | |
| Site improvements | 374 | 11 | - | - | 385 |
| Buildings and building improvements | 8,984 | 660 | - | - | 9,644 |
| Equipment | 18,859 | 657 | 336 | (3) | 19,177 |
| Intangible assets | 160 | 147 | - | - | 307 |
| Total accumulated depreciation | 28,377 | 1,475 | 336 | (3) | 29,513 |
| Total capital assets being depreciated, net | 10,953 | 170 | 2 | - | 11,121 |
| Fiduciary funds capital assets, net | \$ 12,677 | \$ 170 | \$ 2 | \$ - | \$ 12,845 |

Table 7-4 (amounts expressed in thousands)

| | Beginning Balance | Additions | Deletions | Transfers and Reclassifications | Ending Balance |
|--|----------------------|---------------------|-----------------|---------------------------------------|---------------------|
| Major Component Units | | | | | |
| Illinois Housing Development Authority: | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land and land improvements | \$ - | \$ 2,600 | \$ - | \$ - | \$ 2,600 |
| Total capital assets not being depreciated | - | 2,600 | - | - | 2,600 |
| Capital assets being depreciated: | | | | | |
| Buildings and building improvements | 41,225 | 3,889 | - | - | 45,114 |
| Equipment | 189 | 209 | 5 | - | 393 |
| Intangible assets | 1,537 | 58 | - | - | 1,595 |
| Total capital assets being depreciated | 42,951 | 4,156 | 5 | - | 47,102 |
| Less accumulated depreciation for: | | | | | |
| Buildings and building improvements | 14,211 | 873 | - | - | 15,084 |
| Equipment | 156 | 29 | 5 | - | 180 |
| Intangible assets | 1,447 | 43 | - | - | 1,490 |
| Total accumulated depreciation | 15,814 | 945 | 5 | - | 16,754 |
| Total capital assets being depreciated, net | 27,137 | 3,211 | - | - | 30,348 |
| Capital assets, net | \$ 27,137 | \$ 5,811 | \$ - | \$ - | \$ 32,948 |
| Toll Highway Authority: | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land and land improvements | \$ 313,258 | \$ 1,871 | \$ - | \$ - | \$ 315,129 |
| Construction in progress | 74,417 | 114,540 | - | (113,079) | 75,878 |
| Total capital assets not being depreciated | 387,675 | 116,411 | - | (113,079) | 391,007 |
| Capital assets being depreciated: | | | | | |
| Infrastructure | 6,803,141 | 32,919 | 70,997 | 113,079 | 6,878,142 |
| Buildings and building improvements | 47,127 | 4,939 | - | - | 52,066 |
| Equipment | 201,812 | 14,799 | 7,593 | - | 209,018 |
| Total capital assets being depreciated | 7,052,080 | 52,657 | 78,590 | 113,079 | 7,139,226 |
| Less accumulated depreciation for: | | | | | |
| Infrastructure | 2,021,829 | 303,988 | 70,997 | - | 2,254,820 |
| Buildings and building improvements | 34,777 | 2,531 | - | - | 37,308 |
| Equipment | 119,648 | 11,647 | 5,439 | - | 125,856 |
| Total accumulated depreciation | 2,176,254 | 318,166 | 76,436 | - | 2,417,984 |
| Total capital assets being depreciated, net | 4,875,826 | (265,509) | 2,154 | 113,079 | 4,721,242 |
| Capital assets, net | \$ 5,263,501 | \$ (149,098) | \$ 2,154 | \$ - | \$ 5,112,249 |

| Table 7-4 (continued) | | | | | |
|--|------------------------------|-------------------|------------------|--|---------------------------|
| (amounts expressed in thousands) | | | | | |
| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Transfers and Reclassifications</u> | <u>Ending Balance</u> |
| Major Component Units, continued | | | | | |
| Illinois State University: | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land and land improvements | \$ 15,138 | \$ - | \$ - | \$ 331 | \$ 15,469 |
| Intangible assets | 10,112 | - | - | (10,112) | - |
| Construction in progress | 16,588 | 29,878 | - | (1,631) | 44,835 |
| Total capital assets not being depreciated | <u>41,838</u> | <u>29,878</u> | <u>-</u> | <u>(11,412)</u> | <u>60,304</u> |
| Capital assets being depreciated: | | | | | |
| Infrastructure | 12,683 | - | - | - | 12,683 |
| Site improvements | 35,759 | - | - | - | 35,759 |
| Buildings and building improvements | 517,530 | 1,270 | - | 1,300 | 520,100 |
| Equipment | 157,095 | 10,078 | 2,460 | 10,112 | 174,825 |
| Total capital assets being depreciated | <u>723,067</u> | <u>11,348</u> | <u>2,460</u> | <u>11,412</u> | <u>743,367</u> |
| Less accumulated depreciation for: | | | | | |
| Infrastructure | 6,383 | 311 | - | - | 6,694 |
| Site improvements | 11,173 | 1,157 | - | - | 12,330 |
| Buildings and building improvements | 194,383 | 11,144 | - | - | 205,527 |
| Equipment | 122,655 | 9,994 | 2,375 | - | 130,274 |
| Total accumulated depreciation | <u>334,594</u> | <u>22,606</u> | <u>2,375</u> | <u>-</u> | <u>354,825</u> |
| Total capital assets being depreciated, net | <u>388,473</u> | <u>(11,258)</u> | <u>85</u> | <u>11,412</u> | <u>388,542</u> |
| Capital assets, net | <u>\$ 430,311</u> | <u>\$ 18,620</u> | <u>\$ 85</u> | <u>\$ -</u> | <u>\$ 448,846</u> |
| Northern Illinois University: | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land and land improvements | \$ 23,110 | \$ - | \$ - | \$ - | \$ 23,110 |
| Historic treasures and works of art | 332 | - | - | - | 332 |
| Construction in progress | 48,301 | 127,064 | 67 | (33,386) | 141,912 |
| Total capital assets not being depreciated | <u>71,743</u> | <u>127,064</u> | <u>67</u> | <u>(33,386)</u> | <u>165,354</u> |
| Capital assets being depreciated: | | | | | |
| Site improvements | 66,506 | - | - | 3,185 | 69,691 |
| Buildings and building improvements | 473,095 | - | 1 | 30,201 | 503,295 |
| Equipment | 179,925 | 6,205 | 1,877 | 450 | 184,703 |
| Intangible assets | 4,270 | - | - | (450) | 3,820 |
| Total capital assets being depreciated | <u>723,796</u> | <u>6,205</u> | <u>1,878</u> | <u>33,386</u> | <u>761,509</u> |
| Less accumulated depreciation for: | | | | | |
| Site improvements | 37,213 | 2,407 | - | - | 39,620 |
| Buildings and building improvements | 251,150 | 11,397 | - | - | 262,547 |
| Equipment | 156,938 | 7,328 | 1,565 | - | 162,701 |
| Intangible assets | 2,292 | 764 | - | - | 3,056 |
| Total accumulated depreciation | <u>447,593</u> | <u>21,896</u> | <u>1,565</u> | <u>-</u> | <u>467,924</u> |
| Total capital assets being depreciated, net | <u>276,203</u> | <u>(15,691)</u> | <u>313</u> | <u>33,386</u> | <u>293,585</u> |
| Capital assets, net | <u>\$ 347,946</u> | <u>\$ 111,373</u> | <u>\$ 380</u> | <u>\$ -</u> | <u>\$ 458,939</u> |

| Table 7-4 (continued) | | | | | |
|--|------------------------------|-------------------|------------------|--|---------------------------|
| (amounts expressed in thousands) | | | | | |
| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Transfers and Reclassifications</u> | <u>Ending Balance</u> |
| Major Component Units, continued | | | | | |
| Southern Illinois University: | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land and land improvements | \$ 21,860 | \$ 97 | \$ 30 | \$ - | \$ 21,927 |
| Historic treasures and works of art | 10,843 | 638 | - | - | 11,481 |
| Construction in progress | 55,521 | 102,296 | 594 | (13,236) | 143,987 |
| Total capital assets not being depreciated | <u>88,224</u> | <u>103,031</u> | <u>624</u> | <u>(13,236)</u> | <u>177,395</u> |
| Capital assets being depreciated: | | | | | |
| Infrastructure | 8,608 | - | - | - | 8,608 |
| Site improvements | 62,084 | 1,956 | 981 | 1,789 | 64,848 |
| Buildings and building improvements | 999,997 | 2,861 | 7,224 | 8,257 | 1,003,891 |
| Equipment | 333,509 | 14,349 | 5,318 | 3,190 | 345,730 |
| Intangible assets | 7,341 | - | - | - | 7,341 |
| Total capital assets being depreciated | <u>1,411,539</u> | <u>19,166</u> | <u>13,523</u> | <u>13,236</u> | <u>1,430,418</u> |
| Less accumulated depreciation for: | | | | | |
| Infrastructure | 8,608 | - | - | - | 8,608 |
| Site improvements | 37,494 | 2,414 | 981 | - | 38,927 |
| Buildings and building improvements | 451,643 | 26,441 | 6,434 | - | 471,650 |
| Equipment | 278,159 | 17,267 | 4,865 | - | 290,561 |
| Intangible assets | 1,816 | 773 | - | - | 2,589 |
| Total accumulated depreciation | <u>777,720</u> | <u>46,895</u> | <u>12,280</u> | <u>-</u> | <u>812,335</u> |
| Total capital assets being depreciated, net | <u>633,819</u> | <u>(27,729)</u> | <u>1,243</u> | <u>13,236</u> | <u>618,083</u> |
| Capital assets, net | <u>\$ 722,043</u> | <u>\$ 75,302</u> | <u>\$ 1,867</u> | <u>\$ -</u> | <u>\$ 795,478</u> |
| University of Illinois: | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land and land improvements | \$ 134,997 | \$ 1,246 | \$ 20 | \$ - | \$ 136,223 |
| Intangible assets | 130 | - | - | - | 130 |
| Historic treasures and works of art | 20,434 | 1,091 | 205 | - | 21,320 |
| Construction in progress | 122,123 | 202,828 | - | (156,568) | 168,383 |
| Total capital assets not being depreciated | <u>277,684</u> | <u>205,165</u> | <u>225</u> | <u>(156,568)</u> | <u>326,056</u> |
| Capital assets being depreciated: | | | | | |
| Site improvements | 675,611 | - | - | 2,841 | 678,452 |
| Buildings and building improvements | 3,546,366 | 293 | 5,445 | 148,310 | 3,689,524 |
| Equipment | 1,543,164 | 108,675 | 71,456 | 2,127 | 1,582,510 |
| Intangible assets | 165,909 | 1,910 | - | 3,290 | 171,109 |
| Total capital assets being depreciated | <u>5,931,050</u> | <u>110,878</u> | <u>76,901</u> | <u>156,568</u> | <u>6,121,595</u> |
| Less accumulated depreciation for: | | | | | |
| Site improvements | 326,434 | 23,238 | - | - | 349,672 |
| Buildings and building improvements | 1,242,581 | 88,992 | 4,139 | - | 1,327,434 |
| Equipment | 1,204,916 | 85,582 | 63,299 | (143) | 1,227,056 |
| Intangible assets | 125,686 | 16,349 | - | 143 | 142,178 |
| Total accumulated depreciation | <u>2,899,617</u> | <u>214,161</u> | <u>67,438</u> | <u>-</u> | <u>3,046,340</u> |
| Total capital assets being depreciated, net | <u>3,031,433</u> | <u>(103,283)</u> | <u>9,463</u> | <u>156,568</u> | <u>3,075,255</u> |
| Capital assets, net | <u>\$ 3,309,117</u> | <u>\$ 101,882</u> | <u>\$ 9,688</u> | <u>\$ -</u> | <u>\$ 3,401,311</u> |

8 CHANGES IN LONG-TERM OBLIGATIONS

Changes in long-term obligations for governmental activities for the year ended June 30, 2012 are summarized below:

Table 8-1 (amounts expressed in thousands)

| | Balance July 1, 2011, as restated | Additions | Deletions | Balance June 30, 2012 | Amounts Due Within One Year |
|--|---|---------------------|-----------------------|-----------------------------|-----------------------------------|
| Primary Government | | | | | |
| Governmental Activities | | | | | |
| Bonds payable: | | | | | |
| General obligation bonds (note 9) | \$ 28,016,441 | \$ 3,196,212 * | \$ (3,419,673) | \$ 27,792,980 | \$ 1,604,789 [^] |
| Special obligation bonds (note 10) | 2,313,609 | 728,288 ** | (190,145) | 2,851,752 | 221,761 ^{^^} |
| Revenue bonds (note 11) | 1,503,460 | - | (59,375) | 1,444,085 | 63,550 |
| Deferred amount on refundings: | | | | | |
| General obligation bonds (note 9) | (77,404) | (28,589) | 14,855 | (91,138) | 16,052 |
| Special obligation bonds (note 10) | (14,791) | - | 2,903 | (11,888) | 2,698 |
| Unamortized premiums: | | | | | |
| General obligation bonds (note 9) | 319,263 | 233,092 | (110,409) | 441,946 | 58,734 |
| Special obligation bonds (note 10) | 95,779 | 12,965 | (14,081) | 94,663 | 13,559 |
| Revenue bonds (note 11) | 6,386 | - | (377) | 6,009 | - |
| Unamortized (discounts): | | | | | |
| General obligation bonds (note 9) | (1,933) | - | 125 | (1,808) | - |
| Total bonds payable | <u>32,160,810</u> | <u>4,141,968</u> | <u>(3,776,177)</u> | <u>32,526,601</u> | <u>1,981,143</u> |
| Other long-term obligations: | | | | | |
| Capital lease obligations (note 13A) | 6,632 | 2,792 | (1,776) | 7,648 | 1,631 |
| Installment purchases (note 13C) | 8,109 | - | (4,697) | 3,412 | 2,257 |
| Certificates of participation (note 13B) | 66,870 | - | (8,680) | 58,190 | 7,325 |
| Workers compensation (note 19) | 591,295 | 115,785 | (143,200) | 563,880 | 135,426 |
| Auto liability (note 19) | 12,491 | 4,702 | (3,638) | 13,555 | 7,742 |
| Pollution remediation obligation (note 13D) | 36,300 | 1,500 | - | 37,800 | 2,600 |
| Compensated absences (note 1L) | 468,949 | 350,407 | (389,131) | 430,225 | 46,451 |
| Net pension obligation (note 16) | 24,026,161 | 2,157,524 | - | 26,183,685 | - |
| Net other postemployment benefits obligation (note 17) | 5,614,025 | 1,686,054 | - | 7,300,079 | - |
| Other obligations (note 13G) | 41 | 237 | (41) | 237 | 237 |
| Total other long-term obligations | <u>30,830,873</u> | <u>4,319,001</u> | <u>(551,163)</u> | <u>34,598,711</u> | <u>203,669</u> |
| Total Governmental Activities | <u>\$ 62,991,683</u> | <u>\$ 8,460,969</u> | <u>\$ (4,327,340)</u> | <u>\$ 67,125,312</u> | <u>\$ 2,184,812</u> |

* Includes \$23,472 of interest accreted on capital appreciation debt.
** Includes \$3,248 of interest accreted on capital appreciation debt.
[^] \$591 of interest will be accreted on capital appreciation debt in the next year.
^{^^} \$714 of interest will be accreted on capital appreciation debt in the next year.

The liabilities for governmental activities of the primary government have been liquidated in prior years as follows:

Compensated absences, certificates of participation, and capital lease obligations (including installment purchases) – by the applicable governmental and internal service funds that accounted for the salaries and wages of the related employees or incurred the obligation.

Workers compensation – by charges from the Workers' Compensation Revolving Fund, an internal service fund, to the applicable fund that would have paid the salaries and wages of the related employees.

Net pension obligation – by the applicable funds that accounted for the salaries and wages of the related employees who are members of the General Assembly Retirement System, the Judges' Retirement System or the State Employees' Retirement System. In addition, appropriations from

the General Fund have been used to liquidate amounts for employees who are members of the Teachers' Retirement System or the State Universities Retirement System.

Net other postemployment benefit obligation – by the applicable funds that accounted for the salaries and wages of the related employees who are members of the State's group insurance programs. In addition, appropriations from the General Fund are used to liquidate amounts for employees of the State's university component units.

Other – by the applicable governmental funds that incurred the obligation as discussed in Note 13.

Changes in long-term obligations for business-type activities for the year ended June 30, 2012 are summarized below:

Table 8-2 (amounts expressed in thousands)

| | Balance July 1, 2011, as restated | Additions | Deletions | Balance June 30, 2012 | Amounts Due Within One Year |
|--|---|-------------------|---------------------|-----------------------------|-----------------------------------|
| Primary Government | | | | | |
| Business-type Activities | | | | | |
| <i>Water Revolving Fund:</i> | | | | | |
| Other long-term obligations: | | | | | |
| Capital lease obligations (note 13A) | \$ 4 | \$ - | \$ (4) | \$ - | \$ - |
| Compensated absences (note 1L) | 1,404 | 767 | (581) | 1,590 | 101 |
| Total Water Revolving Fund | <u>1,408</u> | <u>767</u> | <u>(585)</u> | <u>1,590</u> | <u>101</u> |
| <i>Prepaid Tuition Fund:</i> | | | | | |
| Tuition and related accretion payable (note 13F) | 1,392,329 | 334,903 | (132,575) | 1,594,657 | 145,583 |
| Compensated absences (note 1L) | 91 | 67 | (93) | 65 | 16 |
| Total Prepaid Tuition Fund | <u>1,392,420</u> | <u>334,970</u> | <u>(132,668)</u> | <u>1,594,722</u> | <u>145,599</u> |
| <i>Nonmajor Enterprise Funds:</i> | | | | | |
| Bonds payable: | | | | | |
| Revenue bonds (note 11) | 644,645 | - | (109,497) | 535,148 | - |
| Deferred amount on refundings (note 11) | 67,007 | - | (4,418) | 62,589 | 4,418 |
| Unamortized (discounts) (note 11) | (7,368) | - | 335 | (7,033) | (265) |
| Total bonds payable | <u>704,284</u> | <u>-</u> | <u>(113,580)</u> | <u>590,704</u> | <u>4,153</u> |
| Other long-term obligations: | | | | | |
| Lottery prize awards (note 13E) | 332,304 | 19,810 | (51,395) | 300,719 | 57,110 |
| Compensated absences (note 1L) | 6,756 | 3,195 | (3,882) | 6,069 | 472 |
| Other obligations (note 13G) | 8,993 | 3,807 | (4,382) | 8,418 | 1,531 |
| Total Nonmajor Enterprise Funds | <u>1,052,337</u> | <u>26,812</u> | <u>(173,239)</u> | <u>905,910</u> | <u>63,266</u> |
| Total Business-type Activities | <u>\$ 2,446,165</u> | <u>\$ 362,549</u> | <u>\$ (306,492)</u> | <u>\$ 2,502,222</u> | <u>\$ 208,966</u> |

Changes in long-term obligations for fiduciary funds for the year ended June 30, 2012 are summarized below:

Table 8-3 (amounts expressed in thousands)

| | Balance July 1, 2011 | Additions | Deletions | Balance June 30, 2012 | Amounts Due Within One Year |
|--------------------------------------|----------------------------|-----------------|-------------------|-----------------------------|-----------------------------------|
| Fiduciary Funds | | | | | |
| Capital lease obligations (note 13A) | \$ 27 | \$ - | \$ (12) | \$ 15 | \$ 13 |
| Compensated absences (note 1L) | 3,887 | 1,937 | (1,764) | 4,060 | 59 |
| Total Fiduciary Funds | <u>\$ 3,914</u> | <u>\$ 1,937</u> | <u>\$ (1,776)</u> | <u>\$ 4,075</u> | <u>\$ 72</u> |

Changes in long-term obligations for component units for the year ended June 30, 2012 are summarized below:

Table 8-4 (amounts expressed in thousands)

| | Balance July 1, 2011, as restated | Additions | Deletions | Balance June 30, 2012 | Amounts Due Within One Year |
|---|---|-------------------|---------------------|-----------------------------|-----------------------------------|
| Major Component Units | | | | | |
| Illinois Housing Development Authority: | | | | | |
| Bonds and notes payable: | | | | | |
| Revenue bonds (note 11) | \$ 1,550,268 | \$ 189,190 | \$ (267,187) | \$ 1,472,271 | \$ 238,213 |
| Notes payable (note 12) | 7,900 | 27,670 | (7,900) | 27,670 | 5,000 |
| Deferred amount on refundings (note 11) | (5,647) | - | 1,202 | (4,445) | (1,223) |
| Unamortized premiums (note 11) | 1,210 | 1,144 | (220) | 2,134 | 252 |
| Unamortized (discounts) (note 11) | (132) | (975) | 14 | (1,093) | (23) |
| Total bonds and notes payable | <u>1,553,599</u> | <u>217,029</u> | <u>(274,091)</u> | <u>1,496,537</u> | <u>242,219</u> |
| Other long-term obligations: | | | | | |
| Compensated absences (note 1L) | 546 | 1,573 | (1,426) | 693 | 693 |
| Other obligations (note 13G) | 14,885 | - | - | 14,885 | - |
| Total other long-term obligations | <u>15,431</u> | <u>1,573</u> | <u>(1,426)</u> | <u>15,578</u> | <u>693</u> |
| Total Illinois Housing Development Authority | <u>\$ 1,569,030</u> | <u>\$ 218,602</u> | <u>\$ (275,517)</u> | <u>\$ 1,512,115</u> | <u>\$ 242,912</u> |
| Illinois State Toll Highway Authority: | | | | | |
| Bonds payable: | | | | | |
| Revenue bonds (note 11) | \$ 4,066,675 | \$ - | \$ (49,910) | \$ 4,016,765 | \$ 176,140 |
| Deferred amount on refundings (note 11) | (58,351) | - | 4,458 | (53,893) | (4,458) |
| Unamortized premiums (note 11) | 66,925 | - | (5,497) | 61,428 | 5,009 |
| Unamortized (discounts) (note 11) | (8,322) | - | 378 | (7,944) | (378) |
| Total bonds payable | <u>4,066,927</u> | <u>-</u> | <u>(50,571)</u> | <u>4,016,356</u> | <u>176,313</u> |
| Other long-term obligations: | | | | | |
| Accrued self-insurance (note 19) | 15,066 | 3,572 | (5,260) | 13,378 | 13,378 |
| Compensated absences (note 1L) | 9,683 | 5,043 | (4,745) | 9,981 | 4,691 |
| Other obligations (note 13G) | 249 | - | (31) | 218 | 218 |
| Total other long-term obligations | <u>24,998</u> | <u>8,615</u> | <u>(10,036)</u> | <u>23,577</u> | <u>18,287</u> |
| Total Illinois State Toll Highway Authority | <u>\$ 4,091,925</u> | <u>\$ 8,615</u> | <u>\$ (60,607)</u> | <u>\$ 4,039,933</u> | <u>\$ 194,600</u> |
| Illinois State University: | | | | | |
| Bonds payable: | | | | | |
| Revenue bonds (note 11) | \$ 98,437 | \$ 21,940 | \$ (6,190) | \$ 114,187 | \$ 6,330 |
| Unamortized premiums (note 11) | 172 | 550 | (56) | 666 | 84 |
| Unamortized (discounts) (note 11) | (776) | - | 50 | (726) | (47) |
| Total bonds payable | <u>97,833</u> | <u>22,490</u> | <u>(6,196)</u> | <u>114,127</u> | <u>6,367</u> |
| Other long-term obligations: | | | | | |
| Capital lease obligations (note 13A) | - | 2,410 | (457) | 1,953 | 469 |
| Certificates of participation (note 13B) | 35,550 | - | (1,200) | 34,350 | 1,515 |
| Unamortized premiums (note 13B) | 61 | - | (3) | 58 | 3 |
| Unamortized (discounts) (note 13B) | (79) | - | 5 | (74) | (5) |
| Installment purchase obligations (note 13C) | 3,122 | - | (69) | 3,053 | 74 |
| Compensated absences (note 1L) | 17,057 | 1,896 | (1,691) | 17,262 | 1,728 |
| Other obligations (note 13G) | 217 | 21 | (13) | 225 | 22 |
| Total other long-term obligations | <u>55,928</u> | <u>4,327</u> | <u>(3,428)</u> | <u>56,827</u> | <u>3,806</u> |
| Total Illinois State University | <u>\$ 153,761</u> | <u>\$ 26,817</u> | <u>\$ (9,624)</u> | <u>\$ 170,954</u> | <u>\$ 10,173</u> |

Table 8-4 (continued)
(amounts expressed in thousands)

| | Balance July 1, 2011, as restated | Additions | Deletions | Balance June 30, 2012 | Amounts Due Within One Year |
|---|---|--------------------------|----------------------------|-----------------------------|-----------------------------------|
| Major Component Units, continued | | | | | |
| Northern Illinois University: | | | | | |
| Bonds payable: | | | | | |
| Revenue bonds (note 11) | \$ 209,620 | \$ 965 | \$ (6,930) | \$ 203,655 | \$ 6,178 [^] |
| Deferred amount on refundings (note 11) | (1,195) | - | 66 | (1,129) | (66) |
| Total bonds payable | <u>208,425</u> | <u>965</u> | <u>(6,864)</u> | <u>202,526</u> | <u>6,112</u> |
| Other long-term obligations: | | | | | |
| Capital lease obligations (note 13A) | 20,462 | 113,155 | (285) | 133,332 | 296 |
| Certificates of participation (note 13B) | 3,755 | - | (435) | 3,320 | 465 |
| Compensated absences (note 1L) | 20,942 | 1,119 | (3,415) | 18,646 | 3,415 |
| Other obligations (note 13G) | 34,866 | 19,112 | (20,498) | 33,480 | 2,455 |
| Total other long-term obligations | <u>80,025</u> | <u>133,386</u> | <u>(24,633)</u> | <u>188,778</u> | <u>6,631</u> |
| Total Northern Illinois University | <u>\$ 288,450</u> | <u>\$ 134,351</u> | <u>\$ (31,497)</u> | <u>\$ 391,304</u> | <u>\$ 12,743</u> |
| Southern Illinois University: | | | | | |
| Bonds payable: | | | | | |
| Revenue bonds (note 11) | \$ 281,279 | \$ 34,136 | \$ (19,790) | \$ 295,625 | \$ 17,299 ^{^^} |
| Deferred amount on refundings (note 11) | (1,360) | (9) | 176 | (1,193) | (121) |
| Unamortized premiums (note 11) | 5,569 | 274 | (434) | 5,409 | 302 |
| Total bonds payable | <u>285,488</u> | <u>34,401</u> | <u>(20,048)</u> | <u>299,841</u> | <u>17,480</u> |
| Other long-term obligations: | | | | | |
| Capital lease obligations (note 13A) | 210 | 1,485 | (438) | 1,257 | 293 |
| Certificates of participation (note 13B) | 20,045 | - | (2,105) | 17,940 | 2,190 |
| Unamortized (discounts) (note 13B) | (58) | - | 4 | (54) | (5) |
| Accrued self-insurance (note 19) | 18,430 | 13,665 | (9,834) | 22,261 | 14,433 |
| Compensated absences (note 1L) | 49,602 | 5,014 | (7,049) | 47,567 | 4,956 |
| Other obligations (note 13G) | 4,288 | 79 | (451) | 3,916 | 501 |
| Total other long-term obligations | <u>92,517</u> | <u>20,243</u> | <u>(19,873)</u> | <u>92,887</u> | <u>22,368</u> |
| Total Southern Illinois University | <u>\$ 378,005</u> | <u>\$ 54,644</u> | <u>\$ (39,921)</u> | <u>\$ 392,728</u> | <u>\$ 39,848</u> |
| University of Illinois: | | | | | |
| Bonds payable: | | | | | |
| Revenue bonds (note 11) | \$ 1,080,361 | \$ 174,221 | \$ (134,150) | \$ 1,120,432 | \$ 41,251 ^{^^^} |
| Deferred amount on refundings (note 11) | (21,779) | (406) | 1,724 | (20,461) | (1,791) |
| Unamortized premiums (note 11) | 34,185 | 2,202 | (1,568) | 34,819 | 1,606 |
| Total bonds payable | <u>1,092,767</u> | <u>176,017</u> | <u>(133,994)</u> | <u>1,134,790</u> | <u>41,066</u> |
| Other long-term obligations: | | | | | |
| Capital lease obligations (note 13A) | 7,474 | 4,913 | (4,868) | 7,519 | 3,180 |
| Certificates of participation (note 13B) | 459,150 | - | (19,355) | 439,795 | 143,855 |
| Deferred amount on refundings (note 13B) | (6,630) | - | 651 | (5,979) | (5,872) |
| Unamortized premiums (note 13B) | 11,754 | - | (1,441) | 10,313 | 1,403 |
| Accrued self-insurance (note 19) | 244,494 | 60,338 | (59,122) | 245,710 | 60,933 |
| Compensated absences (note 1L) | 203,070 | 23,029 | (23,645) | 202,454 | 24,020 |
| Other obligations (note 13G) | 76,812 | 6,869 | (11,613) | 72,068 | 8,594 |
| Total other long-term obligations | <u>996,124</u> | <u>95,149</u> | <u>(119,393)</u> | <u>971,880</u> | <u>236,113</u> |
| Total University of Illinois | <u>\$ 2,088,891</u> | <u>\$ 271,166</u> | <u>\$ (253,387)</u> | <u>\$ 2,106,670</u> | <u>\$ 277,179</u> |

[^] \$117 of interest will be accreted on capital appreciation debt in the next year.^{^^} \$321 of interest will be accreted on capital appreciation debt in the next year.^{^^^} \$849 of interest will be accreted on capital appreciation debt in the next year.

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9 GENERAL OBLIGATION BONDS

General obligation bonds outstanding and bonds authorized but unissued at June 30, 2012 are as follows:

Table 9-1 (amounts expressed in thousands)

| Governmental Activities | | Original Issue Amount | Final Maturity | Interest Rate Ranges | Anti-Pollution | Capital Development | Coal Development | Pension |
|---------------------------------|--------|-----------------------|----------------|----------------------|-------------------|---------------------|-------------------|----------------------|
| Multiple Purpose Series: | | | | | | | | |
| September | 1991 | 209,793 | 8/1/2012 | Accreted* | 189 | 12,448 | 344 | - |
| October | 1992 | 249,991 | 8/1/2013 | Accreted* | 629 | 30,544 | 499 | - |
| October | 1993 | 169,399 | 8/1/2015 | Accreted* | 3,475 | 13,683 | 205 | - |
| October | 1994 | 209,816 | 8/1/2016 | Accreted* | 5,237 | 41,859 | 1,521 | - |
| November | 1997 | 168,330 | 8/1/2019 | Accreted* | - | 92,376 | - | - |
| November | 1998 | 122,334 | 8/1/2020 | Accreted* | - | 42,365 | - | - |
| October | 2000 | 101,855 | 8/1/2022 | Accreted* | - | 23,456 | - | - |
| April | 2001 | 112,810 | 4/1/2016 | 5.375% | - | - | - | - |
| May | 2001 | 300,000 | 5/1/2026 | 5.5% | - | 24,167 | 500 | - |
| August | 2001 | 375,000 | 8/1/2026 | 5.5% | 1,705 | 18,759 | 853 | - |
| November | 2001 | 375,000 | 11/1/2026 | 6.0% | 1,413 | 16,847 | - | - |
| December | 2001 | 318,775 | 10/1/2014 | 5.375% | - | - | - | - |
| April | 2002 | 79,695 | 4/1/2013 | 5.5% | - | - | - | - |
| August | 2002 | 564,900 | 8/1/2019 | 5.5% | - | - | - | - |
| October | 2002 | 395,000 | 10/1/2027 | 4.75% to 5.125% | - | 16,203 | - | - |
| October | 2002 | 62,079 | 8/1/2024 | Accreted* | 2,568 | 7,744 | 1,027 | - |
| December | 2002 | 400,000 | 12/1/2027 | 5.25% | 248 | 9,225 | 112 | - |
| June | 2003 | 460,000 | 6/1/2028 | 4.25% to 5.0% | 3,720 | 38,435 | - | - |
| June | 2003 | 10,000,000 | 6/1/2033 | 3.85% to 5.1% | - | - | - | 9,700,000 |
| A-October | 2003 | 363,000 | 10/1/2020 | 5.0% to 5.25% | 1,939 | 10,157 | - | - |
| B-October | 2003 | 40,170 | 10/1/2021 | Variable** | - | - | - | - |
| B-October | 2003 | 559,830 | 10/1/2033 | Variable** | 18,990 | 104,965 | - | - |
| A-March | 2004 | 484,400 | 3/1/2034 | 5.0% | 10,423 | 101,399 | - | - |
| B-March | 2004 | 344,775 | 3/1/2014 | 5.0% | - | - | - | - |
| September | 2004 | 285,000 | 9/1/2029 | 4.5% to 5.0% | - | 25,584 | - | - |
| November | 2004 | 275,000 | 11/1/2029 | 5.0% | 3,400 | 79,985 | - | - |
| April | 2005 | 315,000 | 4/1/2030 | 5.0% | - | 61,200 | - | - |
| September | 2005 | 300,000 | 9/1/2030 | 4.0% to 5.0% | - | 71,559 | - | - |
| January | 2006 | 325,000 | 1/1/2031 | 5.0% to 5.5% | - | 89,680 | 2,280 | - |
| June | 2006 | 274,950 | 1/1/2021 | 5.0% | - | - | - | - |
| A-June | 2006 | 285,000 | 6/1/2031 | 5.0% | - | 142,120 | 2,870 | - |
| April | 2007 | 150,000 | 4/1/2032 | 4.5% to 5.0% | - | 76,000 | - | - |
| A-June | 2007 | 108,000 | 6/1/2025 | 5.0% to 5.5% | - | 30,707 | - | - |
| B-June | 2007 | 329,000 | 1/1/2021 | 5.0% to 5.25% | - | - | - | - |
| April | 2008 | 125,000 | 4/1/2033 | 4.0% to 5.0% | - | 84,000 | - | - |
| April | 2009 | 150,000 | 4/1/2034 | 3.0% to 5.25% | - | 58,696 | 4,400 | - |
| A-September | 2009 | 400,000 | 9/1/2034 | 3.5% to 5.0% | 2,078 | 22,859 | 16,625 | - |
| January | 2010 | 3,466,000 | 1/1/2015 | 3.321% to 4.421% | - | - | - | 2,079,600 |
| B.A.B.^ | 2010-1 | 1,000,000 | 2/1/2035 | 2.926% to 6.63% | - | 342,884 | - | - |
| February | 2010 | 1,501,300 | 1/1/2025 | 3.0% to 5.0% | - | - | - | - |
| B.A.B.^ | 2010-2 | 300,000 | 3/1/2035 | 3.0% to 6.9% | - | - | - | - |
| March | 2010 | 56,000 | 3/1/2035 | 3.0% to 6.9% | - | - | - | - |
| B.A.B.^ | 2010-3 | 700,000 | 4/1/2035 | 3.088% to 6.725% | - | - | - | - |
| February | 2011 | 3,700,000 | 3/1/2019 | 4.026% to 5.877% | - | - | - | 3,700,000 |
| B.A.B.^ | 2010-4 | 300,000 | 7/1/2035 | 2.5% to 7.1% | 9,120 | - | - | - |
| B.A.B.^ | 2010-5 | 900,000 | 7/1/2035 | 3.08% to 7.35% | 27,360 | - | - | - |
| A-January | 2012 | 525,000 | 1/1/2037 | 3.0% to 5.0% | - | 98,500 | 1,500 | - |
| B-January | 2012 | 275,000 | 1/1/2037 | 0.75% to 5.75% | 50,000 | 4,000 | 21,000 | - |
| March | 2012 | 575,000 | 3/1/2037 | 4.0% to 5.0% | - | 100,000 | - | - |
| May | 2012 | 1,797,740 | 8/1/2025 | 1.6% to 5.0% | - | - | - | - |
| Total | | \$ 34,884,942 | | | \$ 142,494 | \$ 1,892,406 | \$ 53,736 | \$ 15,479,600 |
| Authorized but Unissued | | | | | \$ 112,054 | \$ 1,734,274 | \$ 564,394 | \$ 396,348 |

^ Bonds issued under the American Recovery and Reinvestment Act of 2009 commonly referred to as "Build America Bonds." (B.A.B.)
 * Accreted bonds are shown at their accreted values as of 6/30/12. Imputed interest rates on these capital appreciation bonds range from 3.85% to 6.65%.
 ** See Note 14--Derivatives for details on the variable rate bonds.

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General obligation bonds have been authorized and issued primarily to provide funds for acquisition and construction of capital facilities for higher education, public and mental health, correction, and conservation purposes and for maintenance and construction of highway and waterway facilities. Bonds have been issued to provide assistance to municipalities for construction of sewage treatment facilities, port districts, aquarium facilities, local schools, mass transportation and aviation purposes, and to fund research and development of coal as an energy source. Bonds have been issued for the purpose of making contributions to the following designated retirement systems: State Employees' Retirement System of Illinois; Teachers' Retirement System of the State of Illinois; State Universities Retirement System; Judges' Retirement System of Illinois; and General Assembly Retirement System. In addition, bonds have been authorized to refund any general obligation bonds outstanding.

The State Constitution provides that the State may issue general obligation bonds for specific purposes in such amounts as provided either by the General Assembly with a three-fifths vote of each house or by a majority of voters in a general election. The enabling acts pursuant to which the bonds are issued provide that all bonds issued thereunder shall be direct obligations of the State of Illinois and pledge the full faith and credit of the State. Effective July 30, 2004, general obligation bonds are to be redeemed over a period not to exceed 25 years from available resources in the debt service funds. Previously, bonds have been issued which mature in varying amounts over periods not exceeding 30 years. Bond offerings generally provide a call option for the State. Calls can begin 10 years following the date of issuance, in whole or in part, in such order as the State shall determine and at a redemption price not to exceed par value.

Bond issues 2010-1, 2010-2, 2010-3, 2010-4 and 2010-5 were issued as "Build America Bonds" for purposes of the American Recovery and Reinvestment Act of 2009 signed into law on February 17, 2009 (the "ARRA"). The State has authorized the issuance of Build America Bonds pursuant to Public Act 96-828. Pursuant to the ARRA, the State expects to receive a cash subsidy payment from the United States Treasury on or about each interest payment date (the "Subsidy Payments"). The Subsidy Payments do not constitute the full faith and credit guarantee of the United States Government, but is required to be paid by the United States Treasury under the ARRA. Any cash subsidy payments received by the State will be deposited into the State Treasury. Such payments are not pledged to secure repayment of the Bonds. The holders of the Bonds are not entitled to a tax credit as a result of the ownership of the Bonds.

Changes in general obligation bonds during the year ended June 30, 2012, are summarized in Note 8. Future general obligation debt service requirements at June 30, 2012 are as follows:

| Year Ending June 30, 2012 | Governmental Activities | | |
|-------------------------------|-------------------------|---------------|---------------|
| | Principal | Interest | Total |
| 2013 | \$ 1,605,380 | \$ 1,363,342 | \$ 2,968,722 |
| 2014 | 1,687,053 | 1,332,128 | 3,019,181 |
| 2015 | 1,884,626 | 1,264,765 | 3,149,391 |
| 2016 | 1,480,751 | 1,182,821 | 2,663,572 |
| 2017 | 1,771,944 | 1,113,501 | 2,885,445 |
| 2018-2022 | 6,220,133 | 4,342,950 | 10,563,083 |
| 2023-2027 | 5,078,755 | 2,978,378 | 8,057,133 |
| 2028-2032 | 6,128,400 | 1,537,670 | 7,666,070 |
| 2033-2037 | 2,002,140 | 172,637 | 2,174,777 |
| | 27,859,182 | \$ 15,288,192 | \$ 43,147,374 |
| Less: Unaccrued appreciation | (66,202) | | |
| | 27,792,980 | | |
| Deferred amount on refundings | (91,138) | | |
| Unamortized premiums | 441,946 | | |
| Unamortized (discounts) | (1,808) | | |
| Total | \$ 28,141,980 | | |

The State has issued \$600 million in variable rate general obligation bonds. Information regarding the June 30, 2012 valuations and risks associated with these bonds are included in Note 14—Derivatives.

10 SPECIAL OBLIGATION BONDS

Special obligation bonds have been authorized and issued to provide funds for the Build Illinois Program and the State's Metropolitan Civic Center Support Program, and to refund any bonds previously issued under these programs.

The Build Illinois Program was implemented to expand the State's efforts in economic development by providing financing in certain areas. These areas include construction, reconstruction, modernization and extension of the State's infrastructure; development and improvement of educational, scientific, technical and vocational programs and facilities; expansion of health and human services in the State; protection, preservation, restoration and conservation of the State's environmental and natural resources; and provision of incentives for the location and expansion of businesses in Illinois resulting in increased employment.

The State has pledged the following portions of the State's tax revenues, net of related expenses, to annually repay the debt service requirements of the remaining principal and interest at June 30, 2012 of \$3.9 billion in special obligation bonds related to the Build Illinois Program:

Table 10-1 (amounts expressed in thousands)

| | Annual Revenue Amount | Total Revenue for Source |
|---|-----------------------------|--------------------------------|
| 4.44% of general sales tax revenues plus \$37.8 million | \$ 460,133 | \$ 9,794,571 |
| 50% of hotel operators tax | 103,189 | 206,438 |
| \$5 million of vehicle use tax | 5,000 | 33,773 |
| Total | <u>\$ 568,322</u> | <u>\$ 10,034,782</u> |
| Principal and interest requirements | \$ 299,531 | |
| Percentage to principal and interest requirements | <u>190%</u> | |

The annual revenue amounts are generally consistent year to year with increases or decreases related to economic conditions in the State. Additional issuances of bonds for the Build Illinois Program cannot be undertaken if the debt service exceeds 5% of the State’s total sales tax revenues.

The State’s Metropolitan Civic Center Support Program was implemented to provide funding for single or multi-purpose projects. The primary function of which is to provide public entertainment, exhibitions or conventions, or to provide parking facilities related thereto. Also, a portion (not to exceed \$10 million) is authorized for the purpose of making construction and improvement grants by the Secretary of State, as State Librarian, to public libraries and library systems.

The State originally pledged a portion of the State’s horse racing privilege tax to repay the principal and interest at June 30, 2012 of \$119 million in special obligation bonds related to the State’s Metropolitan Civic Center Support Program. Upon the abolishment of the horse racing privilege tax, the State annually uses amounts from the General Revenue Account, a sub-account of the General Fund, to pay the debt service of the special obligation bonds related to the State’s Metropolitan Civic Center Support Program.

Effective July 30, 2004, special obligation bonds are to be redeemed over a period not to exceed 25 years. Previously, bonds have been issued which mature in varying amounts over periods not exceeding 30 years. Additionally, these bonds have call provisions providing for early redemption at the option of the State, beginning 10 years following the date of issuance, in whole or in part, in such order as the State shall determine and within any maturity by lot at varying premiums which decrease periodically.

Special obligation bonds outstanding and bonds authorized but unissued for governmental activities at June 30, 2012, are as follows:

| Table 10-2 (amounts expressed in thousands) | | | | | | |
|--|-----------------------------|-------------------|-------------------------|--------------------------|-------------------------|-------------------|
| Governmental Activities | | | | | | |
| | Original Issue Amount | Final Maturity | Interest Rate Ranges | Build Illinois | | |
| | | | | Public Infrastructure | Business Development | Education |
| Series 1990-B | \$ 4,601 | 12/15/2019 | Accreted* | \$ - | \$ - | \$ - |
| Series L | 52,001 | 6/15/2015 | Accreted* | 27,188 | 1,287 | 3,183 |
| Series 1991 | 74,895 | 12/15/2020 | 6.25% | - | - | - |
| Series O | 22,711 | 6/15/2013 | Accreted* | - | - | - |
| Series P | 100,000 | 6/15/2022 | 6.5% | 41,448 | - | 12,008 |
| Series 1998 | 37,590 | 12/15/2015 | 5.0% | - | - | - |
| Series 2000 | 50,280 | 12/15/2015 | 5.375% to 5.5% | - | - | - |
| Series of March 2001 | 125,165 | 6/15/2016 | 5.5% | - | - | - |
| Series of September 2001 | 110,450 | 6/15/2020 | 4.5% to 5.375% | - | - | - |
| Series of April 2002 | 150,000 | 6/15/2027 | 6.0% | 44,334 | 7,000 | 16,333 |
| Series of May 2002 | 50,310 | 6/15/2014 | 5.5% | - | - | - |
| Second Series of May 2002 | 94,815 | 6/15/2020 | 5.5% to 5.75% | - | - | - |
| Series of November 2002 | 182,225 | 6/15/2022 | 5.0% to 5.25% | 63,854 | 7,244 | 14,487 |
| Series of December 2002 | 54,350 | 6/15/2018 | 5.25% | - | - | - |
| Series of March 2003 | 75,775 | 6/15/2015 | 5.25% | - | - | - |
| Series of July 2003 | 150,000 | 6/15/2028 | 4.5% to 5.25% | 33,438 | 6,688 | 10,031 |
| Series of March 2004 | 200,000 | 6/15/2028 | 5.0% | 82,982 | 13,103 | 69,880 |
| Series of February 2005 | 75,000 | 6/15/2029 | 4.0% to 5.0% | 19,258 | 21,250 | 11,953 |
| Series of June 2005 | 125,000 | 6/15/2030 | 5.0% to 5.25% | 78,480 | - | 11,520 |
| Series of March 2006 | 65,000 | 6/15/2026 | 4.375% to 5.0% | 25,200 | 2,800 | 12,600 |
| Series of June 2006 | 150,000 | 6/15/2031 | 4.5% to 5.0% | 79,800 | - | 34,200 |
| Series of July 2007 | 50,000 | 6/15/2027 | 4.5% to 5.0% | 22,125 | - | 7,875 |
| Series of December 2009-A | 154,920 | 6/15/2034 | 3.5% to 5.0% | 95,260 | - | 45,375 |
| Series of December 2009-B | 375,000 | 6/15/2034 | 2.5% to 5.25% | 235,586 | - | 100,832 |
| Series of June 2010 | 455,080 | 6/15/2021 | 3.0% to 5.0% | - | - | - |
| Series of October 2011 | 300,000 | 6/15/2036 | 3.0% to 5.0% | 121,150 | 1,520 | 177,330 |
| Series of May 2012 | 425,040 | 6/15/2036 | 0.44% to 4.080% | 72,722 | 88,017 | 217,021 |
| Total | \$ 3,710,208 | | | \$ 1,042,825 | \$ 148,909 | \$ 744,628 |
| Authorized but Unissued | | | | \$ 356,538 | \$ 258,662 | \$ 428,819 |
| * Accreted bonds are shown at their accreted values as of 6/30/12. Imputed interest rates on these capital appreciation bonds range from 7.0% to 7.5%. | | | | | | |

Table 10-2 (amounts expressed in thousands)
(continued)

| Environment | Refunding | Civic Centers | | | Principal Outstanding June 30, 2012 | Amount Related to Capital Assets |
|------------------|-------------------|-------------------|-------------------------------|------------------|--|-------------------------------------|
| | | Civic Centers | Libraries | Refunding | | |
| \$ - | \$ - | \$ 23,061 | \$ - | \$ - | \$ 23,061 | \$ - |
| 172 | - | - | - | - | 31,830 | 4,615 |
| - | - | 33,255 | 5,125 | - | 38,380 | - |
| - | 10,471 | - | - | - | 10,471 | 847 |
| 994 | - | - | - | - | 54,450 | 17,601 |
| - | - | - | - | 10,390 | 10,390 | - |
| - | - | - | - | 19,405 | 19,405 | - |
| - | 40,535 | - | - | - | 40,535 | 10,405 |
| - | 56,390 | - | - | - | 56,390 | 1,534 |
| 2,333 | - | - | - | - | 70,000 | 4,195 |
| - | 50,310 | - | - | - | 50,310 | 18,617 |
| - | 94,815 | - | - | - | 94,815 | 35,085 |
| 2,415 | - | - | - | - | 88,000 | 5,713 |
| - | 37,915 | - | - | - | 37,915 | 5,638 |
| - | 47,230 | - | - | - | 47,230 | 12,362 |
| 5,573 | - | - | - | - | 55,730 | 3,498 |
| 8,735 | - | - | - | - | 174,700 | 12,107 |
| 664 | - | - | - | - | 53,125 | 8,957 |
| - | - | - | - | - | 90,000 | 52,384 |
| 4,900 | - | - | - | - | 45,500 | 16,474 |
| - | - | - | - | - | 114,000 | 42,149 |
| 7,500 | - | - | - | - | 37,500 | 3,253 |
| 1,375 | - | - | - | - | 142,010 | - |
| 7,332 | - | - | - | - | 343,750 | 1,402 |
| - | 397,215 | - | - | - | 397,215 | 37,231 |
| - | - | - | - | - | 300,000 | 435 |
| 47,280 | - | - | - | - | 425,040 | 3 |
| <u>\$ 89,273</u> | <u>\$ 734,881</u> | <u>\$ 56,316</u> | <u>\$ 5,125</u> | <u>\$ 29,795</u> | 2,851,752 | 294,505 |
| <u>\$ 20,783</u> | <u>Unlimited</u> | <u>\$ 152,144</u> | <u>\$ 4,875</u> | <u>Unlimited</u> | | |
| | | | Deferred amount on refundings | | (11,888) | (1,016) |
| | | | Unamortized premiums | | 94,663 | 9,958 |
| | | | Total | | <u>\$ 2,934,527</u> | <u>\$ 303,447</u> |

Changes in special obligation bonds during the year ended June 30, 2012, are summarized in Note 8. Future special obligation debt service requirements at June 30, 2012, are as follows:

Table 10-3 (amounts expressed in thousands)

| Year Ending June 30 | Governmental Activities | | |
|-------------------------------|-------------------------|---------------------|---------------------|
| | Principal | Interest | Total |
| 2013 | \$ 222,475 | \$ 133,206 | \$ 355,681 |
| 2014 | 222,750 | 122,496 | 345,246 |
| 2015 | 222,270 | 111,954 | 334,224 |
| 2016 | 216,310 | 101,211 | 317,521 |
| 2017 | 202,341 | 91,433 | 293,774 |
| 2018-2022 | 767,504 | 334,966 | 1,102,470 |
| 2023-2027 | 518,460 | 187,545 | 706,005 |
| 2028-2032 | 327,735 | 80,158 | 407,893 |
| 2033-2037 | 165,000 | 16,294 | 181,294 |
| | <u>2,864,845</u> | <u>\$ 1,179,263</u> | <u>\$ 4,044,108</u> |
| Less: Unaccreted appreciation | (13,093) | | |
| | <u>2,851,752</u> | | |
| Deferred amount on refundings | (11,888) | | |
| Unamortized premiums | 94,663 | | |
| Total | <u>\$ 2,934,527</u> | | |

11 REVENUE BONDS

The State Constitution empowers certain State agencies and authorities to issue bonds that are not supported by the full faith and credit of the State. The bond indentures include a pledge from these agencies and authorities that income derived from acquired or constructed assets be used to retire the debt and service related interest. Bonds outstanding at June 30, 2012 (except for the Illinois State Toll Highway Authority, which is as of December 31, 2011), net of unamortized discounts, unamortized deferred amount on bond refunding, and unamortized bond premiums are as follows:

Table 11-1 (amounts expressed in thousands)

| Fund Type/Agency | Amount Outstanding | Outstanding Interest Rates | Annual Maturity To |
|---|--------------------|----------------------------|--------------------|
| Primary Government | | | |
| Governmental Activities | | | |
| Blended component unit: | | | |
| Railsplitter Tobacco Settlement Authority | \$ 1,450,094 | 3.125% to 6.250% | 2028 |
| Business-type Activities | | | |
| Nonmajor enterprise fund: | | | |
| Designated Account Purchase Program | 590,704 | 1.330% to 17.000% | 2045 |
| Major Component Units | | | |
| Illinois Housing Development Authority | 1,468,867 | 0.180% to 25.000% | 2051 |
| Illinois State Toll Highway Authority | 4,016,356 | 3.500% to 6.300% | 2034 |
| Illinois State University | 114,127 | 1.300% to 7.400% | 2033 |
| Northern Illinois University | 202,526 | 3.000% to 8.150% | 2041 |
| Southern Illinois University | 299,841 | 2.050% to 6.200% | 2036 |
| University of Illinois | 1,134,790 | 0.170% to 12.000% | 2041 |

Changes in revenue bonds during the year ended June 30, 2012 are summarized in Note 8. Revenue bond debt service requirements, principal and interest as of June 30, 2012, are as follows:

Table 11-2 (amounts expressed in thousands)

| Year Ending June 30 | Governmental Activities | | Business-type Activities | |
|-------------------------------|-------------------------|-------------------|--------------------------|-------------------|
| | Railsplitter Tobacco | | Designated Account | |
| | Settlement Authority | | Purchase Program | |
| | Principal | Interest | Principal | Interest |
| 2013 | \$ 63,550 | \$ 77,480 | \$ - | \$ 8,208 |
| 2014 | 70,860 | 74,938 | 40,500 | 8,208 |
| 2015 | 76,820 | 71,869 | - | 6,932 |
| 2016 | 80,655 | 68,028 | - | 6,932 |
| 2017 | 84,700 | 64,184 | 52,198 | 6,842 |
| 2018-2022 | 494,780 | 251,954 | 269,000 | 31,447 |
| 2023-2027 | 519,315 | 108,615 | - | 11,809 |
| 2028-2032 | 53,405 | 3,204 | - | 11,809 |
| 2033-2037 | - | - | - | 11,809 |
| 2038-2042 | - | - | 100 | 11,809 |
| 2043-2047 | - | - | 173,350 | 5,033 |
| | <u>1,444,085</u> | <u>\$ 720,272</u> | <u>535,148</u> | <u>\$ 120,838</u> |
| Deferred amount on refundings | - | - | 62,589 | - |
| Unamortized premiums | 6,009 | - | - | - |
| Unamortized (discounts) | - | - | (7,033) | - |
| Total | <u>\$ 1,450,094</u> | | <u>\$ 590,704</u> | |

Table 11-3 (amounts expressed in thousands)

| Year Ending June 30 | Illinois Housing Development Authority | | Illinois Toll Highway Authority | | Illinois State University | |
|-------------------------------|---|-------------------|------------------------------------|---------------------|------------------------------|------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| | 2013 | \$ 238,213 | \$ 53,426 | \$ 53,040 | \$ 195,249 | \$ 6,330 |
| 2014 | 42,300 | 52,433 | 56,365 | 191,951 | 7,125 | 4,109 |
| 2015 | 45,144 | 50,967 | 92,855 | 187,973 | 7,525 | 3,858 |
| 2016 | 46,915 | 49,334 | 97,795 | 182,902 | 7,575 | 3,803 |
| 2017 | 46,530 | 47,492 | 102,910 | 177,921 | 4,345 | 3,742 |
| 2018-2022 | 209,143 | 207,017 | 652,285 | 805,056 | 24,190 | 16,142 |
| 2023-2027 | 217,060 | 159,018 | 927,210 | 615,530 | 27,395 | 10,787 |
| 2028-2032 | 216,659 | 114,505 | 1,004,305 | 400,122 | 29,685 | 4,322 |
| 2033-2037 | 233,809 | 63,398 | 1,030,000 | 117,846 | 2,100 | 105 |
| 2038-2042 | 136,279 | 22,127 | - | - | - | - |
| 2043-2047 | 32,100 | 4,603 | - | - | - | - |
| 2048-2052 | 8,125 | 571 | - | - | - | - |
| | <u>1,472,277</u> | <u>\$ 824,891</u> | <u>4,016,765</u> | <u>\$ 2,874,550</u> | <u>116,270</u> | <u>\$ 51,153</u> |
| Less: Unaccreted appreciation | (6) | - | - | - | (2,083) | - |
| | <u>1,472,271</u> | | <u>4,016,765</u> | | <u>114,187</u> | |
| Deferred amount on refundings | (4,445) | - | (53,893) | - | - | - |
| Unamortized premiums | 2,134 | - | 61,428 | - | 666 | - |
| Unamortized (discounts) | (1,093) | - | (7,944) | - | (726) | - |
| Total | <u>\$ 1,468,867</u> | | <u>\$ 4,016,356</u> | | <u>\$ 114,127</u> | |

Table 11-3 (continued)
(amounts expressed in thousands)

Major Component Units, continued

| Year Ending June 30 | Northern | | Southern | | University of Illinois | |
|-------------------------------|---------------------|-------------------|---------------------|-------------------|------------------------|-------------------|
| | Illinois University | | Illinois University | | University of Illinois | |
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2013 | \$ 6,295 | \$ 13,403 | \$ 17,620 | \$ 10,793 | \$ 42,100 | \$ 46,826 |
| 2014 | 3,730 | 13,300 | 17,580 | 10,374 | 45,170 | 45,593 |
| 2015 | 3,890 | 13,300 | 18,460 | 9,946 | 46,865 | 44,373 |
| 2016 | 3,900 | 13,295 | 18,905 | 9,450 | 48,560 | 43,161 |
| 2017 | 3,905 | 13,288 | 18,075 | 8,907 | 50,820 | 41,790 |
| 2018-2022 | 22,475 | 63,486 | 92,245 | 36,352 | 294,035 | 184,972 |
| 2023-2027 | 28,880 | 57,082 | 83,695 | 22,115 | 248,305 | 129,674 |
| 2028-2032 | 37,290 | 47,458 | 52,960 | 9,058 | 235,325 | 75,137 |
| 2033-2037 | 47,935 | 31,267 | 14,710 | 1,739 | 149,375 | 22,829 |
| 2038-2042 | 47,300 | 9,769 | - | - | 19,010 | 2,306 |
| | 205,600 | <u>\$ 275,648</u> | 334,250 | <u>\$ 118,734</u> | 1,179,565 | <u>\$ 636,661</u> |
| Less: Unaccrued appreciation | (1,945) | | (38,625) | | (59,133) | |
| | 203,655 | | 295,625 | | 1,120,432 | |
| Deferred amount on refundings | (1,129) | | (1,193) | | (20,461) | |
| Unamortized premiums | - | | 5,409 | | 34,819 | |
| Total | <u>\$ 202,526</u> | | <u>\$ 299,841</u> | | <u>\$ 1,134,790</u> | |

All but \$314 thousand of the \$1.469 billion of outstanding Illinois Housing Development Authority (“IHDA”) revenue bonds do not require the Governor to include in the State budget the amount necessary for payment of principal and interest. Payment of principal and interest on IHDA bonds are debt of various entities and are guaranteed from pledged revenues of the properties and assets within its issuance resolutions. Furthermore, a portion of the IHDA bonds are additionally secured by a form of credit enhancement such as a municipal bond insurance policy or a direct pay letter of credit on its payment of principal and interest.

Revenue bond principal and interest debt service requirements as of December 31, 2011 for Illinois State Toll Highway Authority (“THA”) were prepared assuming THA will renew the Standby Bond Purchase Agreement for its Series 1998B Variable Rate Bond prior to its expiration on December 28, 2012. The Series 1998B Bonds were initially issued in a weekly mode and were in a weekly mode during all of calendar year 2011. While in the weekly mode, the Series 1998B Bonds are subject to demand for purchase from bondholders. In the event THA is unable to renew or replace its Standby Bond Purchase Agreement, the bonds will be subject to mandatory tender and repayment in accordance with the terms of the agreement. The outstanding principal of \$123.1 million has been classified as a current liability on the balance sheet due to the potential expiration on December 28, 2012. The scheduled 1998 Series B principal payments are \$53.9 million on January 1, 2016 and \$69.2 million on January 1, 2017 with a final maturity date of January 1, 2017.

A. *Railsplitter Tobacco Settlement Authority (“RTSA”)*

The RTSA was created on July 1, 2010 under the Railsplitter Tobacco Settlement Authority Act (30 ILCS 171). RTSA issued \$1.503 billion of Tobacco Settlement Revenue Bonds, Series 2010 (“the bonds”) on December 8, 2010. The bonds were issued as fixed interest rate, fixed scheduled amortization, serial and term bonds with maturities ranging from 2012 through 2028. The fixed interest rates range from 3.0% through 6.25%. Proceeds of the bonds were used to pay issuance costs and to provide an approximate \$1.350 billion payment to the State in exchange for rights to 100 percent of the State’s future Tobacco Settlement Revenues (TSRs) through the final maturity date of the bonds in 2028. The \$1.350 billion payment was used by the State to pay

outstanding obligations of the General Revenue Fund. The bond proceeds have been deferred and will be recognized as an expense ratably over the life of the bonds. As of June 30, 2012, the deferred amount is \$1.103 billion.

The total TSRs sold, based on the projected payment schedule in the Master Settlement Agreement, adjusted for historical trends, is estimated to be \$4.125 billion. The RTSA has pledged the future TSRs, net of specified operating expenditures, to repay the bonds. Annual principal and interest on the bonds are expected to require on average, less than 60% of the net TSRs. The total principal and interest remaining to be paid on the bonds is approximately \$2.2 billion. Interest paid for the current year and total TSRs received were \$139 million and \$273 million, respectively.

As part of the consideration for the sale to the RTSA by the State of the pledged settlement payments, the RTSA issued a residual certificate to the State. In accordance with the provisions of the trust indenture, upon payment in full of the deposits required by the trust indenture, the remaining balance of pledged revenues shall be transferred to the State as owner of the residual certificate. Residuals are expected to be approximately \$1.784 billion. During the year ended June 30, 2012, \$132 million of residual revenues was paid to the State and \$59 million was recorded as a liability to the State at year-end.

B. Demand and Variable Rate Bonds

Primary Government

Designated Account Purchase Program (“IDAPP”)

Included within IDAPP’s \$590.7 million of outstanding revenue bonds at June 30, 2012 are \$550.3 million in variable rate bonds that have their interest rates reset periodically. These bonds carry a maximum interest rate ranging from 10% to 17%. The actual interest rates were used in calculating the future interest payments for the portion of the debt related to the LIBOR Floating Rate Notes (\$530.9 million) and the Union Bank of Switzerland (UBS) debt (\$19.4 million).

Major Component Units

Illinois Housing Development Authority (“IHDA”)

Included within the IHDA’s outstanding revenue bonds are \$46.7 million of Homeowner Mortgage Revenue Bonds Series 2004A3, 2004C3, and 2005A3 and \$56.2 million of Housing Bonds Series 2004B, 2008A, 2008B, and 2008C which are variable rate demand bonds. Interest rates on these bonds are determined weekly at a rate established by the remarketing agent on each rate determination date. In addition, \$14.3 million of Homeowner Mortgage Revenue Bonds Series 2001F and 2002B are also variable rate, but not demand bonds. Interest rates on these bonds are based on a floating rate determined on a monthly basis and paid either monthly or semi-annually. Also, \$179 million of Homeowner Mortgage Revenue Bonds Series 2009B are variable rate, but not demand bonds. The interest rates on these bonds are based on the Four Week Treasury Bill and paid on the bonds conversion date to fixed bonds. On the variable rate demand bonds, IHDA has agreements with liquidity providers to purchase any bonds tendered for purchase in accordance with the indentures. For additional security, IHDA has entered into risk management agreements to hedge against interest rate risks on 1 series of bonds and wrapped credit enhancements on 4 series of bonds (see Note 14—Derivatives).

Illinois State Toll Highway Authority (“THA”)

As of December 31, 2011, the THA had outstanding variable rate demand bonds in the amount of \$123.1 million of Series 1998B bonds, \$700.0 million of Series 2007 A-1 and A-2 bonds, and \$478.9 million of Series 2008 A-1 and A-2 bonds. These bonds have final maturities in 2017, 2030 and 2031, respectively, and bear interest rates that are reset weekly by remarketing agents at rates not to exceed 25%, 15% and 12%, respectively. These bonds are subject to tender for purchase by bondholders at a price equal to the principal plus accrued interest, upon a minimum seven days’ notice from the bondholder to the remarketing agent. The THA has agreements with liquidity providers to purchase any bonds so tendered for purchase that fail to be remarketed and to hold such bonds until either remarketed or paid by THA per the terms of the liquidity agreements. For the Series 1998B and Series 2008 A-1 and A-2 bonds, financial guarantee insurance policies obtained by THA guarantee the payment of principal and interest on the scheduled bond interest payment and maturity dates and on certain payment dates specified in the liquidity agreements. The THA has an obligation to reimburse the insurer for any such payments made.

University of Illinois (“U of I”)

The U of I had outstanding variable rate demand bonds in the amount of \$17.0 million for the Series 1997B bonds and \$112.9 million for the three Series 2008 bonds. These bonds have final maturities in 2026, 2038, 2026, and 2022, respectively, and bear interest rates as determined by the remarketing agents on each rate determination date not to exceed 12% on all of the bond series. These bonds are subject to redemption if tendered by the holder at a price equal to the principal plus accrued interest upon notice and delivery to the remarketing agent. The U of I has agreements with liquidity or credit providers to purchase any bonds so tendered for purchase in accordance with the indentures with respect to which the Trustee does not, on the date any such tendered bonds are required to be purchased, have sufficient funds to make such purchase. The U of I has obtained a letter of credit or relies on its own credit to guarantee the payment of principal and interest on the scheduled maturity dates. The U of I has an obligation to reimburse the letter of credit issuer for any such payments made.

Derivatives

IHDA, THA, and U of I all have entered into various interest rate swap agreements. Details of these agreements are discussed in Note 14—Derivatives.

C. Build America Bonds

The THA, Northern Illinois University (“NIU”) and Southern Illinois University (“SIU”) have issued Build America Bonds under the American Recovery and Reinvestment Act of 2009 (the “ARRA”). Pursuant to the ARRA, THA, NIU and SIU expect to receive cash subsidy payments from the United States Treasury on or about each interest payment date (the “Subsidy Payments”). These Subsidy Payments do not constitute the full faith and credit guarantee of the United States Government, but are required to be paid by the United States Treasury under the ARRA. Such payments are not pledged to secure payment of the Bonds. The holders of the Bonds are not entitled to a tax credit as a result of the ownership of the Bonds.

D. Conduit Debt (not included in financial statements)

The State of Illinois, by action of the General Assembly, created various authorities for the express purpose of providing private entities with an available low cost source of capital financing for construction of facilities deemed to be in the public interest. Fees are assessed to recover related processing and application costs incurred. Bonds issued by the authorities represent limited obligations payable solely from payments made by the borrowing entities. The majority of the bonds are secured by the property financed. Upon repayment of a bond, ownership of acquired property transfers to the entity served by the bond issuance. The State has no obligation for this debt. Accordingly, these bonds are not reflected in the accompanying financial statements.

At June 30, 2012, recorded amounts of revenue bonds, net of defeased bonds, and notes outstanding as reported by authority officials are as follows:

| Authority | Amount Outstanding | Annual Maturity To |
|--|--------------------|--------------------|
| Illinois Finance Authority | 24,638,778 | 2051 |
| Illinois Housing Development Authority | 377,608 | 2048 |
| Southwestern Illinois Development Authority | 680,871 | 2041 |
| Upper Illinois River Valley Development Authority | 120,003 | 2045 |
| Will-Kankakee Regional Development Authority | 40,736 | 2042 |
| Illinois Medical District Commission | 39,120 | 2031 |
| Quad Cities Regional Economic Development Authority | 44,311 | 2041 |
| Southeastern Illinois Economic Development Authority | 9,144 | 2031 |
| Western Illinois Economic Development Authority | 19,255 | 2037 |
| Total | \$ 25,969,826 | |

12 NOTES PAYABLE/SHORT-TERM BORROWINGS

A. Notes Payable

The State’s major component units have obtained notes payable, normally secured by specific revenue sources, to provide financing. Outstanding notes payable at June 30, 2012 were as follows:

| Fund Type/Agency | Amount Outstanding | Interest Rates | Maturity Date |
|--|--------------------|----------------|---------------|
| Major Component Units | | | |
| Illinois Housing Development Authority | \$ 27,670 | 0.15% to 2.32% | 8/10/2022 |

Changes in notes payable during the year ended June 30, 2012 are summarized in Note 8. Future notes payable debt service requirements as of June 30, 2012, are as follows:

Table 12-2 (amounts expressed in thousands)

| Major Component Units | | |
|------------------------|---|-----------------|
| Year Ending June 30 | Illinois Housing Development Authority | |
| | Principal | Interest |
| 2013 | \$ 5,000 | \$ 526 |
| 2014 | - | 525 |
| 2015 | - | 525 |
| 2016 | - | 525 |
| 2017 | - | 525 |
| 2018-2022 | 7,000 | 2,559 |
| 2023-2027 | 15,670 | 40 |
| | <u>\$ 27,670</u> | <u>\$ 5,225</u> |

B. Short-Term Borrowings

Primary Government – Business-type Activities

Pursuant to the provisions of Title XII of the federal code, the Department of Employment Security (“IDES”) received advances from the Federal Government to the State’s account within the Unemployment Compensation Trust Fund (“UCTF”). The UCTF account, from which funds are drawn by IDES to pay unemployment benefits to claimants, was depleted in July 2009 due to extended high unemployment rates during the course of the recent national recession and tax revenues that have not yet matched the increased level of unemployment benefit claims. This led IDES to borrow from the Federal Government to fulfill its mandate to pay benefits required by law. The total outstanding advances from the Federal Government were \$1.14 billion at June 30, 2012.

Under current federal law, these loans were interest free through the end of calendar year 2010, with interest accruing beginning on January 1, 2011. The interest rate charged for a given calendar year is the earnings yield on the UCTF for the quarter ending December 31 of the previous calendar year, which for calendar year 2012 was approximately 4.09%. Interest is due and payable to the Federal Government each September 30 and may not be paid from the State’s unemployment fund or from federal funds. On September 29, 2011, IDES paid interest of approximately \$71 million. As of June 30, 2012, accrued interest was approximately \$46 million.

The Designated Account Purchase Program (“IDAPP”) has a short-term revolving credit line agreement. The revolving credit line was used to purchase eligible student loans (guaranteed or insured or an eligible loan under the Higher Education Act). The credit line expired on September 8, 2008 resulting, by terms of the Indenture, in the commencement of the Liquidation Period. On July 27, 2010, the final maturity date under the credit line agreement, the credit line agreement became payable and due. Due in part to conditions currently existing in the credit markets, IDAPP has been unable to refinance this debt and is currently in payment default under the credit line agreement. In addition, IDAPP is in breach of the coverage condition ratio defined in the

indenture. The breaches qualify as an Event of Termination under which the lender would be eligible for remedies under the indenture. The lender has not exercised its remedies to date. Conversations are ongoing with the lender to resolve the issues discussed. As of June 30, 2012, the \$275.957 million outstanding under this line is shown as current for fiscal year 2012.

Under terms of the agreement, all revenues generated by the underlying student loan portfolio are transferred to a trust. The trust then pays all expenses related to the debt service and student loan servicing costs (capped at 65 basis points of the outstanding average balance of the portfolio). During fiscal year 2012, \$32.5 million of principal and \$8.8 million of interest was collected, all of which was transferred to the trust. During the same period, the trust paid \$1.9 million for interest expense and other professional fees and \$2.1 million for servicing fees.

Major Component Units

Northern Illinois University (“NIU”)

On September 30, 2008, the NIU Research Foundation established a credit agreement not to exceed \$15 million. The purpose of the credit agreement was to provide the NIU Research Foundation with short-term financing as preparations were made to issue long-term debt for a major project. The loan balance was paid in full during fiscal year 2012.

University of Illinois (“U of I”)

The U of I Foundation has a \$15 million unsecured line of credit to a bank, due February 2015, with a negotiated interest rate in irregular intervals (1.1% at June 30, 2012). The line of credit is to be used to purchase property that is to be held for the U of I. As of June 30, 2012, \$4.084 million outstanding under this line is shown as current for fiscal year 2012.

Changes in short-term borrowing during the year ended June 30, 2012 are as follows:

| | Balance July 1, 2011 | Additions | Deletions | Balance June 30, 2012 |
|---------------------------------------|-------------------------------------|---------------------|-----------------------|--------------------------------------|
| Primary Government | | | | |
| Business-type Activities | | | | |
| Unemployment Compensation Trust Fund | \$ 2,138,064 | \$ 1,795,152 | \$ (2,794,952) | \$ 1,138,264 |
| Nonmajor enterprise funds | 314,457 | - | (38,500) | 275,957 |
| Total Business-type Activities | <u>\$ 2,452,521</u> | <u>\$ 1,795,152</u> | <u>\$ (2,833,452)</u> | <u>\$ 1,414,221</u> |
| Major Component Units | | | | |
| Northern Illinois University | \$ 1,000 | \$ - | \$ (1,000) | \$ - |
| University of Illinois | \$ 4,932 | \$ - | \$ (848) | \$ 4,084 |

13 OTHER LONG-TERM OBLIGATIONS

Other long-term obligations reported in the government-wide statements and disclosed below are as follows:

Table 13-1 (amounts expressed in thousands)

| Primary Government | | Business-type Activities | | | | |
|--|-----------|--------------------------|----------------------|----------------------|---------------------------|-----------------|
| | | Governmental Activities | Water Revolving Fund | Prepaid Tuition Fund | Nonmajor Enterprise Funds | Fiduciary Funds |
| Description | Reference | | | | | |
| Capital lease obligations | (A) | \$ 7,648 | \$ - | \$ - | \$ - | \$ 15 |
| Certificates of participation | (B) | 58,190 | - | - | - | - |
| Installment purchase obligations | (C) | 3,412 | - | - | - | - |
| Pollution remediation obligations | (D) | 37,800 | - | - | - | - |
| Obligations to Lottery Prize Winners | (E) | - | - | - | 300,719 | - |
| Prepaid Tuition Fund obligations | (F) | - | - | 1,594,657 | - | - |
| Other obligations | (G) | 237 | - | - | 8,418 | - |
| Total Other Long-Term Obligations | | \$ 107,287 | \$ - | \$ 1,594,657 | \$ 309,137 | \$ 15 |

Table 13-2 (amounts expressed in thousands)

| Major Component Units | | Illinois Housing Development Authority | Toll Highway Authority | Illinois State University | Northern Illinois University | Southern Illinois University | University of Illinois |
|--|-----------|--|------------------------|---------------------------|------------------------------|------------------------------|------------------------|
| Description | Reference | | | | | | |
| Capital lease obligations | (A) | \$ - | \$ - | \$ 1,953 | \$ 133,332 | \$ 1,257 | \$ 7,519 |
| Certificates of participation | (B) | - | - | 34,334 | 3,320 | 17,886 | 444,129 |
| Installment purchase obligations | (C) | - | - | 3,053 | - | - | - |
| Other obligations | (G) | 14,885 | 218 | 225 | 33,480 | 3,916 | 72,068 |
| Total Other Long-Term Obligations | | \$ 14,885 | \$ 218 | \$ 39,565 | \$ 170,132 | \$ 23,059 | \$ 523,716 |

A. Lease Commitments

The State has entered into various capital leases for land, office facilities, office and computer equipment, and other assets. 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 noncancelable leases for financial reporting purposes. Information regarding operating leases is included in Note 20.

At June 30, 2012, assets capitalized under capitalized leases are as follows:

Table 13-3 (amounts expressed in thousands)

| Primary Government | Governmental Activities | Business-type Activities | Fiduciary Funds |
|-------------------------------------|-------------------------|--------------------------|-----------------|
| Buildings and building improvements | \$ 8,944 | \$ - | \$ - |
| Equipment | 5,190 | - | 36 |
| | 14,134 | - | 36 |
| Less: Accumulated depreciation | 7,460 | - | 10 |
| | \$ 6,674 | \$ - | \$ 26 |

Table 13-4 (amounts expressed in thousands)

| Major Component Units | Illinois | Northern | Southern | University |
|-------------------------------------|---------------------|------------------------|------------------------|-----------------|
| | State University | Illinois University | Illinois University | of Illinois |
| Land and land improvements | \$ - | \$ 5,996 | \$ - | \$ - |
| Buildings and building improvements | 1,087 | 147,377 | - | - |
| Equipment | 932 | 1,266 | 1,753 | 15,710 |
| | <u>2,019</u> | <u>154,639</u> | <u>1,753</u> | <u>15,710</u> |
| Less: Accumulated depreciation | 295 | 7,750 | 309 | 14,486 |
| | <u>\$ 1,724</u> | <u>\$ 146,889</u> | <u>\$ 1,444</u> | <u>\$ 1,224</u> |

Future minimum commitments for non-cancelable capital leases as of June 30, 2012 are as follows:

Table 13-5 (amounts expressed in thousands)

| Year Ending June 30 | Capitalized Leases | | | |
|------------------------------|-------------------------|-----------------|-----------------|-------------|
| | Governmental Activities | | Fiduciary Funds | |
| | Principal | Interest | Principal | Interest |
| 2013 | \$ 1,631 | \$ 827 | \$ 13 | \$ 1 |
| 2014 | 1,657 | 597 | 2 | - |
| 2015 | 1,411 | 373 | - | - |
| 2016 | 1,144 | 228 | - | - |
| 2017 | 870 | 125 | - | - |
| 2018-2022 | 935 | 46 | - | - |
| Total minimum lease payments | <u>\$ 7,648</u> | <u>\$ 2,196</u> | <u>\$ 15</u> | <u>\$ 1</u> |

Table 13-6 (amounts expressed in thousands)

| Year Ending June 30 | Illinois State University | | Northern Illinois University | | Southern Illinois University | | University of Illinois | |
|------------------------------|------------------------------|---------------|---------------------------------|-------------------|---------------------------------|--------------|---------------------------|---------------|
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| | 2013 | \$ 469 | \$ 52 | \$ 296 | \$ 8,858 | \$ 293 | \$ 31 | \$ 3,181 |
| 2014 | 482 | 39 | 742 | 8,847 | 211 | 22 | 3,069 | 164 |
| 2015 | 494 | 27 | 1,024 | 8,810 | 182 | 17 | 743 | 49 |
| 2016 | 508 | 14 | 1,205 | 8,761 | 186 | 13 | 427 | 17 |
| 2017 | - | - | 1,528 | 8,699 | 190 | 8 | 70 | 2 |
| 2018-2022 | - | - | 11,414 | 42,011 | 195 | 3 | 29 | - |
| 2023-2027 | - | - | 15,408 | 38,097 | - | - | - | - |
| 2028-2032 | - | - | 21,160 | 32,212 | - | - | - | - |
| 2033-2037 | - | - | 29,475 | 23,907 | - | - | - | - |
| 2038-2042 | - | - | 41,090 | 12,284 | - | - | - | - |
| 2043-2047 | - | - | 9,990 | 687 | - | - | - | - |
| Total minimum lease payments | <u>\$ 1,953</u> | <u>\$ 132</u> | <u>\$ 133,332</u> | <u>\$ 193,173</u> | <u>\$ 1,257</u> | <u>\$ 94</u> | <u>\$ 7,519</u> | <u>\$ 531</u> |

B. Certificates of Participation

State-issued Certificates of Participation - The State is authorized to issue certificates of participation (“Certificates”) representing the right to receive a proportionate share in lease-purchase or installment purchase payments to be made for the benefit of State agencies for the acquisition or improvement of real or personal property, refinancing of such property, payment of expenses of such property or payment of expenses related to the issuance. The outstanding balance of the State-issued Certificates included in the governmental activities financial statements as of June 30, 2012 was \$16.1 million.

Certain major component units have also issued Certificates representing the right to receive a proportionate share of lease-purchase or installment payments. All of these Certificates issued by major component units are considered State-issued. The outstanding balance of these Certificates as of June 30, 2012 was \$499.7 million, which includes unamortized premiums of \$10.3 million, unamortized discounts of \$128 thousand and deferred amounts on refunding of \$6.0 million and is included in the component unit financial statements.

Non-State-issued Certificates of Participation - The State also finances the purchase of certain State-owned real and personal property through third party (non-State-issued) Certificates. These non-State-issued Certificates are sold by private concerns and are repaid by State agency appropriations pursuant to installment purchase agreements. The outstanding balance of non-State-issued Certificates included in the governmental activities financial statements as of June 30, 2012 was \$42.1 million.

Future commitments by the State to make installment payments to pay for the assets acquired and related financing costs for State-issued and non-State-issued Certificates at June 30, 2012 are as follows:

| Primary Government Governmental Activities | | | | | | |
|---|-------------------------------|-----------------|------------------|-----------------|------------------|------------------|
| Year Ending June 30 | Certificates of Participation | | | | | |
| | State-Issued | | Non-State-Issued | | Total | |
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2013 | \$ 2,305 | \$ 905 | \$ 5,020 | \$ 2,263 | \$ 7,325 | \$ 3,168 |
| 2014 | 2,440 | 765 | 7,160 | 1,965 | 9,600 | 2,730 |
| 2015 | 2,590 | 614 | 5,615 | 1,600 | 8,205 | 2,214 |
| 2016 | 2,750 | 451 | 5,940 | 1,261 | 8,690 | 1,712 |
| 2017 | 2,915 | 279 | 6,305 | 896 | 9,220 | 1,175 |
| 2018-2022 | 3,140 | 95 | 12,010 | 827 | 15,150 | 922 |
| | <u>\$ 16,140</u> | <u>\$ 3,109</u> | <u>\$ 42,050</u> | <u>\$ 8,812</u> | <u>\$ 58,190</u> | <u>\$ 11,921</u> |

Table 13-8 (amounts expressed in thousands)

| Major Component Units | Certificates of Participation | | | | | | | |
|-------------------------------|-------------------------------|-----------|------------------------------|----------|------------------------------|----------|------------------------|------------|
| | Illinois State University | | Northern Illinois University | | Southern Illinois University | | University of Illinois | |
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| Year Ending June 30 | | | | | | | | |
| 2013 | \$ 1,515 | \$ 1,500 | \$ 465 | \$ 167 | \$ 2,190 | \$ 813 | \$ 143,855 | \$ 20,337 |
| 2014 | 1,555 | 1,443 | 485 | 141 | 1,760 | 734 | 26,540 | 14,139 |
| 2015 | 1,620 | 1,386 | 515 | 114 | 1,195 | 661 | 27,880 | 12,808 |
| 2016 | 1,675 | 1,324 | 550 | 85 | 1,070 | 610 | 23,785 | 11,548 |
| 2017 | 1,730 | 1,257 | 1,305 | 35 | 1,125 | 564 | 24,485 | 10,382 |
| 2018-2022 | 9,810 | 5,176 | - | - | 6,410 | 2,000 | 87,665 | 37,260 |
| 2023-2027 | 11,645 | 2,830 | - | - | 4,190 | 345 | 91,210 | 15,106 |
| 2028-2032 | 4,800 | 597 | - | - | - | - | 14,375 | 342 |
| | 34,350 | \$ 15,513 | 3,320 | \$ 542 | 17,940 | \$ 5,727 | 439,795 | \$ 121,922 |
| Deferred amount on refundings | - | - | - | - | - | - | (5,979) | - |
| Unamortized premiums | 58 | - | - | - | - | - | 10,313 | - |
| Unamortized (discounts) | (74) | - | - | - | (54) | - | - | - |
| | \$ 34,334 | | \$ 3,320 | | \$ 17,886 | | \$ 444,129 | |

C. Installment Purchase Obligations

The State has acquired certain land, office facilities, office and computer equipment, and other assets through installment purchase arrangements. Future commitments under installment purchase contracts as of June 30, 2012 are as follows:

Table 13-9 (amounts expressed in thousands)

| Primary Government | Governmental Activities | | | |
|--------------------|-------------------------|-----------|----------|-------|
| | Year Ending June 30 | Principal | Interest | Total |
| 2013 | \$ 2,257 | \$ 164 | \$ 2,421 | |
| 2014 | 347 | 104 | 451 | |
| 2015 | 366 | 67 | 433 | |
| 2016 | 406 | 27 | 433 | |
| 2017 | 36 | - | 36 | |
| 2018-2022 | - | - | - | |
| | \$ 3,412 | \$ 362 | \$ 3,774 | |

Table 13-10 (amounts expressed in thousands)

| Major Component Unit | Illinois State University | | | |
|----------------------|---------------------------|-----------|----------|-------|
| | Year Ending June 30 | Principal | Interest | Total |
| 2013 | \$ 74 | \$ 196 | \$ 270 | |
| 2014 | 78 | 191 | 269 | |
| 2015 | 84 | 186 | 270 | |
| 2016 | 90 | 181 | 271 | |
| 2017 | 2,727 | 356 | 3,083 | |
| | \$ 3,053 | \$ 1,110 | \$ 4,163 | |

D. Pollution Remediation Obligations

Tracts of land near Ottawa, Illinois were donated to the State more than 50 years ago for public purposes. Several years later, the State discovered that other parties had dumped radioactive waste on the land, before it was donated to the State. The State advised the United States

Environmental Protection Agency (“USEPA”) of the situation and the land was transferred to the Illinois Emergency Management Agency for clean-up.

Although the State was not culpable for the creation of the hazard, federal law makes it, as the owner, a potentially responsible party along with the corporations that did the dumping. These corporations are defunct and in recognition of the State’s lack of culpability, the USEPA has currently estimated the clean-up to the site and adjacent property to cost approximately \$70 million. The State has estimated its portion of the liability for the clean-up to be \$35 million.

The Illinois Department of Transportation has recorded building demolition, pollution remediation obligations for investigations, remediation of contaminated soils and installation of groundwater monitoring wells, and treatment and removal of copper slag with a balance, at June 30, 2012, of \$2.8 million.

E. Obligations to Lottery Prize Winners

The State has obligations to certain lottery prize winners for awards payable in annual installments ranging from nineteen years to the life of the prize winner, with the first payment being made after the claim is presented for payment. For certain prize winners, annuities were purchased in the name of the State for which the State has retained the rights of ownership. Effective July 30, 1985, State law provides that the State Treasurer, with the consent of the Director of the Department of Lottery, may contract to invest in securities, which provide payments corresponding to its obligation to these winners. The present value of these liabilities owed to prize winners, approximating \$531 thousand, have been reported in the financial statements of the State Lottery Fund, a nonmajor enterprise fund.

In addition to the prize obligations discussed above, the State has provided for other payments corresponding to its obligation to prize winners through the purchase of direct obligations of the federal government, primarily in the form of United States Treasury zero coupon bonds. As established by State law, such securities shall be maintained separate and apart from all public money of funds of the State. These investments are purchased in amounts to provide for annual annuity payments to the prize winner(s) of each qualifying individual drawing. The fair value of the investments held totaled \$360 million at June 30, 2012, with interest rates ranging from 2.6% to 9.4%. The present value of these liabilities owed to prize winners, approximating \$300.188 million, have been reported in the financial statements of the State Lottery Fund, a nonmajor enterprise fund.

Future commitments of prizes payable as of June 30, 2012 are as follows:

| Primary Government Business-type Activities | | State Lottery Fund |
|--|--|---------------------------|
| Year Ending June 30 | | Amount |
| 2013 | | \$ 58,250 |
| 2014 | | 47,622 |
| 2015 | | 36,964 |
| 2016 | | 32,025 |
| 2017 | | 24,325 |
| 2018-2036 | | 213,941 |
| | | 413,127 |
| Less: Present value adjustments | | (112,408) |
| Present value of future prizes | | <u>\$ 300,719</u> |

F. Prepaid Tuition Fund Obligations

Tuition payable in the Illinois Prepaid Tuition Fund, a major enterprise fund, as of June 30, 2012, represents net principal payments received for contracts held by the fund in the amount of \$908.145 million, of which \$172.525 million is considered current. In addition, an accretion payable recorded in the same fund in the amount of \$686.512 million of which \$12.875 million is considered current, is the present value of payments to be made in excess of the principal payments received from investments of the tuition contracts. The accretion expense is estimated as a percentage of net tuition costs paid to date. It is calculated on a monthly basis on the balance in the tuition payable account.

G. Other Obligations**Primary Government - Governmental Activities**

The Tax Reform Act of 1986 requires issuers of state and local government bonds to rebate to the federal government arbitrage profits earned on those bonds under certain circumstances. In accordance with that, it was determined that there was an arbitrage rebate liability of \$237.0 thousand as of June 30, 2012. The Build Illinois Bond Retirement and Interest Fund, a nonmajor governmental fund, is expected to be used to repay the liability from future resources of this fund.

Primary Government - Business-type Activities

Other nonmajor enterprise funds presented other obligations in the amount of \$8.418 million. These obligations, consisting mostly of future workers' compensation benefit payments for self-insured companies, are expected to be paid with current resources of the reporting fund.

Major Component Units

Major component units presented other miscellaneous obligations in the amount of \$124.8 million. These obligations will be liquidated from resources of the reporting major component unit.

14 DERIVATIVES**Hedging Derivatives - Primary Government - Governmental Activities**

On October 30, 2003, the State of Illinois issued a total of \$963 million of tax exempt general obligation new and refunding bonds in two series: \$363 million fixed rate bonds maturing through 2020 ("2003A bonds") and \$600 million variable rate demand bonds maturing in years 2020 through 2033 ("2003B bonds"). To assure the continuing ability to place the variable rate demand bonds with investors, the State secured a liquidity facility from Depfa Bank, PLC (the "Liquidity Provider") for the principal amount and 35 days interest on the 2003B bonds.

Pursuant to Public Act 93-9, the State simultaneously entered into Interest Rate Exchange Agreements ("Agreements") with five counterparties under substantially identical terms, to create a net fixed rate debt service obligation on the 2003B bonds. All are considered to be cash flow hedges. The Agreements together with the issuance of the 2003B bonds as variable rate debt were entered into to produce a lower total cost of debt service than if the financing plan had been sold as all fixed rate debt.

The Agreements were entered into pursuant to the Interest Rate Risk Management Policy (“Policy”), as required by the General Obligation Bond Act, 30 ILCS 330/9, *et seq.* Pursuant to the Policy, the Agreements and the 2003B bonds in combination are not counted against the variable rate debt limit of the State, since amounts paid on the 2003B bonds and receipts under the Agreements were designed to be substantially similar. Further, the critical terms of the 2003B bonds and Agreements are consistent, essentially resulting in a net synthetic fixed rate obligation.

On November 24, 2008, the State entered into a novation agreement which terminated the \$384 million interest rate swap agreement with Lehman Brothers Commercial Bank (“LBCB”) and entered into a new interest rate swap agreement with Deutsche Bank AG with the same terms and conditions present in the original agreement. In fiscal year 2009, a \$39.977 million liability was recorded on the Statement of Net Assets representing the mark-to-market value of the swap at the date the transaction was negotiated between the State and Deutsche Bank AG. The unamortized balance of the financing payable under the swap agreement was \$36.691 million at June 30, 2011.

During fiscal year 2012, the State adopted GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions, an amendment of GASB Statement No. 53*. Implementation of the pronouncement required the State to eliminate the accounting treatment previously applied when the event occurred through a retroactive adjustment to beginning net assets. The State recorded an effect of change in accounting principal to beginning net assets of \$36.691 million representing the elimination of the unamortized balance of the financing payable which was recognized when the interest rate swap agreement novated from LBCB to Deutsche Bank AG in fiscal year 2009.

Details of the Agreements are summarized below:

Table 14-1 (amounts expressed in thousands)

| Associated Bond Issue (1) | Notional Amounts | Effective Date | Fixed Rate Paid | Variable Rate Received | Fair Values (2)(3) | Change in Fair Value (4) | Swap Termination Date | Counterparty Credit Rating (5) |
|-------------------------------------|-------------------|----------------|-----------------|----------------------------------|---------------------|--------------------------|-----------------------|--------------------------------|
| Primary Government | | | | | | | | |
| Governmental Activities | | | | | | | | |
| Interest Rate Swap Contracts | | | | | | | | |
| Series 2003B | \$ 384,000 | 10/03 | 3.890% | 67% of 1 mo. LIBOR ^{^^} | \$ (115,670) | | 10/33 | A+/A2/A+ |
| General Obligation Bonds | 54,000 | 10/03 | 3.890% | when 1 mo. LIBOR | (15,860) | | 10/33 | A-/Baa1/BBB |
| | 54,000 | 10/03 | 3.890% | is \geq 2.5%, or | (15,930) | | 10/33 | A-/Baa2/A |
| | 54,000 | 10/03 | 3.890% | SIFMA [^] , when 1 mo. | (15,550) | | 10/33 | A+/Aa3/A+ |
| | 54,000 | 10/03 | 3.890% | LIBOR is < 2.5% | (15,930) | | 10/33 | A-/Baa2/A |
| | <u>\$ 600,000</u> | | | | <u>\$ (178,940)</u> | <u>\$ (78,747)</u> | | |

[^] Securities Industry and Financial Market Association
^{^^} London Interbank Offered Rate
(1) All bond issues are tax-exempt debt instruments.
(2) Includes accrued interest.
(3) The fair value is classified as a derivative instrument liability on the Statement of Net Assets.
(4) The change in fair value is classified as a deferred outflow of resources on the Statement of Net Assets.
(5) Credit rating companies: Standard and Poor's (S&P)/Moody's Investors Services/Fitch Rating Services

Mark-to-Market valuations shown above are received by the State from each of the counterparties. Each firm has its own proprietary method of deriving valuations and there are no guarantees that actual trades could be completed at such values. At the end of the fiscal year, the variable rate received by the State was the SIFMA rate (0.18% was in effect on June 30, 2012) as the LIBOR rate was below 2.5%.

During all of fiscal year 2012, the floating rate received was SIFMA. The payments are computed on a combined Agreement amount which is equal to the 2003B bonds' principal outstanding and reduces as the 2003B bonds' principal is repaid. Further, the frequency of rate resets of the 2003B bonds and the Agreements are identical.

The fair value balance of the derivatives and related changes during the fiscal year are shown on the Government-wide Statement of Net Assets under derivative instrument liabilities and deferred outflows, respectively.

Risks***Credit risk***

As of June 30, 2012, the State was not exposed to credit risk because the swap agreements had a negative fair value. If interest rates change and the fair value of the swaps become positive, the State would be exposed to credit risk. If the State wished to exit from the Agreements, the counterparties may not have the resources to pay that positive value to the State. If the credit ratings of the liquidity provider deteriorate, the amount of floating interest on the 2003B general obligation bonds may increase relative to the amount of the floating index received under the Agreements, thus requiring the State to pay any difference or shortfall. This will result in the projected savings of the synthetic rate structure not being realized. Conversely, if ratings of the State and Liquidity Provider improve relative to the market, the amount of the floating index received under the Agreements may exceed the amount of interest required for the 2003B bonds, resulting in additional receipts to the State and a greater than expected savings. During fiscal year 2012, the State experienced higher rates of interest on the 2003B bonds relative to the floating rates under the Agreements due to the credit ratings of the Liquidity Provider. Current credit ratings of the Liquidity Provider are BBB+/F2 by Fitch Ratings, Baa3/P-3 by Moody's and BBB/A-2 by Standard and Poor's.

Interest rate risk

During fiscal year 2012, declining interest rates adversely affected the fair value of the Agreements.

Basis risk

Since the floating index under the Agreement is based on LIBOR (when LIBOR is greater than 2.5%), the State bears exposure to changing interest rate relationships between tax exempt and taxable debt markets. Should the value of tax exempt interest decrease in relation to taxable interest (as a result of a further lowering of income tax rates among other causes), tax exempt interest rates may rise (which the State pays on its 2003B general obligation bonds in the form of SIFMA) in relation to the floating interest rate index (which the State receives under the Agreements in the form of 67% of one month LIBOR when the Agreement is in LIBOR mode). If this were to occur, the State would pay any difference or shortfall. Conversely, if the value of tax exempt interest relative to taxable interest were to increase such that tax exempt interest rates decrease when compared to 67% of one month LIBOR (when the Agreements are in LIBOR mode), the floating index received under the Agreements could exceed the amount of interest required for the 2003B bonds, resulting in additional receipts for the State.

Termination risk

Should the State or a counterparty fail to perform under the terms of the Agreement, there may be a termination of the Agreement. In such an event the State may incur an unhedged variable rate position with its 2003B general obligation bonds and potentially owe a net termination payment if the market value of the contract is negative. Posting collateral by the counterparty (in the form of cash, unconditional Treasury obligations or Treasury guaranteed agency securities), if required by

the credit rating of the counterparty, protects the State's interest against the counterparty's failure when the market value is in favor of the State. The State is never required to post collateral when the value is in favor of the counterparty (as is the case as of June 30, 2012).

Rollover risk

All of the swap agreements discussed above have been structured to protect the State from exposure to rollover risk.

As of June 30, 2012, debt service requirements of outstanding variable rate debt and net swap payments, assuming current interest rates remain the same, for their terms are as follows:

| Year Ending June 30 | Governmental Activities | | | Total |
|------------------------|-------------------------|-------------------|--------------------------|---------------------|
| | Principal | Interest | Interest Rate Swaps, Net | |
| 2013 | \$ - | \$ 12,000 | \$ 22,260 | \$ 34,260 |
| 2014 | - | 12,000 | 22,260 | 34,260 |
| 2015 | - | 12,000 | 22,260 | 34,260 |
| 2016 | - | 12,000 | 22,260 | 34,260 |
| 2017 | - | 12,000 | 22,260 | 34,260 |
| 2018-2022 | 98,800 | 58,362 | 108,262 | 265,424 |
| 2023-2027 | 211,800 | 36,656 | 67,997 | 316,453 |
| 2028-2032 | 230,200 | 14,342 | 26,604 | 271,146 |
| 2033-2035 | 59,200 | 1,550 | 2,875 | 63,625 |
| Total | \$ 600,000 | \$ 170,910 | \$ 317,038 | \$ 1,087,948 |

As rates vary, variable rate bond interest payments and net swap payments will vary.

Investment Derivatives - Pensions

Certain State agencies, principally the Illinois State Board of Investment ("ISBI"), the Teachers' Retirement System ("TRS"), and the State Universities Retirement System ("SURS"), invest in derivative securities. These derivative securities have been authorized by the policies of the applicable State agencies and the Illinois Compiled Statutes. ISBI, TRS, and SURS invest in the following types of derivatives: foreign currency forward contracts, rights, warrants, financial futures, financial options, swaps, and swaptions.

Foreign currency forward contracts are used to hedge against the currency risk in agencies' foreign stock and fixed income security portfolios. Foreign currency forward contracts are agreements to purchase or sell a specific amount of a foreign currency at a specified delivery or maturity date for an agreed upon price. Fluctuations in the market value of foreign currency forward contracts are recognized as incurred rather than at the maturity or settlement date of the contract. Investment managers use these contracts primarily to hedge the currency exposure of the agencies' investments.

Financial futures are agreements to purchase or sell a specific amount of an asset at a specified delivery or maturity date for an agreed upon price. Investment managers use financial futures to improve yield, adjust the duration of the fixed income portfolio, circumvent changes in interest rates, or to replicate an index. Futures contracts are standardized and traded on organized exchanges, thereby minimizing the agencies' credit risk. The net change in the futures contracts value is settled daily with the exchanges. Because of daily settlement, the futures contracts have

no fair value. As the market value of the futures contract varies from the original contract price, a gain or loss is paid to or received from the clearinghouse.

Financial options are used by investment managers in an attempt to add value to the portfolio or protect a position in the portfolio. Financial options are agreements that give one party the right, but not the obligation, to purchase or sell a specific amount of an asset for a specified price, called the strike price, on or before a specified expiration date. As writers of financial options, the agencies receive a premium at the outset of the agreement and bear the risk of an unfavorable change in the price of the financial instrument underlying the option. Premiums received are recorded as a liability when the financial option is written. As a purchaser of financial options, the agencies pay a premium at the outset of the agreement and the counterparty bears the risk of an unfavorable change in the price of the financial instrument underlying the option. Premiums paid are recorded as an asset when the financial option is purchased. Fluctuations in the fair value of financial options are recognized in the financial statements as incurred rather than at the time the options are exercised or when they expire.

Swaps are agreements to exchange future cash flows. The agencies utilize the following types of swaps:

- a) Credit default swaps are financial instruments used to replicate the effect of investing in debt obligations of corporate bond issuers as a means to manage bond exposure, effectively buying or selling insurance protection in case of default. Credit default swaps may be specific to an individual security or to a specific market sector (index swaps).
- b) Interest rate swaps are agreements between parties to exchange a set of cash flow streams over a period of time. In the most common type of interest rate swap arrangement, one party agrees to pay fixed interest payments on designated dates to a counterparty who, in turn, agrees to make return interest payments that float with some reference rate.
- c) Inflation-linked swaps are agreements where a fixed payment is exchanged for a variable payment linked to an inflation index. These swaps can protect against unfavorable changes in inflation expectations and are used to transfer inflation risk from one counterparty to another. Inflation-linked swaps initially have no net value; the value of the swap's outstanding payments will change as interest and inflation rates change. The value may be either positive or negative.
- d) Total return swaps are agreements that involve a stream of payments based on a set rate, either fixed or variable, by one party while the other party makes payments based on the return of the underlying asset, which includes both the income it generates and any capital gains.

Swaptions are options on swaps that give the purchaser the right, but not the obligation, to enter into a swap at a specific date in the future.

Rights and warrants allow investment managers to replicate an underlying security they wish to hold (sell) in the portfolio. Rights and warrants provide the holder with the right, but not the obligation, to buy or sell a company's stock at a predetermined price. Rights usually expire after a few weeks and warrants can expire from one to several years.

At June 30, 2012, investment derivatives are reported as investments in the Statement of Fiduciary Net Assets. The change in fair value of derivative investments is included in investment income on the Statement of Changes in Fiduciary Net Assets. Following are summaries of investment derivatives held at each agency at June 30, 2012:

ISBI

| Investment Derivatives | Fair Value at June 30, 2012 | Change in Fair Value | Notional* |
|------------------------|-----------------------------|----------------------|-------------------|
| Currency Forwards | \$ (44) | \$ (1,694) | N/A |
| Futures | N/A | N/A | \$ (16,717) |
| Options | 2,811 | 2,744 | 27 |
| Rights | 30 | (167) | 153 |
| Warrants | 68,677 | (9,022) | 7,664 |
| Grand Totals | \$ 71,474 | \$ (8,139) | \$ (8,873) |

* Notional amounts represent financial exposure to these instruments in U.S. dollars.

TRS

| Investment Derivatives | Fair Value at June 30, 2012 | Change in Fair Value | Notional* |
|---|-----------------------------|----------------------|---------------------|
| Rights | \$ 384 | \$ 531 | \$ 1,123 |
| Warrants | 4,395 | (918) | 700 |
| Currency Forwards | | | |
| Purchases | 1,979,648 | | |
| Sales | (1,964,297) | | |
| | <u>15,351</u> | <u>35,695</u> | <u>-</u> |
| Futures** | | | |
| U.S. Stock Index Futures Long | - | (767) | 52,395 |
| U.S. Stock Index Futures Short | - | (991) | - |
| Fixed Income Futures Long | - | 24,464 | 483,319 |
| Fixed Income Futures Short | - | (12,114) | (159,965) |
| Commodity Futures Long | - | (6,214) | 21,478 |
| Commodity Futures Short | - | 2,696 | - |
| | <u>-</u> | <u>7,074</u> | <u>397,227</u> |
| Options** | | | |
| U.S. Equity Put Index Options Purchased | 881 | (10,943) | 5,445 |
| U.S. Equity Put Index Options Written | (54) | 2,812 | 1,624 |
| Currency Forward Put Options Purchased | 936 | (2,265) | 7,810 |
| Currency Forward Put Options Written | - | 109 | - |
| Currency Forward Call Options Purchased | 129 | 209 | 2,454 |
| Currency Forward Call Options Written | (1) | 42 | 52 |
| Inflation Put Options Written | (37) | 28 | 22,600 |
| Options on Futures Bought | 121 | (3,132) | 13,236 |
| Options on Futures Written | (91) | 1,927 | 19,612 |
| | <u>1,884</u> | <u>(11,213)</u> | <u>72,833</u> |
| Swaptions | | | |
| Swaptions Bought | 3,699 | (3,684) | 21,572 |
| Swaptions Written | (2,731) | 5,207 | 40,081 |
| | <u>968</u> | <u>1,523</u> | <u>61,653</u> |
| Credit Default Swaps | | | |
| Credit Default Swaps Buying Protection | 2,502 | (1,778) | 266,705 |
| Credit Default Swaps Selling Protection | 643 | (12,443) | 339,862 |
| | <u>3,145</u> | <u>(14,221)</u> | <u>606,567</u> |
| Interest Rate Swaps | | | |
| Pay Fixed Interest Rate Swaps | (164) | (18,874) | 6,751 |
| Receive Fixed Interest Rate Swaps | 1,462 | 7,083 | 51,864 |
| | <u>1,298</u> | <u>(11,791)</u> | <u>58,615</u> |
| Inflation-linked Swaps | | | |
| Receive Fixed Inflation Swaps | 2 | 2 | 1,102 |
| Grand Totals | \$ 27,427 | \$ 6,682 | \$ 1,199,820 |

* Notional amounts represent financial exposure to these instruments in U.S. dollars.
** Notional values do not represent actual values in the Statement of Fiduciary Net Assets.

Interest rate risk for derivative securities is disclosed in Note 3. Both interest rate and inflation rate swaps have fair values that are sensitive to interest rate changes. TRS had the following interest rate and inflation swaps at June 30, 2012.

| Asset Description | Par | Gross Notional* | TRS Receives | TRS Pays | Maturity Date | Fair Value June 30, 2012 |
|---|--------|------------------|-----------------|--|-------------------|--------------------------|
| Pay Fixed Interest | | | | | | |
| Rate Swaps | | | | | | |
| United States Dollar | 2,500 | \$ 2,500 | 3 mo. LIBOR | 2.75% | 6/20/2042 | \$ (132) |
| British Pound Sterling | 2,700 | 4,251 | 6 mo. LIBOR | 3.00% | 3/21/2042 | (32) |
| | | <u>\$ 6,751</u> | | | | <u>\$ (164)</u> |
| Receive Fixed Interest | | | | | | |
| Rate Swaps | | | | | | |
| Mexican Peso | 55,600 | \$ 4,182 | 5.50% to 6.35% | 4 wk. Mexican TIE [^] | 9/6/2016-6/2/2021 | \$ 41 |
| Australian Dollar | 10,200 | 10,488 | 4.00% to 4.25% | 6 mo. Australian Bank Bill | 3/15/2023 | 32 |
| British Pound Sterling | 5,500 | 9,024 | 2.50% | 6 mo. LIBOR ^{^^} | 3/21/2022 | 338 |
| United States Dollar | 2,000 | 2,008 | 1.50% | 3 mo. LIBOR ^{^^} | 3/18/2016 | 8 |
| Brazilian Real | 50,700 | 26,162 | 9.97% to 11.94% | 3 mo. Brazilian CDI ^{^^^} | 1/2/2014-1/2/2015 | 1,043 |
| | | <u>\$ 51,864</u> | | | | <u>\$ 1,462</u> |
| Receive Fixed Inflation | | | | | | |
| Linked Swaps | | | | | | |
| United States Dollar | 1,100 | \$ 1,102 | 1.50% | U.S. CPI ^{^^^} URNSA ^{^^^} | 11/2/2012 | \$ 2 |
| * Includes income/accrued payable amounts | | | | | | |
| [^] TIE - Mexico Interbank Equilibrium Interest Rate | | | | | | |
| ^{^^} LIBOR - London Interbank Offered Rate | | | | | | |
| ^{^^^} CDI - Cetip Interbank Deposit (interbank lending rate) | | | | | | |
| ^{^^^} CPI - Consumer Price Index | | | | | | |
| ^{^^^} URNSA - Urban Consumers NSA Index Rate | | | | | | |

SURS

| Investment Derivatives | Fair Value at June 30, 2012 | Changes in Fair Value | Notional* |
|--------------------------------|-----------------------------|-----------------------|---------------------|
| Rights and Warrants | \$ 149 | \$ (4,948) | \$ 458 |
| Currency Forwards | | | |
| Purchases | 1,957 | (1,736) | |
| Sales | (2,532) | 1,771 | |
| | <u>(575)</u> | <u>35</u> | <u>-</u> |
| Futures | | | |
| Equity Derivatives Long | 5,540 | 2,620 | 210,230 |
| Fixed Income Long | (90) | (227) | 151,475 |
| Fixed Income Short | 44 | 24 | (5,080) |
| | <u>5,494</u> | <u>2,417</u> | <u>356,625</u> |
| Options | | | |
| Fixed Income Call | (172) | 69 | (53,800) |
| Fixed Income Put | (17) | 2,002 | (7,900) |
| Cash and Cash Equivalents Call | - | 24 | - |
| Cash and Cash Equivalents Put | 53 | 59 | 3,934 |
| | <u>(136)</u> | <u>2,154</u> | <u>(57,766)</u> |
| Swaptions | | | |
| Call | (1,217) | (875) | (84,100) |
| Put | 74 | 231 | (519,892) |
| | <u>(1,143)</u> | <u>(644)</u> | <u>(603,992)</u> |
| Swaps | | | |
| Credit Default | | | |
| Buying Protection | 9,768 | 5,226 | 629,777 |
| Selling Protection | 781 | (2,278) | 355,895 |
| | <u>10,549</u> | <u>2,948</u> | <u>985,672</u> |
| Inflation-linked Swaps | | | |
| Total Return | 772 | (943) | 17 |
| Pay Fixed Interest Rate | (3,694) | 7,885 | 91,500 |
| Receive Fixed Interest Rate | 3,826 | 1,438 | 315,658 |
| | <u>11,453</u> | <u>11,328</u> | <u>1,392,847</u> |
| Grand Totals | <u>\$ 15,242</u> | <u>\$ 10,342</u> | <u>\$ 1,088,172</u> |

* Notional amounts represent financial exposure to these instruments in U.S. dollars.

Interest rate risk for derivative securities is disclosed in Note 3. Both interest rate and inflation rate swaps have fair values that are sensitive to interest rate changes. SURS had the following interest rate and inflation swaps at June 30, 2012.

Table 14-7 (amounts expressed in thousands)
SURS Interest Rate Swaps

| Pay Fixed / Receive Fixed | Notional Amount | SURS Rate | Counterparty Rate | Fair Value June 30, 2012 |
|------------------------------|--------------------|----------------|----------------------|-----------------------------|
| pay fixed | \$ 91,500 | 2.0% to 2.75% | 3 mo. LIBOR ^ | \$ (3,694) |
| receive fixed | \$ 108,820 | 3 mo. LIBOR ^ | 2.0% to 5.0% | \$ (25,617) |
| receive fixed | 57,900 | Daily CDI ^^ | 9.97% to 10.58% | 17,631 |
| receive fixed | 3,300 | 3 mo. CDOR ^^ | 2.0% to 6.2% | (276) |
| receive fixed | 118,373 | 6 mo. EURIB ^^ | 2.5% to 3.5% | 11,758 |
| receive fixed | 12,544 | 28 day TIIE ^^ | 5.5% to 5.6% | (1,258) |
| receive fixed | 14,721 | 6 mo. BBSW ^^ | 3.75% | 1,588 |
| | <u>\$ 315,658</u> | | | <u>\$ 3,826</u> |

^ LIBOR - London Interbank Offered Rate
 ^^ CDI - Cetip Interbank Deposit
 ^^ CDOR - Canadian Dealer Offered Rate
 ^^ EURIB - Euro Interbank Offered Rate
 ^^ TIIE - Mexico Interbank Equilibrium Interest Rate
 ^^ BBSW - Australian Bank Bill Short Term

Credit risk

Credit risk is the possibility that a loss may occur because a party to a transaction fails to perform according to the established terms. In order to eliminate credit risk, all derivative securities of ISBI, TRS, and SURS are done through a clearinghouse which guarantees delivery and accepts the risk of default by either party. Derivatives which are exchange traded are not subject to credit risks. None of the agencies have a policy regarding master netting arrangements.

ISBI: ISBI's derivative investments in forward currency contracts are held with counterparties. The credit ratings and net exposure as of June 30, 2012 for each of the counterparties are as follows:

Table 14-8 (expressed in thousands)

| Moody's Rating | Fair Value | Net Exposure | Percentage of Net Exposure |
|-------------------|---------------|-----------------|----------------------------------|
| Aa3 | \$ 45 | \$ 45 | 11% |
| Aa2 | 47 | 47 | 12% |
| A3 | 85 | 85 | 22% |
| A2 | 65 | 65 | 17% |
| A1 | 3 | 3 | 1% |
| Baa1 | 146 | 146 | 37% |
| | <u>\$ 391</u> | <u>\$ 391</u> | <u>100%</u> |

TRS: Non-exchange traded derivative instruments may expose TRS to credit/counterparty risk. Credit risk is reduced by evaluating the credit quality and operational capabilities of counterparties. Because the counterparty risk of a security will fluctuate with market movements,

all TRS managers using non-exchange traded derivatives operate a collateral call process ensuring full collateralization of its derivatives.

The aggregate fair value of non-exchange traded derivative instruments in asset positions at June 30, 2012 was \$40.472 million, as shown in the table below. This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform as contracted.

Table 14-9 (amounts expressed in thousands)

| <u>Moody's Quality Rating</u> | |
|-------------------------------------|------------------|
| Aaa | \$ 24 |
| Aa1 | 278 |
| Aa2 | 306 |
| Aa3 | 3,314 |
| A1 | 7,100 |
| A2 | 21,652 |
| A3 | 5,256 |
| Baa1 | 2,473 |
| Baa2 | 69 |
| Total subject to credit risk | \$ 40,472 |

Although the derivative instruments held within the TRS investment portfolio are executed with various counterparties, approximately 85 percent of the net market value exposure to credit risk is for non-exchange traded derivative contracts held with seven counterparties.

SURS: The maximum loss that would be recognized at June 30, 2012, if all counterparties fail to perform as contracted is \$48.5 million. This maximum exposure is reduced by \$3.5 million in collateral held and approximately \$38.5 million of liabilities, resulting in \$6.5 million net exposure to credit risk. At June 30, 2012, the counterparties' credit ratings for currency forwards, swaptions and swaps subject to credit risk are as follows:

Table 14-10 (amounts expressed in thousands)

| <u>Quality Rating</u> | <u>Forwards</u> | <u>Swaptions</u> | <u>Swaps</u> | <u>Total</u> |
|-------------------------------------|-----------------|-------------------|------------------|-----------------|
| AA | \$ - | \$ - | \$ 666 | \$ 666 |
| A | - | (1,143) | 7,797 | 6,654 |
| No Rating | (575) | - | 2,990 | 2,415 |
| Total Subject to Credit Risk | \$ (575) | \$ (1,143) | \$ 11,453 | \$ 9,735 |

Hedging Derivatives - Major Component Units

Several component units of the State have entered into various hedging derivative instrument agreements. The agreements are reported in accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The fair value balance of the derivatives, including any change during the fiscal year, is shown on the Statement of Net Assets for Component Units and the Government-wide Statement of Net Assets under deferred outflow of resources and derivative instrument-swap liabilities. Component units with hedging derivative instrument agreements include the Illinois Housing Development Authority ("IHDA"), the Illinois State Toll Highway Authority ("THA") and the University of Illinois ("U of I").

IHDA: The IHDA has one active swap contract, three interest rate caps and one forward (pending) interest rate cap. All are considered cash flow hedges. The objective of the one pay-fixed, receive variable, interest rate swap agreement is to achieve a synthetic fixed interest rate on the underlying bonds at a cost anticipated to be less than the amounts paid had the IHDA issued fixed-rate debt. The fair value of the interest rate swap was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps.

The objective of the four interest rate cap agreements is to establish a maximum debt service which may be paid over the life of the underlying bonds. The notional amount of the swap and rate caps match the principal amount of the associated debt. The Authority's swap and cap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or an anticipated reduction in the associated bonds payable category. The fair value of the interest rate swap and rate caps were estimated using data provided by the counterparties.

THA: The THA has entered into ten separate variable-to-fixed rate interest rate exchange agreements (swaps) in connection with its three variable rate bond issues. One of the swaps associated with the Series 2008 A-2 Bonds was terminated on June 10, 2010 in connection with the Tollway's refunding of a portion of its 2008 Series A-2 Bonds on July 1, 2010. As a result, nine of the ten swaps were outstanding as of December 31, 2011 (THA's fiscal year-end). The objective of the agreements is to obtain a synthetic fixed interest rate on the underlying bonds at a cost anticipated to be less than the amounts paid had the THA issued fixed rate debt. The swaps' fair market values were estimated by the respective counterparties and were confirmed by the THA.

U of I: The U of I has entered into three separate pay-fixed, receive variable interest rate swap agreements in connection with certain bond issues and into one pay-fixed, receive variable interest rate swap in connection with its Certificates of Participation. All are considered cash flow hedges.

The objective of these swaps was to effectively change the U of I's variable interest rate on the debt to a synthetic fixed rate. The notional amount of the interest rate swaps on the bonds is equal to the par amount of the related bonds, except for Health Services Facilities System Revenue Bonds Series 2008, of which \$330 thousand is not covered by the swap agreement. The notional amount of the interest rate swap for the Certificates of Participation is equal to the par amount of the related Certificates of Participation. All of the swap agreements were entered at the same time as the related debt was issued and terminate with maturity. No cash was paid or received when the original swap agreements were entered into. The U of I engaged a third-party consultant to calculate the market value of each swap transaction.

In 2008, the U of I entered into a novation agreement which terminated the HSFS Series 2008 interest rate swap agreement with Lehman Brothers Commercial Bank ("LBCB") and entered into a new interest rate swap agreement with Loop Financial Products I LLC ("Loop") with the same terms and conditions present in the original agreement. In fiscal year 2009, the U of I recorded \$3.665 million as a liability representing the mark-to-market value of the swap at the date the transaction was negotiated between LBCB and Loop. The unamortized balance of the financing payable under the swap agreement was \$3.240 million at June 30, 2011.

During fiscal year 2012, the U of I adopted GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*, an amendment of GASB Statement No. 53. Implementation of the pronouncement required the U of I to eliminate the accounting treatment previously applied when the event occurred through a retroactive adjustment to beginning net assets. The U of I recorded an effect of change in accounting principal to beginning net assets of \$2.046 million consisting of a retroactive adjustment of \$3.240 million, representing the elimination of the unamortized financing payable which was recognized when the interest rate swap agreement novated from LCB to Loop in fiscal year 2009 offset by a retroactive adjustment of \$1.194 million. The \$1.194 million adjustment represents the re-establishment of the difference between the deferred outflow of resources and derivative instrument-swap liability due to the interest rate swap agreement being disassociated with the Variable Rate Demand Health Services Facilities System Revenue Bonds, Series 2007, due to its refunding in fiscal year 2008.

The following table displays the terms of the various hedging derivative instruments of the major component units outstanding at June 30, 2012 (except for the THA, for which the fiscal year end is December 31, 2011), along with the credit rating of the associated counterparty.

THA: At December 31, 2011 (THA's fiscal year-end), THA was not exposed to credit risk because of the negative fair values of the swaps. If changes in interest rates were to create positive market values for the swaps in the future, the THA would be exposed to credit risk in the amount of those positive fair values. The swaps require full collateralization from the counterparty of any positive fair value of the swaps in the event a counterparty's credit rating falls below a Standard & Poor's rating of A- or a Moody's Investor Services' rating of A3. The swaps require such collateral to be held by a third party custodian in the form of cash, debt obligations issued by the U.S. Treasury or debt issued by federally sponsored agencies. The nine swaps outstanding at December 31, 2011 are with eight different counterparties from seven different financial firms. The counterparty with the largest notional amount holds 28% of the total notional amount of the outstanding swaps. THA does not have a policy regarding master netting arrangements.

U of I: As of June 30, 2012 the U of I was not exposed to credit risk because its swaps had a negative fair value. If interest rates change and the fair value of the swaps become positive, the U of I would be exposed to credit risk in the amount of the derivatives' fair values. Since they are negative numbers, they represent an approximation of the amount of money the U of I may have to pay a swap provider to terminate the swap. The counterparty may have to post collateral in the U of I's favor in certain conditions, and the U of I would never be required to post collateral in the counterparty's favor. At June 30, 2012, one counterparty held 70%, another held 18%, and a third held 12% of the total notional amount of the outstanding swaps. U of I does not have a policy regarding master netting arrangements.

Interest rate risk

IHDA: Because interest rates have declined since the implementation of the swap agreement, it had a negative fair value as of June 30, 2012. The negative fair value may be countered by reductions in total interest payments required under the variable-rate bonds, creating lower synthetic interest rates. Because the coupons on the IHDA's variable rate bonds adjust to changing interest rates, the bonds do not have corresponding fair value changes.

THA: Low interest rates contributed to the negative market valuations at December 31, 2011. At the time of the swaps, the synthetic fixed rates achieved by the swaps were less than the fixed rates that could have been achieved by issuing fixed rate bonds.

U of I: During fiscal year 2012, declining interest rates exposed the U of I to interest rate risk, which adversely affected the fair values of the swap agreements.

Basis risk

IHDA: Basis risk on a swap occurs when the variable payment received is based on an index other than the index on the underlying bonds. IHDA believes its swap agreement has been structured to minimize or eliminate this risk.

THA: The THA has implemented a strategy on the swaps associated with the Series 1998B, Series 2007 A-1, Series 2007 A-2, Series 2008 A-1, and Series 2008 A-2 bonds, which was designed to provide a synthetic fixed rate below the traditional fixed interest rate available at the time of the financings, producing interest rate savings to the THA. The swaps expose the THA to basis risk should the variable interest rate on the bonds and the SIFMA Index diverge. If an unfavorable divergence occurs, the expected cost savings may not be realized. As of December 31, 2011 (THA's fiscal year-end), the SIFMA rate in effect for the swaps was 0.18%.

U of I Bonds: The swaps expose the U of I to basis risk should the relationship between LIBOR and the variable weekly rate determined by remarketing agents change, changing the synthetic rate on the bonds. If a change occurs that results in the difference in rates widening, the expected cost savings may not be realized.

U of I Certificates of Participation: Starting in fiscal year 2006, the notional value of the swap and the principal amount of the associated Certificates began to decline. Conversely, the Certificates' variable interest rates are expected to approximate SIFMA. For fiscal year 2012, the Certificates' average variable interest rate was the same as SIFMA. The swap exposes the U of I to basis risk should the relationship between SIFMA and the variable weekly rate determined by remarketing agents converge, changing the synthetic rate on the bonds. If a change occurs that results in the rates widening, the expected cost savings may not be realized.

Termination risk

IHDA: IHDA or the counterparty may terminate the swap agreement if the other party fails to perform under the terms of the agreement. If a swap is insured, a termination event occurs if the insurer fails to meet the obligations under the agreement.

THA: The THA or the counterparties may terminate any of the swaps if the other party fails to perform under terms of the swaps. If a swap were terminated, the associated variable rate bonds would no longer carry synthetic fixed interest rates. In addition, if the swap has a negative market value at the time of termination, the THA would be liable to the counterparty for a payment equal to the swap's market value.

U of I: The U of I has the option to terminate any of its swaps early. The U of I or the counterparties may terminate a swap if the other party fails to perform under the terms of the contract. The U of I may terminate a swap if both credit ratings of the counterparties fall below BBB+ as issued by Standard & Poor's and Baa1 as issued by Moody's Investors Services. If a swap is terminated, the variable-rate debt would no longer carry a synthetic fixed interest rate. In addition, if at the time of termination, a swap has a negative fair value, the U of I would be liable to the counterparties for a payment equal to the swap's fair value.

Rollover risk

IHDA: IHDA is not exposed to rollover risk on its swap agreement. IHDA is exposed to rollover risk on hedging derivative instruments that are hedges of debt that mature or may be terminated prior to the maturity of the hedged debt. When these hedging derivative instruments terminate, IHDA will be re-exposed to the risks being hedged by the hedging derivative instrument. IHDA is exposed to rollover risk on the caps which have termination dates that occur prior to the maturity of the related bonds.

THA: THA is not exposed to rollover risk, as all swap agreements are for periods that match the maturities of the related bonds.

U of I: The U of I is not exposed to rollover risk on its swap agreements since the swap agreements extend to the maturity of the related debt.

As of June 30, 2012, (except for the THA which is as of December 31, 2011), debt service requirements of outstanding variable rate debt and net swap payments, assuming current interest rates remain the same, for their terms are as follows:

Table 14-12 (amounts expressed in thousands)

**Swap Payments and Associated Debt
Variable Rate Debt****Major Component Units**

| Year Ending June 30 | Illinois Housing Development Authority | | | | Illinois State Toll Highway Authority | | | |
|------------------------|--|-----------------|-----------------|------------------|---------------------------------------|------------------|-------------------|---------------------|
| | Principal | Interest | Swaps, Net | Total | Principal | Interest | Swaps, Net | Total |
| 2013 | \$ 1,845 | \$ 176 | \$ 597 | \$ 2,618 | \$ - | \$ 1,411 | \$ 49,838 | \$ 51,249 |
| 2014 | 1,950 | 172 | 597 | 2,719 | - | 1,411 | 49,838 | 51,249 |
| 2015 | 2,060 | 167 | 598 | 2,825 | - | 1,411 | 49,838 | 51,249 |
| 2016 | 3,070 | 164 | 598 | 3,832 | - | 1,411 | 49,838 | 51,249 |
| 2017 | 4,290 | 150 | 508 | 4,948 | 53,900 | 1,303 | 47,614 | 102,817 |
| 2018-2022 | 19,935 | 497 | 837 | 21,269 | 79,450 | 5,793 | 222,882 | 308,125 |
| 2023-2027 | 24,260 | 268 | - | 24,528 | 349,125 | 5,231 | 202,019 | 556,375 |
| 2028-2032 | 5,415 | 58 | - | 5,473 | 819,500 | 1,603 | 62,053 | 883,156 |
| 2033-2037 | 2,060 | 26 | - | 2,086 | - | - | - | - |
| 2038-2042 | 1,360 | 8 | - | 1,368 | - | - | - | - |
| Total | \$ 66,245 | \$ 1,686 | \$ 3,735 | \$ 71,666 | \$ 1,301,975 | \$ 19,574 | \$ 733,920 | \$ 2,055,469 |

| Year Ending June 30 | University of Illinois-Revenue Bonds | | | | University of Illinois-Certificates of Participation | | | |
|------------------------|--------------------------------------|-----------------|------------------|-------------------|--|---------------|-----------------|-------------------|
| | Principal | Interest | Swaps, Net | Total | Principal | Interest | Swaps, Net | Total |
| 2013 | \$ 4,315 | \$ 163 | \$ 3,344 | \$ 7,822 | \$ 125,280 | \$ 401 | \$ 4,706 | \$ 130,387 |
| 2014 | 6,530 | 155 | 3,152 | 9,837 | - | - | - | - |
| 2015 | 6,830 | 144 | 2,904 | 9,878 | - | - | - | - |
| 2016 | 7,050 | 133 | 2,646 | 9,829 | - | - | - | - |
| 2017 | 7,735 | 120 | 2,371 | 10,226 | - | - | - | - |
| 2018-2022 | 45,195 | 386 | 7,103 | 52,684 | - | - | - | - |
| 2023-2027 | 15,855 | 88 | 1,251 | 17,194 | - | - | - | - |
| Total | \$ 93,510 | \$ 1,189 | \$ 22,771 | \$ 117,470 | \$ 125,280 | \$ 401 | \$ 4,706 | \$ 130,387 |

As rates vary, variable rate bond interest payments and net swap payments will vary.

15 REFUNDINGS OF LONG-TERM OBLIGATIONS

A. Advance Refundings

During the year ended June 30, 2012, the State and the University of Illinois, a major component unit, issued advanced refunding debt to lower interest rates. These revenue bonds were issued to refund portions of earlier bond issuances. The principal of the refunded debt of the State will be redeemed on various dates through 2014 at a redemption price of 100%. At June 30, 2012, the outstanding balance of the State's defeased debt was \$973.3 million. The principal of the refunded debt of the University of Illinois will be redeemed on various dates through 2013 at a redemption price of 100%. At June 30, 2012, the outstanding balance of the defeased debt was \$14.1 million.

Proceeds from the bond sales were placed in irrevocable trusts that are used to service the debt requirements of the old debt until redemption. As a result, the refunded bonds are considered to be defeased and the liability for the debt has been removed from the financial statements of the State and of the University of Illinois, respectively.

Advance refunding issued during fiscal year 2012 was as follows:

Table 15-1 (amounts expressed in thousands)

| | Par Value of Refunding Issue | Refunding Issue Interest Rates | Par Value of Bonds Refunded | Interest Rates of Bonds Refunded | Debt Service Decreased by Refunding | Refunding Economic Gain (Loss) | Accounting Gain/(Loss) |
|--------------------------------|------------------------------|--------------------------------|-----------------------------|----------------------------------|-------------------------------------|--------------------------------|------------------------|
| Primary Government | | | | | | | |
| Governmental Activities | | | | | | | |
| General Obligation Bonds: | | | | | | | |
| Series 2012 (May) | \$ 1,797,740 | 1.6% to 5.0% | \$ 1,857,790 | 3.5% to 5.375% | \$ 225,201 | \$ 156,895 | \$ (39,422) |
| Major Component Units | | | | | | | |
| University of Illinois | | | | | | | |
| AFS Series 2011 A (July) | \$ 81,970 | 3.0% to 5.5% | \$ 13,790 | 4.6% to 5.25% | \$ 1,284 | \$ 907 | \$ (430) |
| AFS Series 2011 B (July) | 10,875 | 2.105% to 4.517% | 10,435 | 6.41% to 7.0% | 1,851 | 1,499 | (305) |
| AFS Series 2011 C (Jan) | 71,900 | 2.0% to 5.0% | 71,030 | 5.0% to 5.25% | 9,971 | 7,452 | 102 |
| | <u>\$ 164,745</u> | | <u>\$ 95,255</u> | | <u>\$ 13,106</u> | <u>\$ 9,858</u> | <u>\$ (633)</u> |

B. Prior Year Refundings

In prior years, the State defeased certain callable maturities of general obligation, special obligation, and revenue bonds and certificates of participation by placing the proceeds of new debt in an irrevocable trust to provide for all future debt service payments on the old debt. Accordingly, the trust account assets and the liability for the defeased debt are not included in the State’s financial statements. At June 30, 2012, the outstanding balances of prior year defeased debt were as follows (except for the State Toll Highway Authority, which is as of December 31, 2011):

Table 15-2 (amounts expressed in thousands)

| | Primary Government | Major Component Units | | |
|--------------------------|-------------------------|--|---------------------------------------|---------------------------|
| | Governmental Activities | Illinois Housing Development Authority | Illinois State Toll Highway Authority | Illinois State University |
| General obligation bonds | \$ 198,725 | \$ - | \$ - | \$ - |
| Special obligation bonds | 109,970 | - | - | - |
| Revenue bonds | - | 24,330 | 708,340 | 7,917 |
| | <u>\$ 308,695</u> | <u>\$ 24,330</u> | <u>\$ 708,340</u> | <u>\$ 7,917</u> |

16 RETIREMENT SYSTEMS

Plan Descriptions. The State of Illinois sponsors five public employee retirement systems that are included in the State’s financial statements as pension trust funds.

The General Assembly Retirement System (“GARS”), Judges’ Retirement System (“JRS”), and State Employees’ Retirement System (“SERS”) are the administrators of single-employer defined benefit pension plans. The GARS, JRS, and SERS are governed by articles 2, 18, and 14, respectively, of the Illinois Pension Code (40 ILCS 5/1, et. al.).

The Teachers' Retirement System ("TRS") is the administrator of a cost-sharing multiple-employer public employee defined benefit pension plan with a "special funding situation" as described below. It provides coverage to teachers employed by public school districts in Illinois (excluding Chicago) even though most covered employees are not State employees. There are 864 local school districts, 138 special districts, and 22 other State agencies that contribute to the TRS plan.

The State Universities Retirement System ("SURS") is the administrator of a cost-sharing multiple-employer public employee defined benefit pension plan and a defined contribution plan with a "special funding situation" as described below. The SURS provides coverage to faculty and staff of State universities, community colleges, and related agencies, of which some covered employees are not State employees. There are 9 universities, 39 community college districts, and 15 other State agencies that contribute to the SURS plan.

The State of Illinois is legally mandated to make contributions to the TRS and SURS. Because the State contributes most of the TRS and SURS employer contributions, the single employer provisions of GASB Statement No. 27 have been followed for reporting those systems in the statewide CAFR. The TRS and SURS are governed by articles 16 and 15, respectively, of the Illinois Pension Code.

Effective January 1, 1998, legislation established an alternative defined benefit program known as the Portable Benefit Option Plan within the SURS. This option is offered in addition to the existing traditional benefit option. All members who are eligible for the traditional benefit option are eligible for the portable option. New and existing members are provided a window period in which to make an irrevocable election. The portable option provides an enhanced refund at termination for those who leave SURS with at least five years of service. Offsetting this additional cost is the elimination of the survivor benefit package. This program is designed to be cost-neutral in relation to the traditional option. Approximately 19 thousand of the approximately 81 thousand members have chosen this option.

Legislation, effective January 1, 1998, also required the SURS to offer a Self-Managed Plan. This is a defined contribution plan and is offered to employees of all SURS employers who elect to participate. All but two SURS employers participate in the Self-Managed Plan. The Self-Managed Plan is a qualified money purchase plan under Section 401(a) of the Internal Revenue Code. The assets are maintained under a trust administered by the SURS Board of Trustees in accordance with the Illinois Pension Code. Approximately 10 thousand of the approximately 81 thousand active members have chosen this option. \$1,043 billion of the \$14.748 billion total net assets relate to the Self-Managed Plan. Plan member contributions were \$54.122 million and the State contributions, along with employer consisting of grant reimbursements, were \$45.924 million for the year ended June 30, 2012.

Public Act 96-0889, effective April 14, 2010, created a "second-tier" of benefits for future members of SERS hired after December 31, 2010. This new legislation changed the eligibility for normal retirement benefits to age 67 with 10 years of service. A member can retire at age 62 with 10 years of service, but with a reduction in benefits of one-half of 1% per month for each month the member's age is under 67. Under this second-tier, the retirement benefit is calculated on a maximum final average compensation of \$106,800. This amount increases annually by 3% or one-half of the Consumer Price Index, whichever is less. The new plan also stops compounding annual cost of living increases. The original retirement benefit increases annually by 3% or one-half of the Consumer Price Index, whichever is less. Participation in the "alternative formula," which provides enhanced benefits for members in high-risk state jobs, is reduced and restrictions

on retired SERS members who go to work full-time for an employer covered by a reciprocal pension system are tightened. Under these new restrictions, pension payments would be suspended during this time. The second-tier increases the number of months used to calculate the final average rate of pay to the highest 96 months of the last ten years of service and increases the surviving spouse annuity to 66 2/3% of what the deceased member had been receiving.

This same public act also created a “second-tier” of benefits for future members of GARS and JRS hired after December 31, 2010. This legislation changes the eligibility for normal retirement benefits to age 67 with 8 years of service. A member could retire at age 62 with 8 years of service, but with a reduction in benefits of one-half of 1% per month for each month that the member’s age is under 67. Under this second-tier, the retirement benefit is calculated on a maximum final average compensation that shall not exceed the Social Security Covered Wage Base for 2010, and shall automatically be increased or decreased, as applicable, by a percentage equal to the percentage change in the Consumer Price Index during the preceding year. The retirement benefit increases annually by 3% or the annual change in the Consumer Price Index, whichever is less. All other benefit changes for second-tier members of GARS and JRS are the same as those of SERS members.

Each of the five State-sponsored retirement systems provide retirement, death, and disability benefits to members and beneficiaries. Each plan also issues a publicly available financial report that includes financial statements and required supplementary information for that plan. Those reports may be obtained by writing or calling the plan as follows:

- General Assembly Retirement System and Judges’ Retirement System, 2101 South Veterans Parkway, PO Box 19255, Springfield, Illinois, 62794-9255, (217) 782-8500.
- State Employees’ Retirement System, 2101 South Veterans Parkway, PO Box 19255, Springfield, Illinois, 62794-9255, (217) 785-2340.
- Teachers’ Retirement System, 2815 West Washington Street, PO Box 19253, Springfield, Illinois, 62794-9253, (217) 753-0311.
- State Universities Retirement System, 1901 Fox Drive, Champaign, Illinois, 61820-7333, (217) 378-8800.

Funding Policy and Annual Pension Cost. Member contributions are based on fixed percentages set by statute ranging from 4.0% to 12.5%. The State’s funding requirements have been established by statute (Public Act 88-593) effective July 1, 1995 and provide for a systematic 50-year funding plan with an ultimate goal to achieve “90% funding” of the systems’ 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. However, Public Act 94-0004 decreased the required funding levels for fiscal years 2006 and 2007 to \$938.400 million and \$1.375 billion, respectively, and required the State’s contribution to increase in equal annual increments from fiscal years 2008 to 2010, so that by fiscal year 2011, the State would be contributing at the rate otherwise required by State law. Pursuant to Public Act 93-0002, the State issued general obligation bonds, the proceeds of which were used to fund \$300 million of the State’s fiscal year 2003 required annual statutory contribution and \$1.860 billion of the State’s fiscal year 2004 required annual statutory contribution, as well as to contribute \$7.317 billion to the retirement systems in fiscal year 2004 to fund a portion of the State’s unfunded liability. In fiscal year 2010, pursuant to Public Act 96-0043, the State made contributions from general obligation bond proceeds of \$3.452 billion to the retirement systems to fund a portion of the State’s required annual statutory contribution. In fiscal year 2011, pursuant to Public Act 96-1497, the State made

contributions from general obligation bond proceeds of \$3.684 billion to the retirement systems to fund a portion of the State's required annual statutory contribution. The State met its funding requirement established by *statutory law* for the fiscal year ended June 30, 2012. Actual contributions varied slightly from contributions required by statute mainly because of differences between estimated and actual federal contributions.

The current statutory law includes a "continuing appropriation," which means that the State must automatically provide funding to the pension systems based on actuarial cost requirements and amortization of the unfunded liability without being subject to the General Assembly's appropriation process.

This statutory funding requirement differs significantly from the annual pension cost ("APC") because the statutory plan does not conform to the GASB Statement No. 27 accounting parameters. The State's APC for the current year and related information for each plan is included in Table 16-1.

| | GARS | JRS | SERS | TRS | SURS |
|--|-------------|------------|--------------|---------------|--------------|
| Actuarially required contribution ("ARC") | \$ 13,366 | \$ 110,923 | \$ 1,614,835 | \$ 3,429,945 | \$ 1,443,348 |
| Plus: Interest on net pension obligation ("NPO") | 4,526 | 32,907 | 165,194 | 1,140,592 | 615,438 |
| Adjustment to the ARC | (3,660) | (26,609) | (132,188) | (788,853) | (452,282) |
| Annual pension cost ("APC") | 14,232 | 117,221 | 1,647,841 | 3,781,684 | 1,606,504 |
| Employer contributions | 10,502 | 63,644 | 1,391,416 | 2,558,581 | 985,815 |
| Increase in NPO | 3,730 | 53,577 | 256,425 | 1,223,103 | 620,689 |
| NPO at June 30, 2011 | 64,666 | 470,103 | 2,131,537 | 13,418,725 | 7,941,130 |
| NPO at June 30, 2012 | \$ 68,396 | \$ 523,680 | \$ 2,387,962 | \$ 14,641,828 | \$ 8,561,819 |

The annual pension cost, the percentage of annual pension cost contributed for the year, and the net pension obligation at the end of the year for the current fiscal year and the two preceding fiscal years are presented in Table 16-2.

| | GARS | JRS | SERS | TRS | SURS |
|------------------------------------|-------------|------------|--------------|---------------|--------------|
| Annual Pension Cost ("APC") | | | | | |
| 6/30/2012 | \$ 14,232 | \$ 117,221 | \$ 1,647,841 | \$ 3,781,684 | \$ 1,606,504 |
| 6/30/2011 | \$ 14,527 | \$ 101,273 | \$ 1,326,155 | \$ 3,156,267 | \$ 1,463,948 |
| 6/30/2010 | \$ 13,434 | \$ 96,591 | \$ 1,214,300 | \$ 2,881,902 | \$ 1,213,184 |
| % of APC Contributed | | | | | |
| 6/30/2012 | 73.79% | 54.29% | 84.44% | 67.66% | 61.36% |
| 6/30/2011 | 78.71% | 61.91% | 85.05% | 73.62% | 52.84% |
| 6/30/2010 | 77.50% | 81.28% | 90.22% | 78.07% | 57.42% |
| Net Pension Obligation | | | | | |
| 6/30/2012 | \$ 68,396 | \$ 523,680 | \$ 2,387,962 | \$ 14,641,828 | \$ 8,561,819 |
| 6/30/2011 | \$ 64,666 | \$ 470,103 | \$ 2,131,537 | \$ 13,418,725 | \$ 7,941,130 |
| 6/30/2010 | \$ 61,573 | \$ 431,525 | \$ 1,933,269 | \$ 12,586,127 | \$ 7,250,777 |

Funded Status. The funded status and funding progress of the State's retirement systems is presented in Table 16-3.

Table 16-3 (amounts expressed in thousands)

| Plan | Actuarial Valuation Date | (a) Actuarial Value of Assets | (b) Actuarial Accrued Liability ("AAL") Projected Unit Credit | (c) Unfunded AAL ("UAAL") (b-a) | (d) Funded Ratio (a/b) | (e) Covered Payroll | (f) UAAL as a Percentage of Covered Payroll (c/e) |
|------|--------------------------|----------------------------------|--|------------------------------------|---------------------------|------------------------|--|
| GARS | 6/30/2012 | \$ 56,090 | \$ 303,469 | \$ 247,379 | 18.5% | \$ 15,275 | 1619.5% |
| JRS | 6/30/2012 | \$ 601,220 | \$ 2,021,716 | \$ 1,420,496 | 29.7% | \$ 171,498 | 828.3% |
| SERS | 6/30/2012 | \$ 11,477,264 | \$ 33,091,186 | \$ 21,613,922 | 34.7% | \$ 4,329,084 | 499.3% |
| TRS | 6/30/2012 | \$ 37,945,397 | \$ 90,024,945 | \$ 52,079,548 | 42.1% | \$ 9,321,098 | 558.7% |
| SURS | 6/30/2012 | \$ 13,949,905 | \$ 33,170,216 | \$ 19,220,311 | 42.1% | \$ 3,477,166 | 552.8% |

Actuarial Methods and Assumptions. Actual valuations of an ongoing retirement system involve estimates and calculations of the value of reported amounts and assumptions about the probability of occurrence of events on a long-term perspective. Examples include assumptions about future employment and mortality. Amounts determined regarding the funded status of the retirement systems and the annual required contributions of the State are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress of the State's retirement systems, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of the retirement systems' assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the types of benefits provided and the cost sharing between the employer and plan members at the time of each valuation and do not include the potential effects of legal or contractual funding. Information about actuarial methods and assumptions used in the actuarial valuation of the plan is presented in Table 16-4.

Table 16-4 (amounts expressed in thousands)

| | <u>GARS</u> | <u>JRS</u> | <u>SERS</u> | <u>TRS</u> | <u>SURS</u> |
|--------------------------------------|--|--|---|--|--|
| Required contribution amounts/rates: | | | | | |
| Statutory required contribution * | \$ 10,502 | \$ 63,628 | \$ 1,396,216 | \$ 2,547,803 | \$ 985,815 |
| Members | 11.5% | 11% | 4%-12.5% | 9.4% | 8%-9.5% |
| Actuarial valuation date of the ARC | 6/30/2010 | 6/30/2010 | 6/30/2010 | 6/30/2010 | 6/30/2011 |
| Actuarial valuation date of the UAAL | 6/30/2012 | 6/30/2012 | 6/30/2012 | 6/30/2012 | 6/30/2012 |
| Actuarial cost method | Proj. Unit Credit | Proj. Unit Credit | Proj. Unit Credit | Proj. Unit Credit | Proj. Unit Credit |
| Amortization method | Level % of pay | Level % of pay | Level % of pay | Level % of pay | Level % of pay |
| Remaining amortization period | 30 years - Open | 30 years - Open | 30 years - Open | 30 years - Open | 30 years - Open |
| Asset valuation method | 5-Year Smoothed | 5-Year Smoothed | 5-Year Smoothed | 5-Year Smoothed | 5-Year Smoothed |
| Actuarial assumptions: | | | | | |
| Investment rate of return ** | 8% | 7% | 7.75% | 8.5% | 7.75% |
| Projected salary increases ** | 5% | 5% | 4% - 8.35% | 6% - 11.1%*** | 3.75% - 12% |
| Postretirement benefit increases | | | | | |
| Tier 1 | 3%, compounded | 3%, compounded | 3%, compounded | 3%, compounded | 3%, compounded |
| Tier 2 | Lesser of 3% or annual increase in CPI [^] , compounded | Lesser of 3% or annual increase in CPI [^] , compounded | Lesser of 3% or 1/2 of CPI [^] , on original benefit | Lesser of 3% or 1/2 of CPI [^] , not compounded | Lesser of 3% or 1/2 of CPI [^] , not compounded |
| Inflation rate | 4% | 4% | 3% | 3.5% | 2.75% |

Note: The above actuarial assumptions are the actuarial assumptions used at June 30, 2010, to calculate the ARC for the year ended June 30, 2012. The actuarial assumptions used at June 30, 2012 to calculate the actuarial accrued liability as reported in the required supplementary information were the same except for the following:

| | <u>GARS</u> | <u>JRS</u> | <u>SERS</u> | <u>TRS</u> | <u>SURS</u> |
|----------------------------|-------------|------------|-------------|-----------------|-------------|
| Investment rate of return | 7% | | | 8% | |
| Projected salary increases | 4% | 4% | 4% - 8.87% | 5% - 10.15%**** | |
| Inflation rate | 3% | 3% | | 3.25% | |

[^] Consumer Price Index

* Public Act 88-593 provides for 50-year funding including 15-year phase-in of employer contributions as a percentage of active member payroll increasing until fiscal year 2010, and remaining at that level until fiscal year 2045 until the 90% funded level is achieved. Public Act 94-004 amended Public Act 88-593 by reducing contributions for fiscal years 2006 and 2007 and requiring incremental increases for fiscal years 2008 through 2010 in order that the funded ratio in fiscal year 2011 would not be impacted.

** Includes inflation rate listed

*** Composite, approximately 7.0%

**** Composite, approximately 6.0%

17 POSTEMPLOYMENT BENEFITS

Plan Description. The State Employees Group Insurance Act of 1971 ("Act"), as amended, authorizes the State to provide health, dental, vision, and life insurance benefits for certain retirees and their dependents. Substantially all State and university component unit employees become eligible for these other postemployment benefits ("OPEB") if they eventually become annuitants of one of the State sponsored pension plans. The Department of Healthcare and

Family Services and the Department of Central Management Services administer these benefits for annuitants with the assistance of the public retirement systems sponsored by the State (General Assembly Retirement System, Judges Retirement System, State Employees Retirement System, Teachers’ Retirement System, and the State Universities Retirement System). The portions of the Act related to OPEB establishes a cost-sharing multiple-employer defined benefit OPEB plan with a special funding situation for employees of the State’s component unit universities. The plan does not issue a stand-alone financial report.

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. 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.

Funding Policy and Annual OPEB Cost. In accordance with the Act, the State contributes toward the cost of an annuitant’s coverage under the basic program of group health, dental, and vision benefits an amount equal to five percent of that cost for each full year of creditable service up to a maximum of one hundred percent for an annuitant with twenty or more years of creditable service. For fiscal year 2012, the annual cost of the basic program of group health, dental, and vision benefits before the State’s contribution was \$7,538.40 (\$3,948.72 if Medicare eligible) if the annuitant chose benefits provided by a health maintenance organization and \$10,697.04 (\$4,483.44 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.

For current employees, contributions are dependent upon annual salary and whether or not the employee chooses to receive benefits through a health maintenance organization. Current employee contribution rates to the plan are presented in Table 17-1.

| Table 17-1 | | |
|---|---|---|
| Annual Employee Health, Dental, and Vision Contribution Requirements | | |
| Employee Annual Salary | Benefits Through a Health Maintenance Organization | Benefits Provided Through Other Than a Health Maintenance Organization |
| \$30,200 and below | \$696 | \$996 |
| \$30,201 - \$45,600 | \$756 | \$1,056 |
| \$45,601 - \$60,700 | \$786 | \$1,086 |
| \$60,701 - \$75,900 | \$816 | \$1,116 |
| \$75,901 and above | \$846 | \$1,146 |

The State’s lack of funding requirement differs significantly from the annual OPEB cost (“AOPEBC”) as pay-as-you-go does not conform to the GASB Statement No. 45 accounting parameters. The State’s AOPEBC for the current year and related information is included in Table 17-2.

| | |
|---|---------------------|
| Actuarially required contribution ("ARC") | \$ 2,396,735 |
| Plus: Interest on net other postemployment benefits obligation ("NOPEBO") | 257,236 |
| Adjustment to the ARC | (190,545) |
| Annual other postemployment benefits cost | <u>2,463,426</u> |
| Benefits paid during the year | <u>777,372</u> |
| Increase in NOPEBO | 1,686,054 |
| NOPEBO at June 30, 2011, as restated | 5,614,025 |
| NOPEBO at June 30, 2012 | <u>\$ 7,300,079</u> |

The annual pension cost, the percentage of annual pension cost contributed for the year, and the net pension obligation at the end of the year for the current fiscal year and the two preceding fiscal years are presented in the following Table 17-3.

| | |
|---|--------------|
| Annual Other Postemployment Benefits Cost ("AOPEBC") | |
| 6/30/2012 | \$ 2,463,426 |
| 6/30/2011 | \$ 2,338,779 |
| 6/30/2010 | \$ 1,936,287 |
| % of AOPEBC Contributed | |
| 6/30/2012 | 31.56% |
| 6/30/2011 | 21.43% |
| 6/30/2010 | 27.46% |
| Net Other Postemployment Benefits Obligation | |
| 6/30/2012 | \$ 7,300,079 |
| 6/30/2011, as restated | \$ 5,614,025 |
| 6/30/2010 | \$ 3,878,792 |

Funded Status. The funded status and funding progress of the State’s OPEB is presented in Table 17-4.

| | (a) | (b) | (c) | (d) | (e) | (f) |
|--------------------------|---------------------------|---|-----------------------------|--------------------|-----------------|---|
| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability ("AAL") Projected Unit Credit | Unfunded AAL ("UAAL") (b-a) | Funded Ratio (a/b) | Covered Payroll | UAAL as a Percentage of Covered Payroll (c/e) |
| 6/30/2011 | \$ - | \$ 33,295,354 | \$ 33,295,354 | 0.0% | \$ 7,375,559 | 451.4% |

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates and calculations on the value of reported amounts and assumptions about the probability of occurrence of events on a long-term perspective. Examples include assumptions about future

employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress of the State’s OPEB plan, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the types of benefits provided and the cost sharing between the employer and plan members at the time of each valuation and do not include the potential effects of legal or contractual funding limitations. Information about actuarial methods and assumptions used in the actuarial valuation of the plan is presented in Table 17-5.

| Table 17-5 | |
|--|--|
| Actuarial valuation date of the actuarial required contribution | 6/30/2011 |
| Actuarial valuation date of the unfunded actuarial accrued liability | 6/30/2011 |
| Actuarial cost method | Proj. Unit Credit |
| Amortization method | Level % of pay |
| Remaining amortization period | 30 years. Open |
| Asset valuation method | Fair value |
| Actuarial assumptions: | |
| Investment rate of return * | 4.5% |
| Projected salary increases * | 4.5% |
| Inflation rate | 3.0% |
| Healthcare cost trend rate: | |
| Medical | 9.0% grading down .5% per year over 6 years to 6.0% and in the 7th year grading down .4% to 5.6% |
| Dental | 8.0% grading down .5% per year over 6 years to 5.0% |
| Vision | 6.0% grading down 3.0% with 3.0% for subsequent years |
| * Includes inflation rate listed | |

Plans Administered for Other Governments. The State also administers cost-sharing OPEB plans for teachers at school districts in Illinois (excluding Chicago) and for teachers at community colleges in Illinois. Financial statements for these plans may be obtained from the Department of Healthcare and Family Services (“Department”), 201 South Grand Avenue East, Springfield, Illinois 62763. The State Group Insurance Act of 1971 (“Act”), as amended, establishes the benefits provided to retirees; the rates of contribution for active employees, employers, and the State; and the process, if any, to amend rates of contribution for both plans with a funding policy of pay-as-you-go. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

The Teacher Health Insurance Security Fund was established to provide health insurance for retirees of school districts in Illinois (excluding Chicago) who are annuitants or dependent beneficiaries of the Teachers’ Retirement System (“TRS”). As of June 30, 2012, there were 1,002 school districts participating with 72,324 retirees and dependent beneficiaries receiving

benefits. The Department works in conjunction with the Department of Central Management Services (“CMS”) and TRS to administer this cost-sharing multiple-employer defined benefit OPEB plan. The Act requires every active contributor of TRS and for every employer to make contributions to the plan at rates not to exceed 105% of the previous year. For fiscal year 2012, contributors to TRS contributed .88% of salary and employers contributed .66% of wages. The Act also requires the State to contribute the amount of remaining funds estimated necessary to fund current expenditures as certified by the Director of the Department. At the time of the most recent amendments to the Act, this amount was expected to be approximately .88% of contributors’ wages. The Director of the Department can amend the contribution rates of employers and employees annually subject to a limitation of 5% pursuant to the Act. The amount of the State’s required contribution was \$87.622, \$85.953, and \$79.007 million for fiscal years 2012, 2011, and 2010, respectively.

The Community College Health Insurance Security Fund was established to provide health, vision, and dental insurance for Illinois community college retirees and dependent beneficiaries. As of June 30, 2012, there were 38 community college districts (all of the State’s districts except the City Colleges of Chicago District) and 1 community college association participating with 6,539 retirees and dependent beneficiaries receiving benefits. The Department works in conjunction with CMS and the State Universities Retirement System (“SURS”) to administer this cost-sharing multiple-employer defined benefit OPEB plan. The Act requires every active contributor of SURS who is a full-time employee of a community college district or an association of community college boards to make contributions to the plan at the rate of .5% of wages and every community college district or association of community college boards to contribute to the plan an amount equal to .5% of the wages paid to its full-time employees who are required to contribute to the plan. The State Pension Funds Continuing Appropriation Act (40 ILCS 15/1.4) requires the State to make an annual appropriation to the fund to cover any expected expenditures in excess of the contributions by active employees and employers in an amount certified by the SURS Board of Trustees. The amount of the State’s required contribution and the amount contributed was \$4.396, \$5.237, and \$4.059 million for fiscal years 2012, 2011, and 2010, respectively.

18 FUND DEFICITS/CASH FLOW DEFICITS

Primary Government - Governmental Activities

A. Fund Deficits

Major Governmental Funds

The State’s General Fund, from which a significant portion of day to day operating expenditures are paid, has a GAAP deficit aggregating \$9.133 billion at June 30, 2012. This deficit results from spending in excess of revenues recognized.

Nonmajor Governmental Funds

The Personal Property Tax Replacement Fund of the Department of Revenue and the Transportation Bond Series A Fund of the Department of Transportation have deficits at June 30, 2012, aggregating \$282.689 million and \$11.664 million, respectively, resulting from spending in excess of revenues recognized.

The DCFS Childrens' Services Fund of the Department of Children and Family Services, the Tobacco Settlement Recovery Fund of the Treasurer, the Local Government Tax Fund of the Department of Revenue and the SBE Federal Department of Education Fund of the State Board of Education have deficits at June 30, 2012, aggregating \$59.979 million, \$1.042 billion, \$3.213 million and \$24.460 million, respectively, resulting from the recognition of fund liabilities in excess of accrued revenues on the modified accrual basis.

B. Cash Flow Deficits

As of June 30, 2012, liabilities reported in the financial statements include transactions totaling \$4.475 billion that have been approved for payment by the State, but remained unpaid at year end due to the State's cash flow difficulties. Of this total, \$281.310 million related to intra-governmental transactions and \$1.124 billion related to statutorily mandated transfers, the latter of which would represent noncompliance with State law. The majority of these unpaid transactions were payable from the General Revenue Fund. Payment of these transactions was ultimately made by December 31, 2012.

Fiduciary Funds

Pension (and Other Employee Benefit) Trust Funds

The Teacher Health Insurance Security Fund and the Community College Health Insurance Security Fund of the Department of Healthcare and Family Services have deficits at June 30, 2012, aggregating \$31.196 million and \$37.986 million, respectively, resulting from benefit payments exceeding contributions due to funding based on a pay-as-you-go basis.

19 RISK MANAGEMENT

Primary Government

The State 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 except minimal commercial insurance. There were no significant reductions in insurance coverage from the prior fiscal year. The amount of settlements has not exceeded insurance coverage in the past three fiscal years. In addition, the State is exposed to various risks of loss related to employee health and dental insurance programs as described below.

Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claims liabilities are based upon the estimated ultimate cost of settling the claims including specific, incremental claim adjustment expenses, salvage, and subrogation and considering the effects of inflation and recent claim settlement trends including frequency and amount of payouts and other economic and social factors. Nonincremental claims adjustment expenses have not been included as part of the liability.

The State's risk financing of auto liability has been determined using an estimate of claims outstanding. Matured claims have been recorded as liabilities in the General Fund and Road Fund in the amount of \$2.002 million and \$1.216 million, respectively. The remaining portion of the liability is included in the government-wide financial statements and is expected to be paid

from future resources of the General Fund and Road Fund in the amount of \$2.798 million and \$7.539 million, respectively.

The workers compensation liability has been determined using claims outstanding and a projection of claims to be submitted, based upon prior years' experience of the State. Matured claims have been recorded as a liability in the Workers' Compensation Revolving Fund, an internal service fund, in the amount of \$563.880 million. Payments to the Workers' Compensation Revolving Fund are based on estimates of amounts needed to pay current year claims and are made from the applicable fund that would have paid the salaries and wages of the related employees.

The State uses the Health Insurance Reserve Fund to account for employee health and dental insurance benefit programs, which are partially self-funded. Employees may obtain health care services through participation in the State's group health insurance plan or through membership in one of eight health maintenance organization plans under contract with the State. The State maintains the risk of insurance for employees who participate in the State's group health insurance plan. Expenses and liabilities for claims, which include incurred but not reported or not processed benefit claims, have been recorded as liabilities in the amount of \$666.536 million. Payments to the Health Insurance Reserve Fund are based on estimates of amounts needed to pay prior year unprocessed and current year claims and are made from the applicable fund that paid the salaries and wages of the related employee.

The following is a reconciliation of the State's claims liabilities for the year ended June 30, 2012:

| Year Ended June 30 | Changes in Claims Liability Balances | | | |
|--|--------------------------------------|---|---------------------|---------------------|
| | Beginning Balance | Current Year Claims and Changes in Estimates | Claim Payments | Ending Balance |
| Primary Government-Governmental Activities: | | | | |
| 2011 | | | | |
| Auto Liability | \$ 14,479 | \$ 1,567 | \$ (3,555) | \$ 12,491 |
| Workers' Compensation | 536,937 | 197,484 | (143,126) | 591,295 |
| Health Insurance | 486,301 | 694,125 | (561,635) | 618,791 |
| Total | <u>\$ 1,037,717</u> | <u>\$ 893,176</u> | <u>\$ (708,316)</u> | <u>\$ 1,222,577</u> |
| 2012 | | | | |
| Auto Liability | \$ 12,491 | \$ 4,702 | \$ (3,638) | \$ 13,555 |
| Workers' Compensation | 591,295 | 115,785 | (143,200) | 563,880 |
| Health Insurance | 618,791 | 754,522 | (706,777) | 666,536 |
| Total | <u>\$ 1,222,577</u> | <u>\$ 875,009</u> | <u>\$ (853,615)</u> | <u>\$ 1,243,971</u> |
| Component Units, (Information for the Toll Highway Authority is as of December 31): | | | | |
| 2011 | | | | |
| Toll Highway Authority | \$ 16,023 | \$ 6,065 | \$ (7,022) | \$ 15,066 |
| Southern Illinois University | 18,829 | 11,348 | (11,747) | 18,430 |
| University of Illinois | 206,829 | 75,536 | (37,871) | 244,494 |
| Total | <u>\$ 241,681</u> | <u>\$ 92,949</u> | <u>\$ (56,640)</u> | <u>\$ 277,990</u> |
| 2012 | | | | |
| Toll Highway Authority | \$ 15,066 | \$ 3,572 | \$ (5,260) | \$ 13,378 |
| Southern Illinois University | 18,430 | 13,665 | (9,834) | 22,261 |
| University of Illinois | 244,494 | 60,338 | (59,122) | 245,710 |
| Total | <u>\$ 277,990</u> | <u>\$ 77,575</u> | <u>\$ (74,216)</u> | <u>\$ 281,349</u> |

The State administers a public entity risk pool offering health insurance to local governments in the Local Government Health Insurance Reserve Fund, a nonmajor enterprise fund. The financial statements of the fund can be obtained from the Department of Healthcare and Family Services, 201 South Grand Avenue, Springfield, Illinois, 62763.

Component Units

The Toll Highway Authority, a major component unit, records an accrued self-insurance liability which covers workers' compensation liability and auto liability. The Authority's accrued self-insurance liability was \$13.378 million at December 31, 2011.

Southern Illinois University, a major component unit, records an accrued self-insurance liability which covers general and professional liability and limited student health care liability in excess of costs not covered by other primary provider plans. The University's accrued self-insurance liability was \$22.261 million at June 30, 2012.

The University of Illinois, a major component unit, records an accrued self-insurance liability which covers hospital patient liability, hospital and medical professional liability, estimated general and contract liability, and workers' compensation liability related to employees paid by the University. The University's accrued self-insurance liability was \$245.710 million at June 30, 2012.

Illinois State University, Northern Illinois University, Southern Illinois University, and the University of Illinois have contracted with commercial carriers to provide excess insurance coverage. These coverages have been considered in determining the accrued self-insurance liability, where applicable. There were no settlements which exceeded insurance coverage during the last three years.

The nonmajor component unit universities carry excess general liability coverage. The deductible portion of this coverage is covered by the State University Risk Management Association, a self-insurance pool.

20 COMMITMENTS AND CONTINGENCIES

A. Construction Commitments

The Department of Transportation has outstanding construction commitments for highway improvement programs of \$4.231 billion as of June 30, 2012, which will be financed through State reappropriations. Also, the Capital Development Board has outstanding construction commitments for building and building additions and improvements of \$622.900 million as of June 30, 2012, which will be financed through State reappropriations. The Illinois State Toll Highway Authority, reported on a December 31st year-end, has entered into commitments for road construction of \$84.000 million as of December 31, 2011. Southern Illinois University and the University of Illinois have outstanding construction commitments for various building and building improvement projects of \$76.161 and \$102.606 million respectively as of June 30, 2012.

B. Operating Leases

The State has entered into various operating leases for land, office facilities, office and computer equipment, and other assets. 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 noncancelable leases for financial reporting purposes. Any operating leases with scheduled rent increases are considered immaterial to the future minimum lease payments and current rental expenditures.

Future minimum commitments for non-cancelable operating leases as of June 30, 2012 are as follows:

| Year Ending June 30 | Major Component Units | | | | |
|---------------------------------|-----------------------|--------------------------|---------------------|------------------------|------------------|
| | Primary Government | Housing | Illinois | Northern | University |
| | | Development Authority | State University | Illinois University | of Illinois |
| 2013 | \$ 114,845 | \$ 1,252 | \$ 1,484 | \$ 1,124 | \$ 10,583 |
| 2014 | 94,352 | 1,291 | 1,116 | 913 | 9,035 |
| 2015 | 68,224 | 1,329 | 1,075 | 863 | 6,274 |
| 2016 | 48,302 | 1,365 | 464 | 795 | 4,087 |
| 2017 | 25,553 | 115 | 429 | 699 | 2,894 |
| 2018-2022 | 24,394 | - | 300 | - | 3,336 |
| 2023-2027 | 8,886 | - | - | - | 1 |
| 2028-2032 | 804 | - | - | - | 1 |
| 2033-2037 | - | - | - | - | 1 |
| Total minimum lease payments | <u>\$ 385,360</u> | <u>\$ 5,352</u> | <u>\$ 4,868</u> | <u>\$ 4,394</u> | <u>\$ 36,212</u> |

Rental payments for operating leases charged to operations during the year ended June 30, 2012, aggregated \$271.290 million for the governmental and business-type activities and \$604 thousand for fiduciary funds. Illinois Housing Development Authority, Illinois State University, Northern Illinois University, Southern Illinois University, and the University of Illinois (major component units) had rental payments charged to operations during the year ended June 30, 2012 of \$1.946 million, \$1.512 million, \$1.163 million, \$16.130 million, and \$13.018 million, respectively.

C. Tax Litigation

At June 30, 2012, the State of Illinois has \$217.404 million in payments received related to protested tax cases, which have not been adjudicated. In addition, the State defends many lawsuits challenging reasons for denial of tax refunds in relation to tax payments already received. The ultimate disposition of these protested tax payments received and claims for tax refunds is not determinable at this time.

D. Federal Funding

The State 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, 2012, 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 State believes there will be no material adjustments to the federal grants and, accordingly, has not recorded a provision for possible repayment.

E. Legal Proceedings

In *State of Illinois (Illinois Department of Central Management Services) v. American Federation of State, County, and Municipal Employees, Council 31 ("AFSCME")*, Case No. 11 CH 31591 (Cir. Ct. Cook County), the State sought to vacate and AFSCME sought to confirm an arbitration award for certain fiscal year 2012 wage increases allegedly owed to State employees in bargaining units represented by AFSCME at six State agencies. The State contested the obligation to pay the wage increases on Constitutional and public policy grounds. On December 10, 2012, the Circuit Court of Cook County entered orders confirming in part and vacating in part the arbitration award, finding that the State is liable for the wage increases but that payment of the increases is subject to appropriation. The Court stayed the State's payment and/or disbursement obligation for appropriated amounts to AFSCME or its members pending further order of court (the "December 10, 2012 Order"). The matter is currently pending through cross-appeals before the Appellate Court of Illinois. The Circuit Court lifted the stay to allow the State to use approximately \$39 million in fiscal year 2012 personal services appropriations that were vouchered pursuant to court order before the end of the fiscal year 2012 lapse period and held in a separate State fund to pay the portion of the wage increases for which there was sufficient appropriation. The State intends to pay the \$39 million and has recorded the liability as of June 30, 2012. Dependent on whether, or to what extent, the December 10, 2012 Order finding liability is affirmed or otherwise remains in place with respect to non-appropriated amounts, the estimated remaining possible loss ranges from \$0 to \$64 million.

Several related vacated conviction lawsuits filed against the Illinois State Police allege violations of various state and federal laws. As discovery is just commencing in these cases, the estimated potential range of loss is unknown.

A lawsuit filed by the Chicago Urban League (Chicago Urban League v. Illinois State Board of Education) alleges the State's system of funding public schools violates the Illinois Civil Rights Act of 2003 and various clauses of the Illinois Constitution. The Circuit Court has dismissed all claims in the suit except a claim in relation to the Illinois Civil Rights Act of 2003. The case is in the pre-trial discovery stage.

The State, its units and employees are also party to numerous other legal proceedings, many of which normally recur, in governmental operations. In addition, the State and its units are involved in certain other legal proceedings, which, if decided adversely to the State, may require the State to make material future expenditures for expanded services or capital facilities or may impair future revenue sources. It is neither possible to determine the outcome of these proceedings nor to estimate the possible effects adverse decisions may have on future expenditures or revenue sources.

F. Forward Fixed-Price Energy Contracts

Illinois State University, Southern Illinois University and the University of Illinois have executed forward fixed-price purchase contracts for natural gas and electricity with commitments of \$23.594 million, \$11.500 million and \$45.000 million, respectively, as of June 30, 2012.

G. Illinois Housing Development Authority Bonds ("IHDA")

The IHDA, a component unit of the State, has a portion of its revenue bonds that are moral obligations of the State. In the event that the IHDA determines that funds will not be sufficient for the payment of principal and interest on these bonds, the Chairman of the IHDA shall certify to the Governor as soon as practicable the amount required by the IHDA to enable it to pay such

principal and interest. The Governor shall include the amount so certified in the State budget; however, the General Assembly has no obligation to appropriate funds to the IHDA. As of June 30, 2012, the outstanding balance of bonds which the State is morally obligated to repay is \$314 thousand.

H. Metropolitan Pier and Exposition Authority (“The Authority”)

The Authority, not a part of the State of Illinois reporting entity, is authorized by the Metropolitan Pier and Exposition Authority Act to issue bonds in the principal amount of \$312.5 million, excluding refunding bonds issued after January 1, 1986. These bonds were issued (1) to pay construction costs of completing the McCormick Place expansion, (2) to pay the construction costs of projects authorized by the Illinois General Assembly in the future, (3) to refund any outstanding bonds of the McCormick Place that were issued prior to July 1, 1984, and (4) to provide for the acquisition and improvement of Navy Pier in Chicago. In order to provide funding for the debt service requirements on these bonds, the Illinois General Assembly amended tax laws to provide for 1.75% of total State sales tax revenues, 3% of 94% of total hotel room rental receipts, and \$1.7 million per year out of 7% of State racing tax revenues to be deposited into the Build Illinois Fund, a nonmajor governmental fund. Within the Build Illinois Fund are credits to separate accounts, of which one is the “McCormick Place Account” and has first priority credit of the amounts collected.

The bonds are special obligations of the Authority and are payable from and secured by a pledge of revenues derived from dedicated State taxes, discussed above, imposed and collected by the State of Illinois. For State fiscal years in which these bonds are outstanding, the State shall transfer from the McCormick Place Account in the Build Illinois Fund to the Metropolitan Fair and Exposition Authority Improvement Bond Fund, a nonmajor governmental fund, an amount equal to 150% of the Authority’s certified amount for that fiscal year divided by the number of months during that fiscal year in which bonds of the Authority are outstanding. The maximum amount in any fiscal year shall not exceed \$33.5 million or a lesser sum as is actually necessary and required to pay the debt service requirements for that fiscal year after giving effect to net operating revenues of the Authority available for that purpose as certified by the Authority. During fiscal year 2012, debt service requirements were \$5.122 million. However, the amount paid to the Authority based on their annual certification was \$5.110 million, which is below the authorized amount of \$33.5 million.

The Authority is also authorized to issue an additional \$2.557 billion of bonds, excluding refunding bonds, to finance the McCormick Place expansion and certain other improvements to its facilities and Navy Pier. These bonds are special, limited obligations of the Authority and are payable from and secured by a pledge of revenues derived from Authority taxes and State sales tax deposits. For State fiscal years when these bonds are outstanding, monthly deposits of Authority taxes to the McCormick Place Expansion Project Fund, an agency fund, are required to be made in an amount equal to 1/8 of the annual debt service as specified in the Authority’s Annual Certification plus any prior months’ deficiencies in transfers. To the extent that Authority taxes are not sufficient to satisfy the requirements of the Authority’s Annual Certification, State sales taxes are deposited into the McCormick Place Expansion Project Fund. The maximum amount that can be deposited into the McCormick Place Expansion Project Fund from the State sales taxes shall not exceed, \$153 million in fiscal year 2012, \$161 million in fiscal year 2013, \$170 million in fiscal year 2014, \$179 million in fiscal year 2015, \$189 million in fiscal year 2016, and graduating to \$350 million in fiscal year 2031 until fiscal year 2060. During fiscal year 2012, debt service requirements for these bonds were \$157.983 million. The amount paid to the Authority based on their annual certification was \$126.679 million. During fiscal year 2012,

deposits from the Authority's taxes were not sufficient to pay for the debt service requirements. As a result, \$35.270 million in State sales tax was transferred for deposit into the McCormick Place Expansion Project Fund. In addition, in previous years \$57.2 million in State sales tax was transferred for deposit in the McCormick Place Expansion Project Fund which will be reimbursed beginning in fiscal year 2015.

I. Regional Transportation Authority ("RTA")

The RTA, not a part of the State of Illinois reporting entity, was authorized by the Regional Transportation Authority Act to issue bonds in the principal amount of \$100 million on or after January 1, 1990 with an additional \$100 million per year authorized to be issued on or after January 1st of each year until January 1, 1994, for a total authorization of \$500 million used for Strategic Capital Improvement Projects ("SCIP"). Effective July 1, 1999, Public Act 91-0037 authorized the RTA to issue additional bonds in the principal amount of \$260 million on or after January 1, 2000 with an additional \$260 million per year authorized to be issued on or after January 1st of each year until January 1, 2004 for an additional authorization of \$1,300 million to be used for SCIP. Public Act 91-0037 also authorized the issuance of refunding SCIP bonds. The proceeds of SCIP bonds were used to acquire, repair, or replace public transportation facilities in the metropolitan region as approved by the Governor.

The bonds are general obligations of the RTA to which the full faith and credit of the RTA is pledged. However, for State fiscal years in which the SCIP bonds are outstanding, the State's assistance shall be transferred monthly from the General Fund to the Public Transportation Fund, a nonmajor governmental fund, for payment in an amount equal to the lesser of monthly debt service on the SCIP bonds or one-twelfth of the amount of the State's assistance as provided in the authorization. The authorization currently provides for \$155 million each fiscal year. During fiscal year 2012, the State provided \$130.052 million to the RTA, which is below the authorized amount of \$155 million. Although the amount of the State's assistance is measured by the debt service on the SCIP bonds, the assistance is not pledged for payment of, or security for, the SCIP bonds. The State's assistance is paid directly to the Authority and may be spent by the Authority at its discretion.

J. Illinois Sports Facilities Authority ("ISFA")

The ISFA, not a part of the State of Illinois reporting entity, was authorized by the Illinois Sports Facilities Act to issue bonds and notes in the principal amount not to exceed 1) \$150 million in connection with facilities owned by the ISFA, 2) \$399 million in connection with facilities owned by a governmental owner other than the ISFA, and 3) to refund, advance refund or refinance any of its bonds then outstanding.

The bonds are secured by payments from the Illinois Sports Facilities Fund, a nonmajor governmental fund, from collections of 1) the State's Hotel Operator's Occupation Tax in an amount equal to the applicable advance amount plus \$5 million and 2) the City of Chicago's share of the Local Government Distributive Fund, a nonmajor governmental fund, in the amount of \$5 million. This advance amount is required to be repaid by the ISFA from collections of the ISFA's Hotel Tax to the State's General Fund by the end of the fiscal year. In the event of a deficiency in the Hotel Tax, amounts otherwise payable to the City of Chicago from the Local Government Distributive Fund should be used for the repayment.

Annually, the ISFA is required to certify to the State Comptroller and the State Treasurer their requirements for the next fiscal year. This certification shall be the lesser of 1) the advance amount plus \$10 million and 2) the amount to pay principal and interest and other payments

relating to its obligations issued or to be issued during the fiscal year plus the amount anticipated to pay obligations under provisions of any management agreement with respect to facilities owned by the ISFA or any assistance agreement with respect to any facility for which financial assistance is provided under the Act plus an amount to pay other capital or operating expenses of the ISFA. Pursuant to the certification, the maximum advance amount for fiscal year 2012 was \$38.307 million plus \$10 million for a total of \$48.307 million.

The ISFA's annual certification for fiscal year 2012 was in the amount of \$43.100 million, which is below the maximum amount authorized. Payments related to the annual certification, which are subject to appropriation by the General Assembly, were paid to the ISFA. The ISFA repaid the advance amount by the end of the fiscal year.

In future years, the advance amount increases by 105.615% of the preceding advance amount through fiscal year 2032. Including the additional \$10 million, the maximum which could be certified each year is \$50.458 million in fiscal year 2013, \$52.730 million in fiscal year 2014, \$55.130 million in fiscal year 2015, \$57.665 million in fiscal year 2016, and graduating to \$124.252 million in fiscal year 2032. Of these amounts, only \$5 million per year is the State's share.

K. Southwestern Illinois Development Authority ("SWIDA") Revenue Bonds

The SWIDA, a nonmajor component unit of the State, has issued revenue bonds. The proceeds of these bonds were loaned to several companies for the acquisition of land and construction of various types of facilities. These companies are primarily liable for repayment of the bonds, which are secured by SWIDA loan agreements with the companies. These bonds bear interest at rates ranging from 5% to 9% and mature annually through 2025. The State has accepted a moral obligation to repay the bonds in the event the SWIDA and the companies are unable to meet the bonds' repayment commitments. As of June 30, 2012 the outstanding balance of bonds, which the State is morally obligated to repay, is \$29.093 million.

L. Upper Illinois River Valley Development Authority ("UIRVDA") Revenue Bonds

The UIRVDA, a nonmajor component unit of the State, has issued revenue bonds. The proceeds of these bonds were loaned to various companies to provide permanent financing for the acquisition and construction of various types of facilities. These companies are primarily liable for repayment of the bonds, which are secured by an assignment and a pledge of revenues derived from a separate loan agreement between the UIRVDA and these companies. These bonds mature annually through 2030 and bear interest at rates ranging from 5.90% to 8.85%. The State has accepted a moral obligation to repay the bonds in the event the UIRVDA and the companies are unable to meet the bonds' repayment commitments. At June 30, 2012 the outstanding balance, which the State is morally obligated to repay, is \$18.225 million.

M. Illinois Housing Development Authority Loans

The Illinois Housing Development Authority has entered into commitments aggregating \$49.725 million for the purchase of various home loans as of June 30, 2012.

N. Illinois Finance Authority ("IFA") Revenue Bonds

The IFA, a nonmajor component unit of the State, has a portion of its revenue bonds that are moral obligations of the State. A portion of these bonds were issued on behalf of the Illinois Medical District Commission ("Commission"), a nonmajor component unit of the State, of which

the proceeds were used to finance the costs of the acquisition, construction, renovation, reconstruction, installation, and equipping of certain facilities in the City of Chicago. These bonds bear interest rates ranging from 4.125% to 5.33% and mature on various dates through 2031. The State has accepted a moral obligation to repay the bonds in the event the Commission is unable to meet the bonds' repayment commitments. As of June 30, 2012 the outstanding balance of these bonds, which the State is morally obligated to repay, is \$39.120 million.

In addition, the IFA has issued revenue bonds on-behalf of municipalities as authorized by the Illinois Financially Distressed City Law (65 ILCS 5/8-12-1 et seq.) to assist the City of East St. Louis with its debt restructuring. These bonds bear interest at rates ranging from 3% to 5% and mature annually through 2014. The State has accepted a moral obligation to repay the bonds in the event the City of East St. Louis is unable to meet the bonds' repayment commitments. As of June 30, 2012 the outstanding balance of these bonds, which the State is morally obligated to repay, is \$5.670 million.

21 SEGMENT INFORMATION

Major Component Units

Segments are identifiable activities reported as or within a component unit for which bonds or other debt is outstanding and a revenue stream has been pledged in support of that debt. In addition, to qualify as a segment, an activity must be subject to an external requirement to separately account for the revenues, expenses, gains and losses, assets, and liabilities of the activity. All of the activities reported in the condensed financial information meet these requirements. The following paragraphs describe the various component units' segments.

Southern Illinois University ("SIU")

SIU has issued revenue bonds with the net revenues from two segments pledged to pay the bond interest and principal. The Housing and Auxiliary Facilities System segment is comprised of university owned housing units, student centers, recreation and athletic facilities, and similar auxiliary enterprise units. The Medical Facilities System segment is comprised of clinical facilities used to provide patient care at the School of Medicine in Springfield.

University of Illinois ("U of I")

U of I has issued revenue bonds with the net revenues from two segments pledged to pay the bond interest and principal. The Auxiliary Facilities System segment is comprised of university owned housing units, student unions, recreation and athletic facilities and similar auxiliary service units, including parking. The Health Services Facilities System segment is comprised of the U of I Hospital and associated clinical facilities providing patient care.

The following are the condensed financial statements at June 30, 2012 for the segments described above:

Table 21-1 (amounts expressed in thousands)

| Major Component Units | Southern Illinois University | | University of Illinois | |
|---|---|---------------------------|-----------------------------|-----------------------------------|
| | Housing and Auxiliary Facilities System | Medical Facilities System | Auxiliary Facilities System | Health Services Facilities System |
| Condensed Statement of Net Assets: | | | | |
| Assets and deferred outflow of resources | | | | |
| Current assets | \$ 90,240 | \$ 9,324 | \$ 176,908 | \$ 255,145 |
| Noncurrent assets: | | | | |
| Capital assets, net of accumulated depreciation | 265,059 | 34,804 | 972,276 | 166,019 |
| Other noncurrent assets | 6,334 | 206 | 83,843 | 7,371 |
| Deferred outflow of resources | - | - | - | 6,109 |
| Total assets and deferred outflow of resources | 361,633 | 44,334 | 1,233,027 | 434,644 |
| Liabilities | | | | |
| Current liabilities | 26,782 | 2,882 | 76,565 | 92,230 |
| Noncurrent liabilities | 269,504 | 17,022 | 1,000,527 | 83,192 |
| Total liabilities | 296,286 | 19,904 | 1,077,092 | 175,422 |
| Net Assets | | | | |
| Invested in capital assets, net of related debt | 5,866 | 18,769 | 9,745 | 106,911 |
| Restricted-other expendable purposes | 42,015 | 1,738 | 24,257 | 7,066 |
| Unrestricted | 17,466 | 3,923 | 121,933 | 145,245 |
| Total net assets | \$ 65,347 | \$ 24,430 | \$ 155,935 | \$ 259,222 |
| Condensed Statement of Revenues, Expenses and Changes in Net Assets: | | | | |
| Operating revenues | \$ 108,219 | \$ 41,227 | \$ 321,701 | \$ 585,167 |
| Operating expenses | (100,246) | (56,313) | (261,165) | (710,636) |
| Depreciation expense | (14,237) | (1,277) | (30,673) | (18,931) |
| Operating income (loss) | (6,264) | (16,363) | 29,863 | (144,400) |
| Nonoperating revenues (expenses) | 16,258 | 15,875 | (10,519) | 160,884 |
| Other revenues | 172 | (25) | - | - |
| Increase (decrease) in net assets | 10,166 | (513) | 19,344 | 16,484 |
| Net assets, July 1, 2011 | 55,181 | 24,943 | 136,591 | 242,738 |
| Net assets, June 30, 2012 | \$ 65,347 | \$ 24,430 | \$ 155,935 | \$ 259,222 |

22 SUBSEQUENT EVENTS

A. Debt Issuances

Subsequent to June 30, 2012, the State of Illinois' primary government and its major component units have issued the following debt instruments:

Table 22-1 (amounts expressed in millions)

| Series | Date of Issue | Amount of Issue | Interest Rates | Annual Maturity To |
|--|---------------|-----------------|----------------|--------------------|
| Primary Government: | | | | |
| Governmental Activities: | | | | |
| General obligation bonds: | | | | |
| September, Series 2012 | 9/25/2012 | \$ 50.0 | 3.0%-4.0% | 2022 |
| April, Series 2013 A | 4/10/2013 | \$ 450.0 | 2.0%-5.0% | 2038 |
| April, Taxable Series 2013 B | 4/10/2013 | \$ 350.0 | 1.1%-5.52% | 2038 |
| Special obligation bonds: | | | | |
| May, Taxable Build Illinois Bonds Series 2013 | 5/21/2013 | \$ 300.0 | .75%-3.88% | 2037 |
| Business-type Activities: | | | | |
| Revenue bonds: | | | | |
| Unemployment Insurance Fund Building Revenue Bonds | | | | |
| Series 2012 A | 7/31/2012 | \$ 652.1 | 2.0%-5.0% | 2016 |
| Series 2012 B | 7/31/2012 | \$ 707.9 | 4.0%-5.0% | 2020 |
| Series 2012 C | 7/31/2012 | \$ 110.0 | 1.50% | 2021 |
| Major Component Units: | | | | |
| Revenue bonds: | | | | |
| Illinois Housing Development Authority | | | | |
| Housing Revenue Bonds | | | | |
| Series 2012 A | 11/27/2012 | \$ 40.9 | 2.625% | 2042 |
| Series 2013 A | 4/24/2013 | \$ 78.8 | 2.45% | 2043 |
| Taxable Series 2013 B | 4/24/2013 | \$ 21.2 | 2.75% | 2043 |
| Housing Bonds | | | | |
| Taxable Series 2013 B | 5/30/2013 | \$ 127.6 | .45%-4.79% | 2047 |
| Series 2013 C (AMT) | 5/30/2013 | \$ 5.8 | 1.75%-4.6% | 2048 |
| Illinois Toll Highway Authority | | | | |
| Series 2013 A | 5/16/2013 | \$ 500.0 | 5.00% | 2038 |
| Southern Illinois University | | | | |
| Series 2012B (Housing and Auxillary Facilities System) | 12/19/2012 | \$ 44.7 | 1.0%-5.0% | 2035 |
| University of Illinois | | | | |
| Refunding Series 2013 A | 5/15/2013 | \$ 212.5 | 3.0%-5.0% | 2032 |

B. Postemployment Benefits

Public Act 97-0695, effective July 1, 2012, alters the contributions to be paid by the State, annuitants, survivors, and retired employees under the State Employees Group Insurance Act of 1971 for postemployment health, dental, and life insurance benefits. The Act requires the Director of Central Management Services to annually determine the amount the State should contribute toward the basic program of group health benefits. The remainder of the cost coverage shall be the responsibility of the annuitant, survivor, or retired employee.

C. Loan Sale and Bond Redemption/Defeasance

On November 16, 2012, the Illinois Student Assistance Commission ("ISAC") completed a competitive bidding process to sell certain Federal Family Education Loan Program student loan

portfolios and entered into loan sale agreements with Educational Services of America, Inc. and SLM Education Credit Finance Corporation. The two parties purchased loans with a principal amount of \$50.028 million plus accrued interest of \$691 thousand. The average sale price of \$98.65 resulted in a discount of \$667 thousand. The proceeds of the sale and available cash on hand were used to redeem/defease two outstanding bond issues. \$40.500 million of Student Loan Revenue Bonds, Series 2009 (State Guaranteed) were redeemed on December 3, 2012 at par plus accrued interest. \$19.450 million of Student Loan Revenue Bonds, Series II, VIII and IX were defeased on December 3, 2012 with a redemption date of December 13, 2012. The bonds were redeemed at par plus accrued interest.

23 CONTRACTUAL VIOLATION

The Designated Account Purchase Program (“IDAPP”) was not in compliance with a debt covenant relating to a revolving credit agreement. As a result of the violation, the bank involved with the agreement has certain remedies available, including the right to call the loan and take possession of the portion of the student loan portfolio provided as collateral for the loan. In addition, IDAPP is in breach of the coverage condition ratio defined in the indenture. Since the coverage condition cannot be satisfied within two business days, this would qualify as an Event of Termination under which Citibank would be eligible for remedies under the indenture. Discussions are ongoing with the lender to determine remedies to the violations.

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Required Supplementary Information

State of Illinois

**Budgetary Comparison Schedule
Major Governmental Funds**

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

| | General Funds | | | | Road Fund | | | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-------------------|-------------------|-----------------------|
| | Original Budget | Final Budget | Actual | Variance Over (Under) | Original Budget | Final Budget | Actual | Variance Over (Under) |
| REVENUES: | | | | | | | | |
| Income taxes | \$ 17,723,000 | \$ 17,723,000 | 18,044,228 | \$ 321,228 | \$ - | \$ - | \$ - | \$ - |
| Sales taxes | 6,586,000 | 6,586,000 | 7,225,573 | 639,573 | - | - | - | - |
| Public utility taxes | 1,082,000 | 1,082,000 | 995,148 | (86,852) | - | - | - | - |
| Federal government | 4,762,000 | 4,762,000 | 3,636,653 | (1,125,347) | 1,521,800 | 1,521,800 | 1,610,447 | 88,647 |
| Other | 1,960,000 | 1,960,000 | 2,056,659 | 96,659 | 1,065,700 | 1,065,700 | 956,946 | (108,754) |
| Less: | | | | | | | | |
| Refunds | - | 12,103 | 11,973 | (130) | - | 2,559 | 2,506 | (53) |
| Total revenues | 32,113,000 | 32,100,897 | 31,946,288 | (154,609) | 2,587,500 | 2,584,941 | 2,564,887 | (20,054) |
| EXPENDITURES: | | | | | | | | |
| Current: | | | | | | | | |
| Health and social services | 13,171,667 | 13,509,376 | 13,332,589 | (176,787) | 165,294 | 165,294 | 165,294 | - |
| Education | 12,197,382 | 12,102,502 | 12,087,069 | (15,433) | - | - | - | - |
| General government | 1,666,562 | 1,694,599 | 1,655,128 | (39,471) | 1,000 | 2,149 | 1,977 | (172) |
| Employment and economic development | 105,026 | 105,386 | 99,123 | (6,263) | 1,900 | 1,900 | 1,900 | - |
| Transportation | 31,640 | 21,440 | 21,339 | (101) | 6,384,386 | 2,698,967 | 2,293,867 | (405,100) |
| Public protection and justice | 1,942,429 | 2,012,542 | 1,986,194 | (26,348) | - | - | - | - |
| Environment and business regulation | 66,687 | 71,075 | 67,934 | (3,141) | - | - | - | - |
| Capital outlays | 19,444 | 23,298 | 19,259 | (4,039) | 223 | 66,610 | 47,118 | (19,492) |
| Total expenditures | 29,200,837 | 29,540,218 | 29,268,635 | (271,583) | 6,552,803 | 2,934,920 | 2,510,156 | (424,764) |
| Excess (deficiency) of revenues over (under) expenditures | 2,912,163 | 2,560,679 | 2,677,653 | 116,974 | (3,965,303) | (349,979) | 54,731 | 404,710 |
| OTHER SOURCES (USES) OF FINANCIAL RESOURCES: | | | | | | | | |
| Transfers-in | 7,231,024 | 7,231,024 | 7,231,024 | - | 319,116 | 319,116 | 319,116 | - |
| Transfers-out | (10,385,002) | (10,385,002) | (10,385,002) | - | (371,538) | (371,538) | (371,538) | - |
| Total other sources (uses) of financial resources | (3,153,978) | (3,153,978) | (3,153,978) | - | (52,422) | (52,422) | (52,422) | - |
| Excess (deficiency) of revenues over (under) expenditures and other sources (uses) of financial resources | (241,815) | (593,299) | (476,325) | 116,974 | (4,017,725) | (402,401) | 2,309 | 404,710 |
| Budgetary fund balances, July 1, 2011 | (4,507,409) | (4,507,409) | (4,507,409) | - | 670,961 | 670,961 | 670,961 | - |
| BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2012 | \$ (4,749,224) | \$ (5,100,708) | \$ (4,983,734) | \$ 116,974 | \$ (3,346,764) | \$ 268,560 | \$ 673,270 | \$ 404,710 |

| State Construction Account | | | |
|----------------------------|--------------|------------|-----------------------|
| Original Budget | Final Budget | Actual | Variance Over (Under) |
| \$ - | \$ - | \$ - | \$ - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| 518,173 | 518,173 | 466,685 | (51,488) |
| - | - | - | - |
| 518,173 | 518,173 | 466,685 | (51,488) |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| 1,507,746 | 649,737 | 649,380 | (357) |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| 1,507,746 | 649,737 | 649,380 | (357) |
| (989,573) | (131,564) | (182,695) | (51,131) |
| 209,585 | 209,585 | 209,585 | - |
| (34) | (34) | (34) | - |
| 209,551 | 209,551 | 209,551 | - |
| (780,022) | 77,987 | 26,856 | (51,131) |
| 173,150 | 173,150 | 173,150 | - |
| \$ (606,872) | \$ 251,137 | \$ 200,006 | \$ (51,131) |

Notes to Budgetary Comparison Schedule**– Major Governmental Funds**

For the Year Ended June 30, 2012

A. Budgetary Basis of Accounting

The State Constitution requires the Governor to prepare and submit to the General Assembly an Executive Budget for the ensuing fiscal year. The budget covers most funds held by the State, but excludes all locally held funds and various treasury held funds which are not subject to appropriation pursuant to State law. The General Assembly enacts the budget through passage of specific line-item appropriations (i.e., personal services, contractual services, equipment, etc.), the sum of which must not exceed estimated revenues pursuant to the State Constitution. The Governor has the power to approve, reduce, or veto each appropriation passed by the General Assembly. Transfers-in and transfers-out contained in the Executive Budget are not a part of the General Assembly's appropriation process. The actual amounts are determined either by State law or by discretionary action available to the Governor. The Statewide Accounting Management System controls expenditures by line-item as established in approved appropriation bills and ensures that appropriated expenditure amounts are not exceeded.

The level of legal control is at the line-item appropriation level as reported in a publication titled *Supplementary Annual Report of Revenues and Expenditures*. A separate document is necessary due to the State's large amount of appropriated line-items. Generally, administrative transfers between transferable appropriation line-items within the same treasury held fund cannot exceed 2% of the aggregate amount appropriated to those line-items for an agency from that fund. Examples of appropriation line-items with a 2% transfer limit are Contractual Services, Travel, Commodities, Printing, and Equipment. As an additional restriction, Personal Services appropriation line-items generally cannot be reduced. Legislative action is required for more substantial transfers. Unexpended appropriations at June 30 are available for subsequent expenditure to the extent that encumbrances have been incurred at June 30, provided the expenditure is presented for payment during the succeeding two month "lapse period." An exception to the lapse period requirements are expenditures described in Section 25 of the State Finance Act (30 ILCS 105/25). These Section 25 expenditures, mostly related to the reimbursement of hospitals, physicians, and pharmacists for Medicaid patients, are allowed to be paid in the following fiscal year. Certain appropriations referred to as "reappropriations" represent the continuation of a prior year's program that requires additional time for completion.

The original budgeted revenues represent estimates while original budgeted expenditures represent original and continuing appropriations enacted into law by appropriation bills. Generally accepted accounting principles (GAAP) require the final legal budget be reflected in the final budget column, therefore, updated revenue estimates have been reported. Final expenditure budgets represent original and continuing appropriations modified by supplemental and amendatory appropriations. The State's basis of budgeting is essentially on the cash basis, modified for expenditures during the lapse period (beginning and end of year) as described in the preceding paragraph.

The State Budget Law (15 ILCS 20) requires the budget for certain funds, called budgeted funds which include the General Revenue, Common School, and Educational Assistance subaccounts of the General Fund and the Road Fund, to be prepared:

“. . . on the basis of revenue and expenditure measurement concepts that are in concert with generally accepted accounting principles for governments . . .

. . . The revenue estimates used in the State budget for the budgeted funds shall include the estimated beginning fund balance, plus revenues estimated to be received during the budgeted year, plus the estimated receipts due the State as of June 30 of the budgeted year that are expected to be collected during the lapse period following the budgeted year, minus the receipts collected during the first 2 months of the budgeted year that became due to the State in the year before the budgeted year. Revenues shall also include estimated federal reimbursements associated with the recognition of Section 25 of the State Finance Act liabilities. For any budgeted fund for which current year revenues are anticipated to exceed expenditures, the surplus shall be considered to be a resource available for expenditure in the budgeted fiscal year.

Expenditure estimates for the budgeted funds included in the State budget shall include the costs to be incurred by the State for the budgeted year, to be paid in the next fiscal year, excluding costs paid in the budgeted year which were carried over from the prior year, where the payment is authorized by Section 25 of the State Finance Act. For any budgeted fund for which expenditures are expected to exceed revenues in the current fiscal year, the deficit shall be considered as a use of funds in the budgeted fiscal year.

Revenues and expenditures shall also include transfers between funds that are based on revenues received or costs incurred during the budget year.”

The State has not presented revenue and expenditure estimates in accordance with these provisions. Also, because of cash management decisions and prioritization required due to the lack of available cash in the State Treasury for the General Revenue Account, a subaccount of the General Fund, statutorily mandated transfers from the General Revenue Account to other funds were not made by the Office of the Comptroller within statutorily prescribed timelines. The timing of the payment of the transfers does not impact the amounts reported in the budgetary schedules.

The State’s General Fund has a perspective difference for financial reporting as the General Fund reported for financial reporting purposes includes amounts which are reported as a part of the State’s Special State Funds as classified for budgetary purposes.

The Budgetary Comparison Schedule – Major Governmental Funds presents the original legally adopted budget, as well as comparisons of the final legally adopted budget with actual data on a budgetary basis for the State’s major governmental funds: the General Fund, the Road Fund, and the State Construction Account.

The supplementary portion of this report includes a Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual for all funds of the State with annual budgets as classified for budgetary purposes. Those schedules only include the final appropriated budget.

B. Budgetary-GAAP Reporting Reconciliation

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with GAAP, a

reconciliation of differences between budgetary and GAAP presentations for the year ended June 30, 2012 is presented below for the major governmental funds (amounts expressed in thousands):

| | <u>MAJOR GOVERNMENTAL FUNDS</u> | | |
|--|---------------------------------|--------------------------|---|
| | <u>General Fund</u> | <u>Road Fund</u> | <u>State Construction Account</u> |
| Excess (deficiency) of revenues over (under) expenditures and other sources (uses) of financial resources (budgetary basis) | \$ (476,325) | \$ 2,309 | \$ 26,856 |
| Reclassifications: | | | |
| Budgetary Special State Funds reported as part of the General Fund for GAAP reporting | 197,332 | - | - |
| Adjustments: | | | |
| To adjust revenues, related receivables and deferred revenue | 1,175,290 | 13,866 | (865) |
| To adjust expenditures and related liabilities | <u>(2,018,863)</u> | <u>220,514</u> | <u>1,408</u> |
| Excess (deficiency) of revenues over (under) expenditures/expenses and other sources (uses) of financial resources into financial resources (GAAP basis) - budgetary classifications | (1,122,566) | 236,689 | 27,399 |
| To record excess (deficiency) of revenues over (under) expenditures/expenses and other sources (uses) of financial resources for nonbudgeted accounts | <u>(6)</u> | <u>-</u> | <u>-</u> |
| Excess (deficiency) of revenues over (under) expenditures and other sources (uses) of financial resources (GAAP basis) | <u>\$ (1,122,572)</u> | <u>\$ 236,689</u> | <u>\$ 27,399</u> |

Required Supplementary Information**Defined Benefit Pension Plans – Schedule of Funding Progress**

(Unaudited)

The following schedule of funding progress (dollar amounts in thousands) for the State of Illinois' retirement systems is provided for fiscal years ended June 30, 2012, 2011 and 2010.

| | (a) | (b) | (c) | (d) | (e) | (f) |
|--------------------------|---------------------------|---|-----------------------------|--------------------|-----------------|---|
| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Liability ("AAL") Projected Unit Credit | Unfunded AAL ("UAAL") (b-a) | Funded Ratio (a/b) | Covered Payroll | UAAL as a Percentage of Covered Payroll (c/e) |
| General Assembly | | | | | | |
| 6/30/2012 | \$ 56,090 | \$ 303,469 | \$ 247,379 | 18.5% | \$ 15,275 | 1619.5% |
| 6/30/2011 | \$ 63,161 | \$ 298,408 | \$ 235,247 | 21.2% | \$ 15,188 | 1548.9% |
| 6/30/2010 | \$ 66,212 | \$ 251,765 | \$ 185,553 | 26.3% | \$ 14,775 | 1255.9% |
| Judges' | | | | | | |
| 6/30/2012 | \$ 601,220 | \$ 2,021,716 | \$ 1,420,496 | 29.7% | \$ 171,498 | 828.3% |
| 6/30/2011 | \$ 614,596 | \$ 1,952,539 | \$ 1,337,943 | 31.5% | \$ 169,155 | 791.0% |
| 6/30/2010 | \$ 619,926 | \$ 1,819,448 | \$ 1,199,522 | 34.1% | \$ 161,164 | 744.3% |
| State Employees' | | | | | | |
| 6/30/2012 | \$ 11,477,264 | \$ 33,091,186 | \$ 21,613,922 | 34.7% | \$ 4,329,084 | 499.3% |
| 6/30/2011 | \$ 11,159,837 | \$ 31,395,008 | \$ 20,235,171 | 35.5% | \$ 4,211,186 | 480.5% |
| 6/30/2010 | \$ 10,961,540 | \$ 29,309,464 | \$ 18,347,924 | 37.4% | \$ 4,119,361 | 445.4% |
| Teachers' | | | | | | |
| 6/30/2012 | \$ 37,945,397 | \$ 90,024,945 | \$ 52,079,548 | 42.1% | \$ 9,321,098 | 558.7% |
| 6/30/2011 | \$ 37,769,753 | \$ 81,299,745 | \$ 43,529,992 | 46.5% | \$ 9,205,603 | 472.9% |
| 6/30/2010 | \$ 37,439,092 | \$ 77,293,198 | \$ 39,854,106 | 48.4% | \$ 9,251,139 | 430.8% |
| State Universities | | | | | | |
| 6/30/2012 | \$ 13,949,905 | \$ 33,170,216 | \$ 19,220,311 | 42.1% | \$ 3,477,165 | 552.8% |
| 6/30/2011 | \$ 13,945,680 | \$ 31,514,336 | \$ 17,568,656 | 44.3% | \$ 3,460,838 | 507.6% |
| 6/30/2010 | \$ 13,966,643 | \$ 30,120,427 | \$ 16,153,784 | 46.4% | \$ 3,491,071 | 462.7% |

Defined Benefit Other Postemployment Benefit Plans – Schedule of Funding Progress
(Unaudited)

The following schedule of funding progress (dollar amounts in thousands) for the State of Illinois' other postemployment retirement benefits (health, dental, vision, and life insurance) is provided for the three most recent actuarial valuations.

| | (a) | (b) | (c) | (d) | (e) | (f) |
|--------------------------|---------------------------|---|-----------------------------|--------------------|-----------------|---|
| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Liability ("AAL") Projected Unit Credit | Unfunded AAL ("UAAL") (b-a) | Funded Ratio (a/b) | Covered Payroll | UAAL as a Percentage of Covered Payroll (c/e) |
| 6/30/2011 | \$ - | \$ 33,295,354 | \$ 33,295,354 | 0.0% | \$ 7,375,559 | 451.4% |
| 6/30/2009 | \$ - | \$ 27,124,061 | \$ 27,124,061 | 0.0% | \$ 7,091,656 | 382.5% |
| 6/30/2007 | \$ - | \$ 23,890,383 | \$ 23,890,383 | 0.0% | \$ 6,872,740 | 347.6% |

The State performs actuarial valuations for postemployment retirement benefits biennially.

GENERAL FUND

The General Fund is used to account for resources obtained and used for those services traditionally provided by State government which are not accounted for in another fund.

SIGNIFICANT GENERAL FUND ACCOUNT DESCRIPTIONS

General Revenue Account--to account for resources obtained and used which are not required to be accounted for in another fund or account.

Common School Account--to provide funding for elementary and secondary education agencies including General State Aid, School District Consolidation Incentives and operational funding of Educational Services Regions.

Education Assistance Account--to provide funding for elementary and secondary education programs and for higher education programs

County Hospital Services Account--to provide for medical services at Cook County hospitals.

Long-Term Care Provider Account--to provide for medical services at long-term health care centers.

State of Illinois

Combining Schedule of Accounts
General Fund

June 30, 2012 (Expressed in Thousands)

| | General Revenue Account | Common School Account | Education Assistance Account | Medicaid Provider Assessment Program | Eliminations | Total |
|---|----------------------------|--------------------------|------------------------------------|---|--------------------|---------------------|
| ASSETS | | | | | | |
| Cash equity with State Treasurer | \$ 1,410,037 | \$ 43,933 | \$ 14,879 | \$ 146,900 | | \$ 1,615,749 |
| Cash and cash equivalents | 16,868 | | | | | 16,868 |
| Securities lending collateral of State Treasurer | 2,611,915 | 99,723 | | 30,589 | | 2,742,227 |
| Receivables, net: | | | | | | |
| Taxes | 1,107,871 | 105,719 | 40,866 | 97,381 | | 1,351,837 |
| Intergovernmental | 1,885,134 | | | 349,308 | | 2,234,442 |
| Other | 404,790 | 70 | 62 | 91 | | 405,013 |
| Due from other funds | 247,606 | 385 | 34,818 | 60,348 | \$ (60,320) | 282,837 |
| Due from component units | 537 | | | | | 537 |
| Inventories | 26,785 | | | | | 26,785 |
| Loans and notes receivable, net | 7,867 | | | | | 7,867 |
| Other assets | 15,000 | | | | | 15,000 |
| Total assets | \$ 7,734,410 | \$ 249,830 | \$ 90,625 | \$ 684,617 | \$ (60,320) | \$ 8,699,162 |
| LIABILITIES | | | | | | |
| Accounts payable and accrued liabilities | \$ 5,457,027 | \$ 70,855 | \$ 87,386 | \$ 464,378 | | \$ 6,079,646 |
| Intergovernmental payables | 2,956,049 | | 578 | 108,880 | | 3,065,507 |
| Due to other funds | 2,814,365 | 160,533 | 264,752 | 48 | \$ (60,320) | 3,179,378 |
| Due to component units | 54,066 | | 366,241 | 30,024 | | 450,331 |
| Unavailable revenue | 1,479,420 | 10,254 | 5,378 | 295,399 | | 1,790,451 |
| Unearned revenue | 496,432 | | 26,167 | | | 522,599 |
| Obligations under securities lending of State Treasurer | 2,611,915 | 99,723 | | 30,589 | | 2,742,227 |
| Matured portion of long-term liabilities | 2,002 | | | | | 2,002 |
| Total liabilities | 15,871,276 | 341,365 | 750,502 | 929,318 | (60,320) | 17,832,141 |
| FUND BALANCES (DEFICITS) | | | | | | |
| Nonspendable long-term portion of loans and notes receivable | 7,867 | | | | | 7,867 |
| Nonspendable inventories | 26,785 | | | | | 26,785 |
| Restricted | 39,276 | | | | | 39,276 |
| Committed | 806,905 | | | 57,172 | | 864,077 |
| Unassigned | (9,017,699) | (91,535) | (659,877) | (301,873) | | (10,070,984) |
| Total fund balances (deficits) | (8,136,866) | (91,535) | (659,877) | (244,701) | | (9,132,979) |
| Total liabilities and fund balances (deficits) | \$ 7,734,410 | \$ 249,830 | \$ 90,625 | \$ 684,617 | \$ (60,320) | \$ 8,699,162 |

State of Illinois

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances

General Fund

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

| | General Revenue Account | Common School Account | Education Assistance Account | Medicaid Provider Assessment Program | Eliminations | Total |
|--|----------------------------|--------------------------|------------------------------------|---|----------------|-----------------------|
| REVENUES | | | | | | |
| Income taxes | \$ 16,059,699 | | \$ 1,320,040 | | | \$ 17,379,739 |
| Sales taxes | 5,125,440 | \$ 1,799,336 | | | | 6,924,776 |
| Public utility taxes | 899,529 | 92,377 | | | | 991,906 |
| Hospital assessment taxes | 890,484 | | | \$ 71,062 | | 961,546 |
| Other taxes | 1,410,470 | 118,441 | | 249,165 | | 1,778,076 |
| Federal government | 6,292,721 | | | 1,174,503 | | 7,467,224 |
| Licenses and fees | 634,984 | 664 | | 705 | | 636,353 |
| Interest and other investment income | 26,016 | 344 | | 232 | | 26,592 |
| Other | 390,017 | | 114 | 767,495 | | 1,157,626 |
| Total revenues | 31,729,360 | 2,011,162 | 1,320,154 | 2,263,162 | | 37,323,838 |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| Health and social services | 17,138,939 | | | 2,593,398 | | 19,732,337 |
| Education | 3,097,152 | 6,234,269 | 2,730,410 | | | 12,061,831 |
| General government | 1,881,097 | | | | | 1,881,097 |
| Employment and economic development | 69,493 | | | | | 69,493 |
| Transportation | 523,138 | | | | | 523,138 |
| Public protection and justice | 2,756,184 | | | | | 2,756,184 |
| Environment and business regulations | 128,984 | | | | | 128,984 |
| Debt service: | | | | | | |
| Principal | 1,742 | | | | | 1,742 |
| Interest | 1,619 | | | | | 1,619 |
| Capital outlays | 16,384 | | 106 | | | 16,490 |
| Total expenditures | 25,614,732 | 6,234,269 | 2,730,516 | 2,593,398 | | 37,172,915 |
| Excess (deficiency) of revenues over (under) expenditures | 6,114,628 | (4,223,107) | (1,410,362) | (330,236) | | 150,923 |
| OTHER SOURCES (USES) OF FINANCIAL RESOURCES | | | | | | |
| Transfers-in | 615,183 | 4,009,835 | 346,152 | 120,000 | \$ (3,457,417) | 1,633,753 |
| Transfers-out | (6,345,829) | | | (20,000) | 3,457,417 | (2,908,412) |
| Capital lease financing | 1,164 | | | | | 1,164 |
| Net other sources (uses) of financial resources | (5,729,482) | 4,009,835 | 346,152 | 100,000 | - | (1,273,495) |
| Net change in fund balances | 385,146 | (213,272) | (1,064,210) | (230,236) | - | (1,122,572) |
| Fund balances (deficits), July 1, 2011, as restated | (8,521,561) | 121,737 | 404,333 | (14,465) | | (8,009,956) |
| (Decrease) for changes in inventory | (451) | | | | | (451) |
| FUND BALANCES (DEFICITS), JUNE 30, 2012 | \$ (8,136,866) | \$ (91,535) | \$ (659,877) | \$ (244,701) | \$ - | \$ (9,132,979) |

State of Illinois

Combining Schedule of Accounts - General Fund
 Medicaid Provider Assessment Program

June 30, 2012 (Expressed in Thousands)

| | County Hospital Services Account | Long-Term Care Provider Account | Other Medicaid Provider Assessment Accounts | Total |
|---|-------------------------------------|------------------------------------|--|-------------------|
| ASSETS | | | | |
| Cash equity with State Treasurer | \$ 1,289 | \$ 129,254 | \$ 16,357 | \$ 146,900 |
| Securities lending collateral of State Treasurer | 1,094 | 27,200 | 2,295 | 30,589 |
| Receivables, net: | | | | |
| Taxes | | 97,138 | 243 | 97,381 |
| Intergovernmental | 94,148 | 225,468 | 29,692 | 349,308 |
| Other | 1 | 19 | 71 | 91 |
| Due from other funds | | 29 | 60,319 | 60,348 |
| Total assets | \$ 96,532 | \$ 479,108 | \$ 108,977 | \$ 684,617 |
| LIABILITIES | | | | |
| Accounts payable and accrued liabilities | \$ 28 | \$ 438,398 | \$ 25,952 | \$ 464,378 |
| Intergovernmental payables | 95,392 | 13,487 | 1 | 108,880 |
| Due to other funds | 18 | 23 | 7 | 48 |
| Due to component units | | | 30,024 | 30,024 |
| Unavailable revenue | 72,443 | 206,919 | 16,037 | 295,399 |
| Obligations under securities lending of State Treasurer | 1,094 | 27,200 | 2,295 | 30,589 |
| Total liabilities | 168,975 | 686,027 | 74,316 | 929,318 |
| FUND BALANCES (DEFICITS) | | | | |
| Committed | | | 57,172 | 57,172 |
| Unassigned | (72,443) | (206,919) | (22,511) | (301,873) |
| Total fund balances (deficits) | (72,443) | (206,919) | 34,661 | (244,701) |
| Total liabilities and fund balances (deficits) | \$ 96,532 | \$ 479,108 | \$ 108,977 | \$ 684,617 |

State of Illinois

**Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances - General Fund
Medicaid Provider Assessment Program**

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

| | County Hospital Services Account | Long-Term Care Provider Account | Other Medicaid Provider Assessment Accounts | Total |
|--|-------------------------------------|------------------------------------|--|---------------------|
| REVENUES | | | | |
| Hospital assessment taxes | | \$ 50,965 | \$ 20,097 | \$ 71,062 |
| Other taxes | | 249,165 | | 249,165 |
| Federal government | \$ 717,405 | 325,920 | 131,178 | 1,174,503 |
| Licenses and fees | | | 705 | 705 |
| Interest and other investment income | 17 | 191 | 24 | 232 |
| Other | 722,495 | | 45,000 | 767,495 |
| Total revenues | 1,439,917 | 626,241 | 197,004 | 2,263,162 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Health and social services | 1,451,822 | 866,392 | 275,184 | 2,593,398 |
| Total expenditures | 1,451,822 | 866,392 | 275,184 | 2,593,398 |
| Excess (deficiency) of revenues over (under) expenditures | (11,905) | (240,151) | (78,180) | (330,236) |
| OTHER SOURCES (USES) OF FINANCIAL RESOURCES | | | | |
| Transfers-in | | 30,000 | 90,000 | 120,000 |
| Transfers-out | | (20,000) | | (20,000) |
| Net other sources (uses) of financial resources | | 10,000 | 90,000 | 100,000 |
| Net change in fund balances | (11,905) | (230,151) | 11,820 | (230,236) |
| Fund balances (deficits), July 1, 2011 | (60,538) | 23,232 | 22,841 | (14,465) |
| FUND BALANCES (DEFICITS), JUNE 30, 2012 | \$ (72,443) | \$ (206,919) | \$ 34,661 | \$ (244,701) |

State of Illinois

Combining Balance Sheet -
Nonmajor Governmental Funds

June 30, 2012 (Expressed in Thousands)

| | Special Revenue Funds | Debt Service Funds | Capital Projects Funds | Permanent Fund | Total Nonmajor Governmental Funds |
|---|-----------------------------|--------------------------|------------------------------|-------------------|--|
| ASSETS | | | | | |
| Cash equity with State Treasurer | \$ 2,781,269 | \$ 1,303,649 | \$ 1,463,797 | \$ 13,916 | \$ 5,562,631 |
| Cash and cash equivalents | 130,235 | 173,700 | 10,411 | 183 | 314,529 |
| Securities lending collateral of State Treasurer | 256,155 | 525,627 | | 936 | 782,718 |
| Investments | 111,519 | | | 1,279 | 112,798 |
| Receivables, net: | | | | | |
| Taxes | 370,402 | | | | 370,402 |
| Intergovernmental | 1,060,311 | | 1,002 | | 1,061,313 |
| Other | 384,582 | 369 | 10 | 2 | 384,963 |
| Due from other funds | 2,218,937 | 3,843 | 46,049 | | 2,268,829 |
| Due from component units | 340,198 | | | | 340,198 |
| Inventories | 15,640 | | | | 15,640 |
| Loans and notes receivable, net | 56,976 | 12,032 | | | 69,008 |
| Other assets | 7,202 | | | | 7,202 |
| Total assets | \$ 7,733,426 | \$ 2,019,220 | \$ 1,521,269 | \$ 16,316 | \$ 11,290,231 |
| LIABILITIES | | | | | |
| Accounts payable and accrued liabilities | \$ 561,715 | | \$ 148,006 | | \$ 709,721 |
| Intergovernmental payables | 1,934,328 | | 178,674 | | 2,113,002 |
| Due to other funds | 1,843,232 | \$ 237 | 204 | \$ 166 | 1,843,839 |
| Due to component units | 54,841 | | 1 | | 54,842 |
| Unavailable revenue | 738,618 | | 10 | | 738,628 |
| Unearned revenue | 309,468 | 12,875 | 1,301 | | 323,644 |
| Obligations under security lending of State Treasurer | 256,155 | 525,627 | | 936 | 782,718 |
| Total liabilities | 5,698,357 | 538,739 | 328,196 | 1,102 | 6,566,394 |
| FUND BALANCES | | | | | |
| Nonspendable - inventories | 15,640 | | | | 15,640 |
| Nonspendable - endowments and similar funds | | | | 11,837 | 11,837 |
| Restricted | 1,765,656 | 1,480,481 | 195 | 3,377 | 3,249,709 |
| Committed | 1,787,714 | | 1,204,531 | | 2,992,245 |
| Assigned | 7,948 | | 11 | | 7,959 |
| Unassigned | (1,541,889) | | (11,664) | | (1,553,553) |
| Total fund balances | 2,035,069 | 1,480,481 | 1,193,073 | 15,214 | 4,723,837 |
| Total liabilities and fund balances | \$ 7,733,426 | \$ 2,019,220 | \$ 1,521,269 | \$ 16,316 | \$ 11,290,231 |

State of Illinois

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

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

| | Special Revenue Funds | Debt Service Funds | Capital Projects Funds | Permanent Fund | Total Nonmajor Governmental Funds |
|--|-----------------------------|--------------------------|------------------------------|-------------------|--|
| REVENUES | | | | | |
| Income taxes | \$ 2,218,018 | | | | \$ 2,218,018 |
| Sales taxes | 2,869,795 | | | | 2,869,795 |
| Motor fuel taxes | 768,936 | | | | 768,936 |
| Public utility taxes | 503,345 | | | | 503,345 |
| Riverboat taxes | 495,055 | | | | 495,055 |
| Other taxes | 390,127 | | | | 390,127 |
| Federal government | 9,044,016 | \$ 64,087 | \$ 23,916 | | 9,132,019 |
| Licenses and fees | 613,838 | 166 | | \$ 72 | 614,076 |
| Interest and other investment income | 15,294 | 5,287 | | 51 | 20,632 |
| Other | 862,140 | 7 | 5,387 | | 867,534 |
| Total revenues | 17,780,564 | 69,547 | 29,303 | 123 | 17,879,537 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| Health and social services | 5,838,553 | | 72,530 | | 5,911,083 |
| Education | 2,514,480 | | 488,442 | | 3,002,922 |
| General government | 250,629 | 9,366 | 73,291 | | 333,286 |
| Employment and economic development | 1,026,613 | 20 | 202,177 | | 1,228,810 |
| Transportation | 373,502 | 1 | 590,302 | | 963,805 |
| Public protection and justice | 422,349 | | 2,444 | | 424,793 |
| Environment and business regulation | 744,207 | | 57,223 | | 801,430 |
| Debt service: | | | | | |
| Principal | 59,620 | 1,757,719 | | | 1,817,339 |
| Interest | 79,641 | 1,495,119 | | | 1,574,760 |
| Capital outlays | 26,621 | | 695,291 | | 721,912 |
| Intergovernmental | 5,329,498 | | | | 5,329,498 |
| Total expenditures | 16,665,713 | 3,262,225 | 2,181,700 | | 22,109,638 |
| Excess (deficiency) of revenues over (under) expenditures | 1,114,851 | (3,192,678) | (2,152,397) | 123 | (4,230,101) |
| OTHER SOURCES (USES) OF FINANCIAL RESOURCES | | | | | |
| General and special obligation bonds issued | | | 2,100,040 | | 2,100,040 |
| Premiums on general and special obligation bonds issued | | | 80,268 | | 80,268 |
| General obligation refunding bonds issued | | 1,797,740 | | | 1,797,740 |
| Premiums on general obligation refunding bonds issued | | 165,789 | | | 165,789 |
| Transfers-in | 870,639 | 3,247,688 | 324,161 | 200 | 4,442,688 |
| Transfers-out | (1,735,003) | (1,380) | (350,237) | (5) | (2,086,625) |
| Capital lease financing | 241 | | | | 241 |
| Payment to refunded bond escrow agent | | (1,934,435) | | | (1,934,435) |
| Net other sources (uses) of financial resources | (864,123) | 3,275,402 | 2,154,232 | 195 | 4,565,706 |
| Net change in fund balances | 250,728 | 82,724 | 1,835 | 318 | 335,605 |
| Fund balances, July 1, 2011 | 1,784,090 | 1,397,757 | 1,191,238 | 14,896 | 4,387,981 |
| Increase for changes in inventories | 251 | | | | 251 |
| FUND BALANCES, JUNE 30, 2012 | \$ 2,035,069 | \$ 1,480,481 | \$ 1,193,073 | \$ 15,214 | \$ 4,723,837 |

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SPECIAL REVENUE FUNDS

The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

SIGNIFICANT NONMAJOR GOVERNMENTAL SPECIAL REVENUE FUNDS DESCRIPTIONS

Treasurer

Unclaimed Property Trust Fund--to account for monies received as abandoned property or from the sale of abandoned property pursuant to the Uniform Disposition of Unclaimed Property Act.

Tobacco Settlement Recovery Fund--to account for monies received annually as a part of the Master Settlement Agreement in the State of Illinois vs. Philip Morris.

Department of Children and Family Services

DCFS Childrens' Services Fund--to account for revenues and expenditures related to the federal Title IV-E foster care and adoption service program.

Department of Commerce and Economic Opportunity

Supplemental Low Income Energy Assistance Fund--to provide assistance to low-income households in paying heating and cooling costs.

Department of Human Services

Employment and Training Fund--to receive and disburse monies in accordance with the provisions of Title IV-A of the Federal Social Security Act, the Food Stamp Act, Title 7 of the United States Code, and related rules and regulations governing the use of those monies for the purposes of providing employment and training services.

Food Stamp and Commodity Fund--to account for food stamps and commodities received from the federal government.

Department of Revenue

Local Government Tax Fund--to account for 15% share of various sales taxes that will be distributed to cities and counties.

Illinois Affordable Housing Trust Fund--to account for a portion of the State real estate transfer tax used for grants and low or no interest mortgages or other loans to acquire, construct, rehabilitate, develop, operate, insure, and retain affordable single family and multi-family housing for low-income households.

Local Government Distributive Fund--to receive one-tenth of the State's income tax collections to distribute to various municipalities and counties within the State.

Personal Property Tax Replacement Fund--to allocate and disburse to each taxing district within the State the net revenue received from the personal property replacement income tax.

Build Illinois Fund--to receive a percentage of sales, hotel and privilege taxes to be used for monthly allocation to various State agencies for the purpose of promoting tourism related activities.

Department of Transportation

Motor Fuel Tax Fund--to account for the activities of various transportation related program expenditures and the administrative cost of supervising the use of funds apportioned to municipalities, counties, and road districts.

Federal High Speed Rail Trust Fund--to receive and record monies received pursuant to an agreement with the federal government regarding the federal share of the high speed rail project.

Downstate Public Transportation Fund--to provide financial assistance for local governments with public transportation systems.

Railsplitter Tobacco Settlement Authority

Railsplitter Trustee Account Fund--to account for the payment of principal and interest on bonds issued in exchange for rights to the State's future tobacco settlement revenues.

Illinois Gaming Board

State Gaming Fund--to receive and record fees obtained from owners' license applications for riverboat gambling operations.

State Board of Education

SBE Federal Department of Agriculture Fund--to account for the federal share of nutrition programs which provide nutritious meals for children and aging adults.

SBE Federal Department of Education Fund--to receive and disburse federal monies to provide financial assistance for educational programs funded by the U.S. Department of Education.

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State of Illinois

Combining Balance Sheet
Nonmajor Special Revenue Funds

June 30, 2012 (Expressed in Thousands)

| | Treasurer | Children and Family Services DCFS Childrens' Services Fund | Commerce and Economic Opportunity Supplemental Low Income Energy Assistance Fund | Human Services | Revenue |
|---|-------------------|---|--|------------------|---------------------|
| ASSETS | | | | | |
| Cash equity with State Treasurer | \$ 111,338 | \$ 3,306 | \$ 104,940 | \$ 259 | \$ 597,891 |
| Cash and cash equivalents | | 289 | | | |
| Securities lending collateral of State Treasurer | | | | | 78,025 |
| Investments | | | | | |
| Receivables, net: | | | | | |
| Taxes | | | 7,482 | | 184,209 |
| Intergovernmental | 103 | 258,154 | | 50,799 | |
| Other | 5 | | | | 55 |
| Due from other funds | 59,075 | 79 | 4,940 | | 524,657 |
| Due from component units | | | | | 323,207 |
| Inventories | | | | | |
| Loans and notes receivable, net | | | | | |
| Other assets | | | | | |
| Total assets | \$ 170,521 | \$ 261,828 | \$ 117,362 | \$ 51,058 | \$ 1,708,044 |
| LIABILITIES | | | | | |
| Accounts payable and accrued liabilities | \$ 4,718 | \$ 54,519 | \$ 4,093 | \$ 50,060 | \$ 46,314 |
| Intergovernmental payables | 2,118 | 4,973 | 1,790 | 344 | 1,154,955 |
| Due to other funds | 1,103,184 | 524 | 18 | | 135,783 |
| Due to component units | 30 | 3,637 | | 152 | 323 |
| Unavailable revenue | | 258,154 | | | 21,807 |
| Unearned revenue | | | | 502 | 145,111 |
| Obligations under securities lending of State Treasurer | | | | | 78,025 |
| Total liabilities | 1,110,050 | 321,807 | 5,901 | 51,058 | 1,582,318 |
| FUND BALANCES (DEFICITS) | | | | | |
| Nonspendable - inventories | | | | | |
| Restricted | 65,961 | | | | |
| Committed | 36,887 | | 111,461 | | 411,628 |
| Assigned | | | | | |
| Unassigned | (1,042,377) | (59,979) | | | (285,902) |
| Total fund balances (deficits) | (939,529) | (59,979) | 111,461 | | 125,726 |
| Total liabilities and fund balances (deficits) | \$ 170,521 | \$ 261,828 | \$ 117,362 | \$ 51,058 | \$ 1,708,044 |

| | Railsplitter Tobacco Settlement Authority | | Illinois Gaming Board | | | |
|----------------|---|-------------------|--------------------------|--------------|--------------|--|
| Transportation | Railsplitter Trustee Account Fund | State Gaming Fund | State Board of Education | Other | Total | |
| \$ 230,638 | \$ 100,747 | \$ 103,220 | \$ 2,758 | \$ 1,626,919 | \$ 2,781,269 | |
| | | | | 29,199 | 130,235 | |
| | | | | 178,130 | 256,155 | |
| | 91,098 | | | 20,421 | 111,519 | |
| 103,304 | | 6,672 | | 68,735 | 370,402 | |
| 27,282 | | | 364,033 | 359,940 | 1,060,311 | |
| | 136,563 | 5,840 | 521 | 241,598 | 384,582 | |
| 143,762 | 1,103,165 | | 975 | 382,284 | 2,218,937 | |
| | | | 82 | 16,909 | 340,198 | |
| | | | 2,235 | 13,405 | 15,640 | |
| | | | | 56,976 | 56,976 | |
| | | | | 7,202 | 7,202 | |
| \$ 504,986 | \$ 1,431,573 | \$ 115,732 | \$ 370,604 | \$ 3,001,718 | \$ 7,733,426 | |
| \$ 29,574 | | \$ 1,310 | \$ 2,633 | \$ 368,494 | \$ 561,715 | |
| 135,732 | | 12,235 | 353,282 | 268,899 | 1,934,328 | |
| 97,792 | \$ 59,049 | 94,316 | 7,566 | 345,000 | 1,843,232 | |
| | | 7,871 | 3,564 | 39,264 | 54,841 | |
| 28,046 | 136,563 | | 24,134 | 269,914 | 738,618 | |
| 128 | | | 1,533 | 162,194 | 309,468 | |
| | | | | 178,130 | 256,155 | |
| 291,272 | 195,612 | 115,732 | 392,712 | 1,631,895 | 5,698,357 | |
| | | | 2,235 | 13,405 | 15,640 | |
| 44,987 | 1,235,961 | | 117 | 418,630 | 1,765,656 | |
| 168,727 | | | | 1,059,011 | 1,787,714 | |
| | | | | 7,948 | 7,948 | |
| | | | (24,460) | (129,171) | (1,541,889) | |
| 213,714 | 1,235,961 | | (22,108) | 1,369,823 | 2,035,069 | |
| \$ 504,986 | \$ 1,431,573 | \$ 115,732 | \$ 370,604 | \$ 3,001,718 | \$ 7,733,426 | |

State of Illinois

**Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Special Revenue Funds**

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

| | Treasurer | Children and Family Services | Commerce and Economic Opportunity | Supplemental Low Income Energy | Human Services | Revenue |
|--|---------------------|----------------------------------|---|--------------------------------------|----------------|-------------------|
| | | DCFS Childrens' Services Fund | Assistance Fund | | | |
| REVENUES | | | | | | |
| Income taxes | | | | | | \$ 2,217,853 |
| Sales taxes | | | | | | 2,220,904 |
| Motor fuel taxes | | | | | | |
| Public utility taxes | | | \$ 99,043 | | | 231,652 |
| Riverboat taxes | | | | | | |
| Other taxes | | | | | | 128,623 |
| Federal government | \$ 93,374 | \$ 342,548 | | | \$ 3,606,631 | |
| Licenses and fees | | 332 | | | | 20 |
| Interest and other investment income | 16 | | | | | 2,672 |
| Other | 166,223 | 5,272 | 2,791 | | | 7,014 |
| Total revenues | 259,613 | 348,152 | 101,834 | 3,606,631 | | 4,808,738 |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| Health and social services | 215,304 | 377,733 | 70,211 | 3,606,631 | | 60 |
| Education | 230,000 | | | | | |
| General government | 9,343 | 1,620 | 5 | | | 52,149 |
| Employment and economic development | | | | | | 5,110 |
| Transportation | | | | | | |
| Public protection and justice | | | | | | |
| Environment and business regulations | | | | | | |
| Debt service: | | | | | | |
| Principal | | | | | | |
| Interest | | | | | | |
| Capital outlays | 94 | | 723 | | | |
| Intergovernmental | | | | | | 4,226,882 |
| Total expenditures | 454,741 | 379,353 | 70,939 | 3,606,631 | | 4,284,201 |
| Excess (deficiency) of revenues over (under) expenditures | (195,128) | (31,201) | 30,895 | - | | 524,537 |
| OTHER SOURCES (USES) OF FINANCIAL RESOURCES | | | | | | |
| Transfers-in | 235,571 | | | | | 293,008 |
| Transfers-out | (2,718) | | | | | (709,775) |
| Capital lease financing | | | | | | |
| Net other sources (uses) of financial resources | 232,853 | | | | | (416,767) |
| Net change in fund balances | 37,725 | (31,201) | 30,895 | - | | 107,770 |
| Fund balances (deficits), July 1, 2011 | (977,254) | (28,778) | 80,566 | | | 17,956 |
| Increase (decrease) for changes in inventories | | | | | | |
| FUND BALANCES (DEFICITS), JUNE 30, 2012 | \$ (939,529) | \$ (59,979) | \$ 111,461 | \$ - | | \$ 125,726 |

| | Railsplitter Tobacco Settlement Authority | | Illinois Gaming Board | | | |
|----------------|---|-------------------|--------------------------|--------------|--------------|--|
| Transportation | Railsplitter Trustee Account Fund | State Gaming Fund | State Board of Education | Other | Total | |
| | | | | \$ 165 | \$ 2,218,018 | |
| \$ 173,468 | | | | 475,423 | 2,869,795 | |
| 699,391 | | | | 69,545 | 768,936 | |
| | | | | 172,650 | 503,345 | |
| | | \$ 495,055 | | | 495,055 | |
| 1 | | | | 261,503 | 390,127 | |
| 114,685 | | | \$ 2,061,779 | 2,824,999 | 9,044,016 | |
| 771 | | 1,799 | | 610,916 | 613,838 | |
| | \$ 775 | | 151 | 11,680 | 15,294 | |
| | 273,127 | 2 | 6 | 407,705 | 862,140 | |
| 988,316 | 273,902 | 496,856 | 2,061,936 | 4,834,586 | 17,780,564 | |
| | | 735 | | 1,567,879 | 5,838,553 | |
| | | | 2,074,213 | 210,267 | 2,514,480 | |
| 47,665 | 60 | | | 139,787 | 250,629 | |
| | | | | 1,021,503 | 1,026,613 | |
| 253,763 | | | | 119,739 | 373,502 | |
| | | 43,688 | | 378,661 | 422,349 | |
| | | | | 744,207 | 744,207 | |
| | 59,375 | | 42 | 203 | 59,620 | |
| | 79,599 | | 4 | 38 | 79,641 | |
| | | | 4,714 | 21,090 | 26,621 | |
| 561,217 | | 106,281 | | 435,118 | 5,329,498 | |
| 862,645 | 139,034 | 150,704 | 2,078,973 | 4,638,492 | 16,665,713 | |
| 125,671 | 134,868 | 346,152 | (17,037) | 196,094 | 1,114,851 | |
| | | | | 342,060 | 870,639 | |
| (78,097) | (233,553) | (346,152) | | (364,708) | (1,735,003) | |
| | | | | 241 | 241 | |
| (78,097) | (233,553) | (346,152) | | (22,407) | (864,123) | |
| 47,574 | (98,685) | - | (17,037) | 173,687 | 250,728 | |
| 166,140 | 1,334,646 | | (5,894) | 1,196,708 | 1,784,090 | |
| | | | 823 | (572) | 251 | |
| \$ 213,714 | \$ 1,235,961 | \$ - | \$ (22,108) | \$ 1,369,823 | \$ 2,035,069 | |

State of Illinois

Combining Balance Sheet - Nonmajor Special Revenue Funds

Treasurer

June 30, 2012 (Expressed in Thousands)

| | Unclaimed Property Trust Fund | Tobacco Settlement Recovery Fund | Total |
|---|-------------------------------------|--|-------------------|
| ASSETS | | | |
| Cash equity with State Treasurer | \$ 103,699 | \$ 7,639 | \$ 111,338 |
| Receivables, net: | | | |
| Intergovernmental | | 103 | 103 |
| Other | | 5 | 5 |
| Due from other funds | | 59,075 | 59,075 |
| Total assets | \$ 103,699 | \$ 66,822 | \$ 170,521 |
| LIABILITIES | | | |
| Accounts payable and accrued liabilities | \$ 828 | \$ 3,890 | \$ 4,718 |
| Intergovernmental payables | 4 | 2,114 | 2,118 |
| Due to other funds | 19 | 1,103,165 | 1,103,184 |
| Due to component units | | 30 | 30 |
| Total liabilities | 851 | 1,109,199 | 1,110,050 |
| FUND BALANCES (DEFICITS) | | | |
| Restricted | 65,961 | | 65,961 |
| Committed | 36,887 | | 36,887 |
| Unassigned | | (1,042,377) | (1,042,377) |
| Total fund balances (deficits) | 102,848 | (1,042,377) | (939,529) |
| Total liabilities and fund balances (deficits) | \$ 103,699 | \$ 66,822 | \$ 170,521 |

State of Illinois

**Combining Statement of Revenues, Expenditures
and Changes in Fund Balances - Nonmajor Special Revenue Funds**

Treasurer

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

| | Unclaimed Property Trust Fund | Tobacco Settlement Recovery Fund | Total |
|--|-------------------------------------|--|---------------------|
| REVENUES | | | |
| Federal government | | \$ 93,374 | \$ 93,374 |
| Interest and other investment income | | 16 | 16 |
| Other | \$ 165,408 | 815 | 166,223 |
| Total revenues | 165,408 | 94,205 | 259,613 |
| EXPENDITURES | | | |
| Current: | | | |
| Health and social services | | 215,304 | 215,304 |
| Education | 230,000 | | 230,000 |
| General government | 8,312 | 1,031 | 9,343 |
| Capital outlays | 94 | | 94 |
| Total expenditures | 238,406 | 216,335 | 454,741 |
| Excess (deficiency) of revenues over (under) expenditures | (72,998) | (122,130) | (195,128) |
| OTHER SOURCES (USES) OF FINANCIAL RESOURCES | | | |
| Transfers-in | 2,018 | 233,553 | 235,571 |
| Transfers-out | (218) | (2,500) | (2,718) |
| Net other sources (uses) of financial resources | 1,800 | 231,053 | 232,853 |
| Net change in fund balances | (71,198) | 108,923 | 37,725 |
| Fund balances (deficits), July 1, 2011 | 174,046 | (1,151,300) | (977,254) |
| FUND BALANCES (DEFICITS), JUNE 30, 2012 | \$ 102,848 | \$ (1,042,377) | \$ (939,529) |

State of Illinois

Combining Balance Sheet - Nonmajor Special Revenue Funds
Human Services

June 30, 2012 (Expressed in Thousands)

| | Employment and Training Fund | Food Stamp and Commodity Fund | Total |
|--|---------------------------------|----------------------------------|------------------|
| ASSETS | | | |
| Cash equity with State Treasurer | \$ 259 | | \$ 259 |
| Intergovernmental receivables, net | 50,799 | | 50,799 |
| Total assets | \$ 51,058 | \$ - | \$ 51,058 |
| LIABILITIES | | | |
| Accounts payable and accrued liabilities | \$ 50,060 | | \$ 50,060 |
| Intergovernmental payables | 344 | | 344 |
| Due to component units | 152 | | 152 |
| Unearned revenue | 502 | | 502 |
| Total liabilities | 51,058 | | 51,058 |
| FUND BALANCES | | | |
| Total fund balances | | | - |
| Total liabilities and fund balances | \$ 51,058 | \$ - | \$ 51,058 |

State of Illinois

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances - Nonmajor Special Revenue Funds
Human Services

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

| | Employment and Training Fund | Food Stamp and Commodity Fund | Total |
|--|---------------------------------|----------------------------------|------------------|
| REVENUES | | | |
| Federal government | \$ 511,537 | \$ 3,095,094 | \$ 3,606,631 |
| Total revenues | <u>511,537</u> | <u>3,095,094</u> | <u>3,606,631</u> |
| EXPENDITURES | | | |
| Current: | | | |
| Health and social services | 511,537 | 3,095,094 | 3,606,631 |
| Total expenditures | <u>511,537</u> | <u>3,095,094</u> | <u>3,606,631</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balances, July 1, 2011 | | | |
| FUND BALANCES, JUNE 30, 2012 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

State of Illinois

Combining Balance Sheet - Nonmajor Special Revenue Funds
Revenue

June 30, 2012 (Expressed in Thousands)

| | Local Government Tax Fund | Illinois Affordable Housing Trust Fund | Local Government Distributive Fund | Personal Property Tax Replacement Fund | Build Illinois Fund | Total |
|---|------------------------------------|---|--|---|------------------------|---------------------|
| ASSETS | | | | | | |
| Cash equity with State Treasurer | \$ 272,079 | \$ 41,931 | \$ 14 | \$ 272,895 | \$ 10,972 | \$ 597,891 |
| Securities lending collateral of State Treasurer | | 18,656 | | 51,007 | 8,362 | 78,025 |
| Receivables, net: | | | | | | |
| Taxes | 88,939 | | | 58,625 | 36,645 | 184,209 |
| Other | | 13 | | 36 | 6 | 55 |
| Due from other funds | | 9,023 | 506,184 | | 9,450 | 524,657 |
| Due from component units | | 323,207 | | | | 323,207 |
| Total assets | \$ 361,018 | \$ 392,830 | \$ 506,198 | \$ 382,563 | \$ 65,435 | \$ 1,708,044 |
| LIABILITIES | | | | | | |
| Accounts payable and accrued liabilities | | \$ 5 | | \$ 29,458 | \$ 16,851 | \$ 46,314 |
| Intergovernmental payables | \$ 359,129 | | \$ 506,198 | 289,628 | | 1,154,955 |
| Due to other funds | | | | 135,783 | | 135,783 |
| Due to component units | | 323 | | | | 323 |
| Unavailable revenue | 5,102 | | | 14,265 | 2,440 | 21,807 |
| Unearned revenue | | | | 145,111 | | 145,111 |
| Obligations under securities lending of State Treasurer | | 18,656 | | 51,007 | 8,362 | 78,025 |
| Total liabilities | 364,231 | 18,984 | 506,198 | 665,252 | 27,653 | 1,582,318 |
| FUND BALANCES (DEFICITS) | | | | | | |
| Committed | | 373,846 | | | 37,782 | 411,628 |
| Unassigned | (3,213) | | | (282,689) | | (285,902) |
| Total fund balances (deficits) | (3,213) | 373,846 | | (282,689) | 37,782 | 125,726 |
| Total liabilities and fund balances (deficits) | \$ 361,018 | \$ 392,830 | \$ 506,198 | \$ 382,563 | \$ 65,435 | \$ 1,708,044 |

State of Illinois

**Combining Statement of Revenues, Expenditures
and Changes in Fund Balances - Nonmajor Special Revenue Funds**

Revenue

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

| | Local Government Tax Fund | Illinois Affordable Housing Trust Fund | Local Government Distributive Fund | Personal Property Tax Replacement Fund | Build Illinois Fund | Total |
|--|---------------------------------|---|--|---|------------------------|-------------------|
| REVENUES | | | | | | |
| Income taxes | | | \$ 1,199,453 | \$ 1,018,400 | | \$ 2,217,853 |
| Sales taxes | \$ 1,646,281 | | 152,290 | | \$ 422,333 | 2,220,904 |
| Public utility taxes | | | | 231,652 | | 231,652 |
| Other taxes | | \$ 20,434 | | | 108,189 | 128,623 |
| Licenses and fees | | 20 | | | | 20 |
| Interest and other investment income | | 2,239 | | 350 | 83 | 2,672 |
| Other | | 7,014 | | | | 7,014 |
| Total revenues | 1,646,281 | 29,707 | 1,351,743 | 1,250,402 | 530,605 | 4,808,738 |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| Health and social services | | 60 | | | | 60 |
| General government | | 22,691 | | 29,458 | | 52,149 |
| Employment and economic development | | | | | 5,110 | 5,110 |
| Intergovernmental | 1,644,137 | | 1,346,743 | 1,236,002 | | 4,226,882 |
| Total expenditures | 1,644,137 | 22,751 | 1,346,743 | 1,265,460 | 5,110 | 4,284,201 |
| Excess (deficiency) of revenues over (under) expenditures | 2,144 | 6,956 | 5,000 | (15,058) | 525,495 | 524,537 |
| OTHER SOURCES (USES) OF FINANCIAL RESOURCES | | | | | | |
| Transfers-in | | | | 253,542 | 39,466 | 293,008 |
| Transfers-out | | | (5,000) | (135,488) | (569,287) | (709,775) |
| Net other sources (uses) of financial resources | | | (5,000) | 118,054 | (529,821) | (416,767) |
| Net change in fund balances | 2,144 | 6,956 | - | 102,996 | (4,326) | 107,770 |
| Fund balances (deficits), July 1, 2011 | (5,357) | 366,890 | | (385,685) | 42,108 | 17,956 |
| FUND BALANCES (DEFICITS), JUNE 30, 2012 | \$ (3,213) | \$ 373,846 | \$ - | \$ (282,689) | \$ 37,782 | \$ 125,726 |

State of Illinois

Combining Balance Sheet - Nonmajor Special Revenue Funds

Transportation

June 30, 2012 (Expressed in Thousands)

| | Motor Fuel Tax Fund | Federal High Speed Rail Trust Fund | Downstate Public Transportation Fund | Total |
|--|------------------------|--|--|-------------------|
| ASSETS | | | | |
| Cash equity with State Treasurer | \$ 108,659 | \$ 91,409 | \$ 30,570 | \$ 230,638 |
| Receivables, net: | | | | |
| Taxes | 103,304 | | | 103,304 |
| Intergovernmental | | 27,282 | | 27,282 |
| Due from other funds | | | 143,762 | 143,762 |
| Total assets | \$ 211,963 | \$ 118,691 | \$ 174,332 | \$ 504,986 |
| LIABILITIES | | | | |
| Accounts payable and accrued liabilities | \$ 10,237 | \$ 19,325 | \$ 12 | \$ 29,574 |
| Intergovernmental payables | 103,042 | | 32,690 | 135,732 |
| Due to other funds | 97,792 | | | 97,792 |
| Unavailable revenue | 764 | 27,282 | | 28,046 |
| Unearned revenue | 128 | | | 128 |
| Total liabilities | 211,963 | 46,607 | 32,702 | 291,272 |
| FUND BALANCES | | | | |
| Restricted | | | 44,987 | 44,987 |
| Committed | | 72,084 | 96,643 | 168,727 |
| Total fund balances | | 72,084 | 141,630 | 213,714 |
| Total liabilities and fund balances | \$ 211,963 | \$ 118,691 | \$ 174,332 | \$ 504,986 |

State of Illinois

**Combining Statement of Revenues, Expenditures
and Changes in Fund Balances - Nonmajor Special Revenue Funds
Transportation**

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

| | Motor Fuel Tax Fund | Federal High Speed Rail Trust Fund | Downstate Public Transportation Fund | Total |
|--|------------------------|--|--|-------------------|
| REVENUES | | | | |
| Sales taxes | | | \$ 173,468 | \$ 173,468 |
| Motor fuel taxes | \$ 699,391 | | | 699,391 |
| Other taxes | 1 | | | 1 |
| Federal government | 52 | \$ 114,633 | | 114,685 |
| Licenses and fees | 771 | | | 771 |
| Total revenues | 700,215 | 114,633 | 173,468 | 988,316 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 47,665 | | | 47,665 |
| Transportation | 13,236 | 74,331 | 166,196 | 253,763 |
| Intergovernmental | 561,217 | | | 561,217 |
| Total expenditures | 622,118 | 74,331 | 166,196 | 862,645 |
| Excess (deficiency) of revenues over (under) expenditures | 78,097 | 40,302 | 7,272 | 125,671 |
| OTHER SOURCES (USES) OF FINANCIAL RESOURCES | | | | |
| Transfers-out | (78,097) | | | (78,097) |
| Net other sources (uses) of financial resources | (78,097) | | | (78,097) |
| Net change in fund balances | - | 40,302 | 7,272 | 47,574 |
| Fund balances, July 1, 2011 | | 31,782 | 134,358 | 166,140 |
| FUND BALANCES, JUNE 30, 2012 | \$ - | \$ 72,084 | \$ 141,630 | \$ 213,714 |

State of Illinois

Combining Balance Sheet - Nonmajor Special Revenue Funds

State Board of Education

June 30, 2012 (Expressed in Thousands)

| | SBE Federal Department of Agriculture Fund | SBE Federal Department of Education Fund | Total |
|---|--|---|-------------------|
| ASSETS | | | |
| Cash equity with State Treasurer | \$ 532 | \$ 2,226 | \$ 2,758 |
| Receivables, net: | | | |
| Intergovernmental | 33,586 | 330,447 | 364,033 |
| Other | 521 | | 521 |
| Due from other funds | | 975 | 975 |
| Due from component units | | 82 | 82 |
| Inventories | 2,235 | | 2,235 |
| Total assets | \$ 36,874 | \$ 333,730 | \$ 370,604 |
| LIABILITIES | | | |
| Accounts payable and accrued liabilities | \$ 384 | \$ 2,249 | \$ 2,633 |
| Intergovernmental payables | 33,878 | 319,404 | 353,282 |
| Due to other funds | 189 | 7,377 | 7,566 |
| Due to component units | | 3,564 | 3,564 |
| Unavailable revenue | 71 | 24,063 | 24,134 |
| Unearned revenue | | 1,533 | 1,533 |
| Total liabilities | 34,522 | 358,190 | 392,712 |
| FUND BALANCES (DEFICITS) | | | |
| Nonspendable - inventories | 2,235 | | 2,235 |
| Restricted | 117 | | 117 |
| Unassigned | | (24,460) | (24,460) |
| Total fund balances (deficits) | 2,352 | (24,460) | (22,108) |
| Total liabilities and fund balances (deficits) | \$ 36,874 | \$ 333,730 | \$ 370,604 |

State of Illinois

**Combining Statement of Revenues, Expenditures
and Changes in Fund Balances - Nonmajor Special Revenue Funds
State Board of Education**

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

| | SBE Federal Department of Agriculture Fund | SBE Federal Department of Education Fund | Total |
|--|--|---|--------------------|
| REVENUES | | | |
| Federal government | \$ 697,258 | \$ 1,364,521 | \$ 2,061,779 |
| Interest and other investment income | | 151 | 151 |
| Other | 6 | | 6 |
| Total revenues | 697,264 | 1,364,672 | 2,061,936 |
| EXPENDITURES | | | |
| Current: | | | |
| Education | 696,221 | 1,377,992 | 2,074,213 |
| Debt service: | | | |
| Principal | 18 | 24 | 42 |
| Interest | 2 | 2 | 4 |
| Capital outlays | 905 | 3,809 | 4,714 |
| Total expenditures | 697,146 | 1,381,827 | 2,078,973 |
| Excess (deficiency) of revenues over (under) expenditures | 118 | (17,155) | (17,037) |
| Net change in fund balances | 118 | (17,155) | (17,037) |
| Fund balances (deficits), July 1, 2011 | 1,411 | (7,305) | (5,894) |
| Increase (decrease) for changes in inventories | 823 | | 823 |
| FUND BALANCES (DEFICITS), JUNE 30, 2012 | \$ 2,352 | \$ (24,460) | \$ (22,108) |

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DEBT SERVICE FUNDS

The Debt Service Funds are used to account for and report financial resources that are restricted, committed or assigned to expenditures for principal and interest.

SIGNIFICANT NONMAJOR GOVERNMENTAL DEBT SERVICE FUNDS DESCRIPTIONS

Treasurer

General Obligation Bond Retirement and Interest Fund--to account for payments of principal and interest related to general obligation bonds. These bonds provide financing for the protection of the environment within the State; the acquisition, construction, reconstruction, extension, and improvement of highways; the acquisition, construction, reconstruction, and improvement of capital projects; the construction of facilities leased back to the State; and the development of mass transportation and aviation systems within the State.

Governor's Office of Management and Budget

Build Illinois Bond Retirement and Interest Fund--to account for the payment of principal and interest upon bonds issued to finance improvements related to existing or planned scientific research, manufacturing, or industrial development or expansion in Illinois. Funding consists of transfers from the Build Illinois Fund and investment income.

State of Illinois

Combining Balance Sheet
Nonmajor Debt Service Funds

June 30, 2012 (Expressed in Thousands)

| | Governor's Office of Management and Budget | | Other | Total |
|---|---|--|------------------|---------------------|
| | Treasurer | | | |
| | General Obligation Bond Retirement and Interest Fund | Build Illinois Bond Retirement and Interest Fund | | |
| ASSETS | | | | |
| Cash equity with State Treasurer | \$ 1,290,184 | \$ 4,260 | \$ 9,205 | \$ 1,303,649 |
| Cash and cash equivalents | 6,441 | 148,018 | 19,241 | 173,700 |
| Securities lending collateral of State Treasurer | 523,628 | 1,999 | | 525,627 |
| Other receivables, net | 366 | 3 | | 369 |
| Due from other funds | 3,843 | | | 3,843 |
| Loans and notes receivable, net | 12,032 | | | 12,032 |
| Total assets | \$ 1,836,494 | \$ 154,280 | \$ 28,446 | \$ 2,019,220 |
| LIABILITIES | | | | |
| Due to other funds | \$ 237 | | \$ 237 | |
| Unearned revenue | 12,875 | | | 12,875 |
| Obligations under securities lending of State Treasurer | 523,628 | \$ 1,999 | | 525,627 |
| Total liabilities | 536,740 | 1,999 | | 538,739 |
| FUND BALANCES | | | | |
| Restricted | 1,299,754 | 152,281 | \$ 28,446 | 1,480,481 |
| Total fund balances | 1,299,754 | 152,281 | 28,446 | 1,480,481 |
| Total liabilities and fund balances | \$ 1,836,494 | \$ 154,280 | \$ 28,446 | \$ 2,019,220 |

State of Illinois

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances

Nonmajor Debt Service Funds

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

| | Treasurer | | Governor's Office of Management and Budget | | Other | Total |
|--|---|--|---|----|-------|---------------------|
| | General Obligation Bond Retirement and Interest Fund | Build Illinois Bond Retirement and Interest Fund | | | | |
| REVENUES | | | | | | |
| Federal government | \$ 64,087 | | | | | \$ 64,087 |
| Licenses and fees | 166 | | | | | 166 |
| Interest and other investment income | 5,226 | \$ 59 | \$ 2 | | | 5,287 |
| Other | 7 | | | | | 7 |
| Total revenues | 69,486 | 59 | 2 | | | 69,547 |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| General government | 9,308 | 58 | | | | 9,366 |
| Employment and economic development | | | | 20 | | 20 |
| Transportation | | | | 1 | | 1 |
| Debt service: | | | | | | |
| Principal | 1,561,880 | 180,589 | 15,250 | | | 1,757,719 |
| Interest | 1,369,621 | 118,942 | 6,556 | | | 1,495,119 |
| Total expenditures | 2,940,809 | 299,589 | 21,827 | | | 3,262,225 |
| Excess (deficiency) of revenues over (under) expenditures | (2,871,323) | (299,530) | (21,825) | | | (3,192,678) |
| OTHER SOURCES (USES) OF FINANCIAL RESOURCES | | | | | | |
| General obligation refunding bonds issued | 1,797,740 | | | | | 1,797,740 |
| Premiums on general obligation refunding bonds issued | 165,789 | | | | | 165,789 |
| Transfers-in | 2,903,869 | 324,420 | 19,399 | | | 3,247,688 |
| Transfers-out | (237) | (1,143) | | | | (1,380) |
| Payments to refunded bond escrow agent | (1,934,435) | | | | | (1,934,435) |
| Net other sources (uses) of financial resources | 2,932,726 | 323,277 | 19,399 | | | 3,275,402 |
| Net change in fund balances | 61,403 | 23,747 | (2,426) | | | 82,724 |
| Fund balances, July 1, 2011 | 1,238,351 | 128,534 | 30,872 | | | 1,397,757 |
| FUND BALANCES, JUNE 30, 2012 | \$ 1,299,754 | \$ 152,281 | \$ 28,446 | | | \$ 1,480,481 |

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CAPITAL PROJECTS FUNDS

The Capital Projects Funds are used to account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlays including the acquisition and/or construction of capital facilities and other capital assets.

SIGNIFICANT NONMAJOR GOVERNMENTAL CAPITAL PROJECTS FUNDS DESCRIPTIONS

Department of Commerce and Economic Opportunity

Build Illinois Bond Fund--to account for the proceeds from bond issues of the Build Illinois Bond Program to finance improvements related to scientific research, manufacturing, and industrial development or expansion.

Department of Transportation

Transportation Bond Series A Fund--to account for the proceeds from bond issues to finance State highway acquisition, construction, reconstruction, extension, and improvements.

Transportation Bond Series B Fund--to account for the proceeds from bond issues used to finance mass transportation and aviation infrastructure including, but not limited to, the acquisition of mass transportation equipment, including rail and bus, and other equipment for counties under the Regional Transportation Authority.

Transportation Bond Series D Fund--to account for the proceeds from bond issues used to finance State highways, arterial highways, freeways, roads, bridges, structures separating highways and railroads and roads, and bridges on roads maintained by counties, municipalities, townships or road districts.

Capital Development Board

Capital Development Fund--to account for the proceeds from bond issues to finance capital development projects within the State.

School Construction Fund--to account for the proceeds from bond issues to finance school construction building projects.

CDB Contributory Trust Fund--to account for local, state, and federal funding for the construction and remodeling of buildings and the purchase of land and equipment in connection with the various contributing educational institutions, State departments, and agencies as authorized by law.

State of Illinois

Combining Balance Sheet
Nonmajor Capital Projects Funds

June 30, 2012 (Expressed in Thousands)

| | Commerce and Economic Opportunity | | Capital Development Board | | Other | Total |
|--|---|-------------------|---------------------------------|------------------|---------------------|-------|
| | Build Illinois Bond Fund | Transportation | | | | |
| ASSETS | | | | | | |
| Cash equity with State Treasurer | \$ 419,545 | \$ 788,617 | \$ 229,580 | \$ 26,055 | \$ 1,463,797 | |
| Cash and cash equivalents | | | 10,400 | 11 | 10,411 | |
| Receivables, net: | | | | | | |
| Intergovernmental | | | 1,002 | | 1,002 | |
| Other | | 10 | | | 10 | |
| Due from other funds | 26,396 | 149 | 14,326 | 5,178 | 46,049 | |
| Total assets | \$ 445,941 | \$ 788,776 | \$ 255,308 | \$ 31,244 | \$ 1,521,269 | |
| LIABILITIES | | | | | | |
| Accounts payable and accrued liabilities | \$ 624 | \$ 100,430 | \$ 46,952 | | \$ 148,006 | |
| Intergovernmental payables | 2,961 | 166,408 | 9,305 | | 178,674 | |
| Due to other funds | 91 | 32 | 81 | | 204 | |
| Due to component units | | 1 | | | 1 | |
| Unavailable revenue | | 10 | | | 10 | |
| Unearned revenue | | | 1,301 | | 1,301 | |
| Total liabilities | 3,676 | 266,881 | 57,639 | | 328,196 | |
| FUND BALANCES | | | | | | |
| Restricted | | | | \$ 195 | 195 | |
| Committed | 442,265 | 533,559 | 197,669 | 31,038 | 1,204,531 | |
| Assigned | | | | 11 | 11 | |
| Unassigned | | (11,664) | | | (11,664) | |
| Total fund balances | 442,265 | 521,895 | 197,669 | 31,244 | 1,193,073 | |
| Total liabilities and fund balances | \$ 445,941 | \$ 788,776 | \$ 255,308 | \$ 31,244 | \$ 1,521,269 | |

State of Illinois

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances

Nonmajor Capital Projects Funds

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

| | Commerce and Economic Opportunity | | Capital Development | | Total |
|--|---|--------------------|------------------------|------------------|---------------------|
| | Build Illinois Bond Fund | Transportation | Board | Other | |
| REVENUES | | | | | |
| Federal government | | | \$ 23,916 | | \$ 23,916 |
| Other | \$ 49 | | 5,320 | \$ 18 | 5,387 |
| Total revenues | 49 | | 29,236 | 18 | 29,303 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| Health and social services | 72,530 | | | | 72,530 |
| Education | 54,640 | | 433,802 | | 488,442 |
| General government | 37,897 | \$ 1,403 | 33,991 | | 73,291 |
| Employment and economic development | 163,885 | | 22,537 | 15,755 | 202,177 |
| Transportation | | 588,682 | | 1,620 | 590,302 |
| Public protection and justice | | | 2,444 | | 2,444 |
| Environment and business regulations | 14,092 | | 10,768 | 32,363 | 57,223 |
| Capital outlays | 478 | 619,181 | 75,632 | | 695,291 |
| Total expenditures | 343,522 | 1,209,266 | 579,174 | 49,738 | 2,181,700 |
| Excess (deficiency) of revenues over (under) expenditures | (343,473) | (1,209,266) | (549,938) | (49,720) | (2,152,397) |
| OTHER SOURCES (USES) OF FINANCIAL RESOURCES | | | | | |
| General and special obligation bonds issued | 725,040 | 800,000 | 502,500 | 72,500 | 2,100,040 |
| Premiums on general and special obligation bonds issued | 12,965 | 50,464 | 16,753 | 86 | 80,268 |
| Transfers-in | | 322,853 | | 1,308 | 324,161 |
| Transfers-out | (24,689) | (198,800) | (124,216) | (2,532) | (350,237) |
| Net other sources (uses) of financial resources | 713,316 | 974,517 | 395,037 | 71,362 | 2,154,232 |
| Net change in fund balances | 369,843 | (234,749) | (154,901) | 21,642 | 1,835 |
| Fund balances, July 1, 2011 | 72,422 | 756,644 | 352,570 | 9,602 | 1,191,238 |
| FUND BALANCES, JUNE 30, 2012 | \$ 442,265 | \$ 521,895 | \$ 197,669 | \$ 31,244 | \$ 1,193,073 |

State of Illinois

Combining Balance Sheet - Nonmajor Capital Projects Funds

Transportation

June 30, 2012 (Expressed in Thousands)

| | Transportation Bond Series A Fund | Transportation Bond Series B Fund | Transportation Bond Series D Fund | Total |
|---|---|---|---|-------------------|
| ASSETS | | | | |
| Cash equity with State Treasurer | \$ 50,549 | \$ 524,851 | \$ 213,217 | \$ 788,617 |
| Other receivables, net | 10 | | | 10 |
| Due from other funds | | | 149 | 149 |
| Total assets | \$ 50,559 | \$ 524,851 | \$ 213,366 | \$ 788,776 |
| LIABILITIES | | | | |
| Accounts payable and accrued liabilities | \$ 40,776 | \$ 33,423 | \$ 26,231 | \$ 100,430 |
| Intergovernmental payables | 21,437 | 137,461 | 7,510 | 166,408 |
| Due to other funds | | 32 | | 32 |
| Due to component units | | 1 | | 1 |
| Unavailable revenue | 10 | | | 10 |
| Total liabilities | 62,223 | 170,917 | 33,741 | 266,881 |
| FUND BALANCES (DEFICITS) | | | | |
| Committed | | 353,934 | 179,625 | 533,559 |
| Unassigned | (11,664) | | | (11,664) |
| Total fund balances (deficits) | (11,664) | 353,934 | 179,625 | 521,895 |
| Total liabilities and fund balances (deficits) | \$ 50,559 | \$ 524,851 | \$ 213,366 | \$ 788,776 |

State of Illinois

**Combining Statement of Revenues, Expenditures
and Changes in Fund Balances - Nonmajor Capital Projects Funds
Transportation**

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

| | Transportation Bond Series A Fund | Transportation Bond Series B Fund | Transportation Bond Series D Fund | Total |
|--|---|---|---|--------------------|
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | | | \$ 1,403 | \$ 1,403 |
| Transportation | \$ 110,083 | \$ 329,794 | 148,805 | 588,682 |
| Capital outlays | 330,117 | 7,149 | 281,915 | 619,181 |
| Total expenditures | 440,200 | 336,943 | 432,123 | 1,209,266 |
| Excess (deficiency) of revenues over (under) expenditures | (440,200) | (336,943) | (432,123) | (1,209,266) |
| OTHER SOURCES (USES) OF FINANCIAL RESOURCES | | | | |
| General and special obligation bonds issued | | 550,000 | 250,000 | 800,000 |
| Premiums on general and special obligation bonds issued | | 36,021 | 14,443 | 50,464 |
| Transfers-in | | | 322,853 | 322,853 |
| Transfers-out | (198,800) | | | (198,800) |
| Net other sources (uses) of financial resources | (198,800) | 586,021 | 587,296 | 974,517 |
| Net change in fund balances | (639,000) | 249,078 | 155,173 | (234,749) |
| Fund balances, July 1, 2011 | 627,336 | 104,856 | 24,452 | 756,644 |
| FUND BALANCES (DEFICITS), JUNE 30, 2012 | \$ (11,664) | \$ 353,934 | \$ 179,625 | \$ 521,895 |

State of Illinois

Combining Balance Sheet - Nonmajor Capital Projects Funds

Capital Development Board

June 30, 2012 (Expressed in Thousands)

| | Capital Development Fund | School Construction Fund | CDB Contributory Trust Fund | Total |
|--|--------------------------------|--------------------------------|-----------------------------------|-------------------|
| ASSETS | | | | |
| Cash equity with State Treasurer | \$ 58,546 | \$ 169,073 | \$ 1,961 | \$ 229,580 |
| Cash and cash equivalents | 10,400 | | | 10,400 |
| Intergovernmental receivables, net | | | 1,002 | 1,002 |
| Due from other funds | 10,024 | | 4,302 | 14,326 |
| Total assets | \$ 78,970 | \$ 169,073 | \$ 7,265 | \$ 255,308 |
| LIABILITIES | | | | |
| Accounts payable and accrued liabilities | \$ 41,418 | | \$ 5,534 | \$ 46,952 |
| Intergovernmental payables | 2,124 | \$ 7,181 | | 9,305 |
| Due to other funds | 81 | | | 81 |
| Unearned revenue | | | 1,301 | 1,301 |
| Total liabilities | 43,623 | 7,181 | 6,835 | 57,639 |
| FUND BALANCES | | | | |
| Committed | 35,347 | 161,892 | 430 | 197,669 |
| Total fund balances | 35,347 | 161,892 | 430 | 197,669 |
| Total liabilities and fund balances | \$ 78,970 | \$ 169,073 | \$ 7,265 | \$ 255,308 |

State of Illinois

**Combining Statement of Revenues, Expenditures
and Changes in Fund Balances - Nonmajor Capital Projects Funds
Capital Development Board**

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

| | Capital Development Fund | School Construction Fund | CDB Contributory Trust Fund | Total |
|--|--------------------------------|--------------------------------|-----------------------------------|-------------------|
| REVENUES | | | | |
| Federal government | | | \$ 23,916 | \$ 23,916 |
| Other | | | 5,320 | 5,320 |
| Total revenues | | | 29,236 | 29,236 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Education | \$ 145,664 | \$ 283,203 | 4,935 | 433,802 |
| General government | 33,639 | | 352 | 33,991 |
| Employment and economic development | 22,537 | | | 22,537 |
| Public protection and justice | 2,444 | | | 2,444 |
| Environment and business regulations | 10,768 | | | 10,768 |
| Capital outlays | 51,804 | | 23,828 | 75,632 |
| Total expenditures | 266,856 | 283,203 | 29,115 | 579,174 |
| Excess (deficiency) of revenues over (under) expenditures | (266,856) | (283,203) | 121 | (549,938) |
| OTHER SOURCES (USES) OF FINANCIAL RESOURCES | | | | |
| General and special obligation bonds issued | 202,500 | 300,000 | | 502,500 |
| Premiums on general and special obligation bonds issued | 12,032 | 4,721 | | 16,753 |
| Transfers-out | | (124,053) | (163) | (124,216) |
| Net other sources (uses) of financial resources | 214,532 | 180,668 | (163) | 395,037 |
| Net change in fund balances | (52,324) | (102,535) | (42) | (154,901) |
| Fund balances, July 1, 2011 | 87,671 | 264,427 | 472 | 352,570 |
| FUND BALANCES, JUNE 30, 2012 | \$ 35,347 | \$ 161,892 | \$ 430 | \$ 197,669 |

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ENTERPRISE FUNDS

Enterprise Funds are maintained to account for the operations where the intent of the State is to provide services to the general public in a manner similar to private business enterprises.

SIGNIFICANT NONMAJOR ENTERPRISE FUNDS DESCRIPTIONS

Department of the Lottery

State Lottery Fund--to account for all receipts and expenses from the operation of the State Lottery. The net proceeds are transferred to the Common School Account in the General Fund.

Student Assistance Commission

Federal Student Loan Fund--to account for the Federal Family Education Loan Program which funds the repayment of guaranteed loans that have gone into default to lenders.

Illinois Designated Account Purchase Program Fund--to purchase guaranteed student loans from lenders in order to reduce the lenders' collection and administration costs, and to act as a servicer of student loans.

State of Illinois

Combining Statement of Net Assets

Nonmajor Enterprise Funds

June 30, 2012 (Expressed in Thousands)

| | Lottery | | Student Assistance | Other | Total |
|---|--------------------|------------------|--------------------|-------------------|-------|
| | State Lottery Fund | Commission | Commission | | |
| ASSETS | | | | | |
| Cash equity with State Treasurer | \$ 141,986 | \$ 36,352 | \$ 88,269 | \$ 266,607 | |
| Cash and cash equivalents | 12,088 | 9,356 | 3,622 | 25,066 | |
| Securities lending collateral of State Treasurer | | 16,199 | 39,972 | 56,171 | |
| Investments | 58,064 | 6,997 | 26,096 | 91,157 | |
| Receivables, net: | | | | | |
| Intergovernmental | | 30,076 | 1,006 | 31,082 | |
| Other | 22,106 | 11 | 9,422 | 31,539 | |
| Due from other funds | | 2,740 | 5,326 | 8,066 | |
| Due from component units | | | 8 | 8 | |
| Restricted assets: | | | | | |
| Cash and cash equivalents | | 48,672 | | 48,672 | |
| Other receivables, net | | 15,384 | | 15,384 | |
| Loans and notes receivable, net | | 113,318 | | 113,318 | |
| Unamortized bond issuance costs | | 765 | | 765 | |
| Prepaid expenses | | | 322 | 322 | |
| Total current assets | 234,244 | 279,870 | 174,043 | 688,157 | |
| Investments | 302,031 | | 13,320 | 315,351 | |
| Restricted loans and notes receivable, net | | 696,092 | | 696,092 | |
| Unamortized bond issuance costs | | 5,250 | | 5,250 | |
| Capital assets not being depreciated | | | 476 | 476 | |
| Capital assets being depreciated, net | 229 | 4 | 3,908 | 4,141 | |
| Total noncurrent assets | 302,260 | 701,346 | 17,704 | 1,021,310 | |
| Total assets | 536,504 | 981,216 | 191,747 | 1,709,467 | |
| LIABILITIES | | | | | |
| Accounts payable and accrued liabilities | 186,371 | 18,957 | 14,734 | 220,062 | |
| Intergovernmental payables | 27 | 10,180 | 34 | 10,241 | |
| Due to other funds | 18,604 | 5,003 | 3,324 | 26,931 | |
| Due to component units | | | 7,061 | 7,061 | |
| Unearned revenue | 5,427 | | 27,122 | 32,549 | |
| Obligations under securities lending of State Treasurer | | 16,199 | 39,972 | 56,171 | |
| Short-term notes payable | | 275,957 | | 275,957 | |
| Current portion of long-term liabilities | 57,180 | 4,173 | 1,913 | 63,266 | |
| Total current liabilities | 267,609 | 330,469 | 94,160 | 692,238 | |
| Noncurrent portion of long-term liabilities | 244,529 | 586,734 | 11,381 | 842,644 | |
| Total liabilities | 512,138 | 917,203 | 105,541 | 1,534,882 | |
| NET ASSETS | | | | | |
| Invested in capital assets, net of related debt | 229 | 4 | 4,384 | 4,617 | |
| Net assets restricted for: | | | | | |
| Debt service | | 9,300 | | 9,300 | |
| Education | | 42,569 | | 42,569 | |
| Unrestricted | 24,137 | 12,140 | 81,822 | 118,099 | |
| Total net assets | \$ 24,366 | \$ 64,013 | \$ 86,206 | \$ 174,585 | |

State of Illinois

**Combining Statement of Revenues, Expenses
and Changes in Net Assets
Nonmajor Enterprise Funds**

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

| | Lottery | | Student | Other | Total |
|--|-----------------------|--------------------------|------------------|-------------------|-------|
| | State Lottery Fund | Assistance Commission | | | |
| OPERATING REVENUES | | | | | |
| Charges for sales and services | \$ 2,676,996 | \$ 23,688 | \$ 122,778 | \$ 2,823,462 | |
| Interest income pledged as revenue bond security | | 36,110 | | 36,110 | |
| Interest and other investment income | | | 1 | 1 | |
| Other | 5,383 | | | 5,383 | |
| Total operating revenues | 2,682,379 | 59,798 | 122,779 | 2,864,956 | |
| OPERATING EXPENSES | | | | | |
| Cost of sales and services | 151,421 | 189,251 | 57,909 | 398,581 | |
| Benefit payments and refunds | | | 44,668 | 44,668 | |
| Prizes and claims | 1,620,405 | | | 1,620,405 | |
| Interest | | 6,097 | 21,112 | 27,209 | |
| General and administrative | 152,205 | 26,091 | 40,254 | 218,550 | |
| Depreciation | 107 | 7 | 668 | 782 | |
| Other | | | 11,421 | 11,421 | |
| Total operating expenses | 1,924,138 | 221,446 | 176,032 | 2,321,616 | |
| Operating income (loss) | 758,241 | (161,648) | (53,253) | 543,340 | |
| NONOPERATING REVENUES (EXPENSES) | | | | | |
| Interest and investment income | 37,622 | 153 | 695 | 38,470 | |
| Interest expense | (17,186) | | | (17,186) | |
| Federal government | | 182,872 | 107 | 182,979 | |
| Other expenses | (4) | (9,422) | (2) | (9,428) | |
| Income (loss) before transfers | 778,673 | 11,955 | (52,453) | 738,175 | |
| Transfers-in | | 4,595 | 26,046 | 30,641 | |
| Transfers-out | (758,237) | (26,046) | (30,230) | (814,513) | |
| Change in net assets | 20,436 | (9,496) | (56,637) | (45,697) | |
| Net assets, July 1, 2011, as restated | 3,930 | 73,509 | 142,843 | 220,282 | |
| NET ASSETS, JUNE 30, 2012 | \$ 24,366 | \$ 64,013 | \$ 86,206 | \$ 174,585 | |

State of Illinois

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

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

| | Lottery | Student | | |
|--|-------------------|------------------|------------------|-------------------|
| | State Lottery | Assistance | Other | Total |
| | Fund | Commission | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Cash received from sales and services | | \$ 113,262 | \$ 113,922 | \$ 227,184 |
| Cash received from lottery sales | \$ 2,669,984 | | | 2,669,984 |
| Cash payments to suppliers for goods and services | (108,461) | (5,253) | (51,273) | (164,987) |
| Cash payments to employees for services | (14,998) | (1,826) | (58,273) | (75,097) |
| Cash payments for lottery prizes | (1,561,172) | | | (1,561,172) |
| Cash payments for commissions and bonuses | (151,421) | | | (151,421) |
| Cash receipts of student loan principal | | 133,935 | | 133,935 |
| Cash receipts of student loan interest | | 23,640 | | 23,640 |
| Cash payments for student loans issued | | (9,819) | | (9,819) |
| Cash receipts from other operating activities | 5,021 | | 828 | 5,849 |
| Cash payments for other operating activities | | (277,217) | (31,581) | (308,798) |
| Net cash provided (used) by operating activities | 838,953 | (23,278) | (26,377) | 789,298 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | |
| Principal paid on revenue bonds and other borrowings | | (147,997) | | (147,997) |
| Interest paid on revenue bonds and other borrowings | | (9,309) | (71,422) | (80,731) |
| Grants received | | 185,827 | 106 | 185,933 |
| Grants paid | | (9,789) | | (9,789) |
| Transfers-in from other funds | | 4,757 | 76,878 | 81,635 |
| Transfers-out to other funds | (708,289) | (25,378) | (30,394) | (764,061) |
| Net cash provided (used) by noncapital financing activities | (708,289) | (1,889) | (24,832) | (735,010) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Acquisition and construction of capital assets | (71) | | (1,539) | (1,610) |
| Net cash provided (used) by capital and related financing activities | (71) | | (1,539) | (1,610) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Purchase of investment securities | (19,882) | (8,000) | (59,746) | (87,628) |
| Proceeds from sales and maturities of investment securities | 68,653 | 24,858 | 55,689 | 149,200 |
| Cash paid for long-term annuity prizes payable | (68,581) | | | (68,581) |
| Interest and dividends on investments | | 371 | 719 | 1,090 |
| Net cash provided (used) by investing activities | (19,810) | 17,229 | (3,338) | (5,919) |
| Net increase (decrease) in cash and cash equivalents | 110,783 | (7,938) | (56,086) | 46,759 |
| Cash and cash equivalents, July 1, 2011, as restated | 43,291 | 102,318 | 147,977 | 293,586 |
| CASH AND CASH EQUIVALENTS, JUNE 30, 2012 | \$ 154,074 | \$ 94,380 | \$ 91,891 | \$ 340,345 |
| Reconciliation of cash and cash equivalents to the statement of net assets: | | | | |
| Total cash and cash equivalents per Statement of Net Assets | \$ 12,088 | \$ 9,356 | \$ 3,622 | \$ 25,066 |
| Add: cash equity with State Treasurer | 141,986 | 36,352 | 88,269 | 266,607 |
| Add: restricted cash equivalents | | 48,672 | | 48,672 |
| CASH AND CASH EQUIVALENTS, JUNE 30, 2012 | \$ 154,074 | \$ 94,380 | \$ 91,891 | \$ 340,345 |

(continued)

State of Illinois

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

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

(continued)

| | Lottery | Student | | |
|---|-------------------|--------------------|--------------------|-------------------|
| | State Lottery | Assistance | Other | Total |
| | Fund | Commission | | |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | | |
| OPERATING INCOME (LOSS) | \$ 758,241 | \$ (161,648) | \$ (53,253) | \$ 543,340 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | |
| Depreciation | 107 | 7 | 668 | 782 |
| Provision for uncollectible accounts | 779 | 15,475 | | 16,254 |
| Amortization | | 2,586 | | 2,586 |
| Interest and investment income | | (343) | | (343) |
| Interest expense | | 6,097 | 20,937 | 27,034 |
| Changes in assets and liabilities: | | | | |
| (Increase) decrease in accounts receivable | (9,523) | 1,828 | (545) | (8,240) |
| (Increase) decrease in intergovernmental receivables | | | 65 | 65 |
| (Increase) decrease in due from other funds | | (174) | 1,082 | 908 |
| (Increase) decrease in due from component units | | | (8) | (8) |
| (Increase) decrease in loans and notes receivable | | 112,379 | | 112,379 |
| (Increase) decrease in inventory | 248 | | | 248 |
| (Increase) decrease in prepaid expenses | 120 | | (96) | 24 |
| (Increase) decrease in other assets | | 1 | | 1 |
| Increase (decrease) in accounts payable and accrued liabilities | 67,928 | 1,475 | (2,439) | 66,964 |
| Increase (decrease) in intergovernmental payables | 27 | 215 | 30 | 272 |
| Increase (decrease) in due to other funds | | (1,156) | 243 | (913) |
| Increase (decrease) in due to component units | | | 7,061 | 7,061 |
| Increase (decrease) in unearned revenue | 1,642 | | 694 | 2,336 |
| Increase (decrease) in other liabilities | (426) | (20) | (816) | (1,262) |
| Increase (decrease) in long-term annuity prizes payable | 19,810 | | | 19,810 |
| Total adjustments | 80,712 | 138,370 | 26,876 | 245,958 |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | \$ 838,953 | \$ (23,278) | \$ (26,377) | \$ 789,298 |
| NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES | | | | |
| Gain (Loss) on disposal of assets | \$ (4) | | \$ (2) | \$ (6) |
| Increase (decrease) in fair value of investments | 20,436 | \$ 252 | (52) | 20,636 |
| Interest accreted on investments | 17,186 | | | 17,186 |
| Interest accreted on long-term annuity prizes payable | (17,186) | | | (17,186) |

State of Illinois

Combining Statement of Net Assets - Nonmajor Enterprise Funds
 Student Assistance Commission

June 30, 2012 (Expressed in Thousands)

| | Federal Student Loan Fund | Illinois Designated Account Purchase Program Fund | Total |
|---|------------------------------|---|------------------|
| ASSETS | | | |
| Cash equity with State Treasurer | \$ 36,352 | | \$ 36,352 |
| Cash and cash equivalents | | \$ 9,356 | 9,356 |
| Securities lending collateral of State Treasurer | 16,199 | | 16,199 |
| Investments | | 6,997 | 6,997 |
| Receivables, net: | | | |
| Intergovernmental | 30,076 | | 30,076 |
| Other | 11 | | 11 |
| Due from other funds | 2,559 | 181 | 2,740 |
| Restricted assets: | | | |
| Cash and cash equivalents | | 48,672 | 48,672 |
| Other receivables, net | | 15,384 | 15,384 |
| Loans and notes receivable, net | | 113,318 | 113,318 |
| Unamortized bond issuance costs | | 765 | 765 |
| Total current assets | 85,197 | 194,673 | 279,870 |
| Restricted loans and notes receivable, net | | 696,092 | 696,092 |
| Unamortized bond issuance costs | | 5,250 | 5,250 |
| Capital assets being depreciated, net | | 4 | 4 |
| Total noncurrent assets | | 701,346 | 701,346 |
| Total assets | 85,197 | 896,019 | 981,216 |
| LIABILITIES | | | |
| Accounts payable and accrued liabilities | 16,816 | 2,141 | 18,957 |
| Intergovernmental payables | 8,006 | 2,174 | 10,180 |
| Due to other funds | 1,607 | 3,396 | 5,003 |
| Obligations under securities lending of State Treasurer | 16,199 | | 16,199 |
| Short-term notes payable | | 275,957 | 275,957 |
| Current portion of long-term liabilities | | 4,173 | 4,173 |
| Total current liabilities | 42,628 | 287,841 | 330,469 |
| Noncurrent portion of long-term liabilities | | 586,734 | 586,734 |
| Total liabilities | 42,628 | 874,575 | 917,203 |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | | 4 | 4 |
| Net assets restricted for: | | | |
| Debt service | | 9,300 | 9,300 |
| Education | 42,569 | | 42,569 |
| Unrestricted | | 12,140 | 12,140 |
| Total net assets | \$ 42,569 | \$ 21,444 | \$ 64,013 |

State of Illinois

**Combining Statement of Revenues, Expenses
and Changes in Net Assets - Nonmajor Enterprise Funds
Student Assistance Commission**

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

| | Federal Student Loan Fund | Illinois Designated Account Purchase Program Fund | Total |
|--|------------------------------|---|------------------|
| OPERATING REVENUES | | | |
| Charges for sales and services | \$ 23,688 | | \$ 23,688 |
| Interest income pledged as revenue bond security | | \$ 36,110 | 36,110 |
| Total operating revenues | 23,688 | 36,110 | 59,798 |
| OPERATING EXPENSES | | | |
| Cost of sales and services | 189,251 | | 189,251 |
| Interest | | 6,097 | 6,097 |
| General and administrative | | 26,091 | 26,091 |
| Depreciation | | 7 | 7 |
| Total operating expenses | 189,251 | 32,195 | 221,446 |
| Operating income (loss) | (165,563) | 3,915 | (161,648) |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Interest and investment income | 153 | | 153 |
| Federal government | 182,872 | | 182,872 |
| Other expenses | | (9,422) | (9,422) |
| Income (loss) before transfers | 17,462 | (5,507) | 11,955 |
| Transfers-in | 4,595 | | 4,595 |
| Transfers-out | (26,046) | | (26,046) |
| Change in net assets | (3,989) | (5,507) | (9,496) |
| Net assets, July 1, 2011 | 46,558 | 26,951 | 73,509 |
| NET ASSETS, JUNE 30, 2012 | \$ 42,569 | \$ 21,444 | \$ 64,013 |

State of Illinois

Combining Statement of Cash Flows - Nonmajor Enterprise Funds

Student Assistance Commission

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

| | Federal Student Loan Fund | Designated Account Purchase Program Fund | Total |
|---|---------------------------------|--|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash received from sales and services | \$ 113,262 | | \$ 113,262 |
| Cash payments to suppliers for goods and services | | \$ (5,253) | (5,253) |
| Cash payments to employees for services | | (1,826) | (1,826) |
| Cash receipts of student loan principal | | 133,935 | 133,935 |
| Cash receipts of student loan interest | | 23,640 | 23,640 |
| Cash payments for student loans issued | | (9,819) | (9,819) |
| Cash payments for other operating activities | (277,217) | | (277,217) |
| Net cash provided (used) by operating activities | (163,955) | 140,677 | (23,278) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | |
| Principal paid on revenue bonds and other borrowings | | (147,997) | (147,997) |
| Interest paid on revenue bonds and other borrowings | | (9,309) | (9,309) |
| Grants received | 185,827 | | 185,827 |
| Grants paid | | (9,789) | (9,789) |
| Transfers-in from other funds | 4,757 | | 4,757 |
| Transfers-out to other funds | (25,378) | | (25,378) |
| Net cash provided (used) by noncapital financing activities | 165,206 | (167,095) | (1,889) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of investment securities | | (8,000) | (8,000) |
| Proceeds from sales and maturities of investment securities | | 24,858 | 24,858 |
| Interest and dividends on investments | 156 | 215 | 371 |
| Net cash provided (used) by investing activities | 156 | 17,073 | 17,229 |
| Net increase (decrease) in cash and cash equivalents | 1,407 | (9,345) | (7,938) |
| Cash and cash equivalents, July 1, 2011 | 34,945 | 67,373 | 102,318 |
| CASH AND CASH EQUIVALENTS, JUNE 30, 2012 | \$ 36,352 | \$ 58,028 | \$ 94,380 |
| Reconciliation of cash and cash equivalents to the statement of net assets: | | | |
| Total cash and cash equivalents per statement of net assets | | \$ 9,356 | \$ 9,356 |
| Add: cash equity with State Treasurer | \$ 36,352 | | 36,352 |
| Add: restricted cash equivalents | | 48,672 | 48,672 |
| CASH AND CASH EQUIVALENTS, JUNE 30, 2012 | \$ 36,352 | \$ 58,028 | \$ 94,380 |
| Reconciliation of operating income (loss) to net cash used by operating activities: | | | |
| OPERATING INCOME (LOSS) | \$ (165,563) | \$ 3,915 | \$ (161,648) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | |
| Depreciation | | 7 | 7 |
| Provision for uncollectible accounts | | 15,475 | 15,475 |
| Amortization | | 2,586 | 2,586 |
| Interest and investment income | | (343) | (343) |
| Interest expense | | 6,097 | 6,097 |
| Changes in assets and liabilities: | | | |
| (Increase) decrease in accounts receivable | | 1,828 | 1,828 |
| (Increase) decrease in due from other funds | 6 | (180) | (174) |
| (Increase) decrease in loans and notes receivable | | 112,379 | 112,379 |
| (Increase) decrease in other assets | | 1 | 1 |
| Increase (decrease) in accounts payable and accrued liabilities | 1,388 | 87 | 1,475 |
| Increase (decrease) in intergovernmental payables | 215 | | 215 |
| Increase (decrease) in due to other funds | (1) | (1,155) | (1,156) |
| Increase (decrease) in other liabilities | | (20) | (20) |
| Total adjustments | 1,608 | 136,762 | 138,370 |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | \$ (163,955) | \$ 140,677 | \$ (23,278) |
| NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES | | | |
| Increase (decrease) in fair value of investments | | \$ 252 | \$ 252 |

INTERNAL SERVICE FUNDS

Internal Service Funds are maintained to account for the operations of State agencies which render services to other State agencies or governmental units on a cost-reimbursement basis.

SIGNIFICANT INTERNAL SERVICE FUNDS DESCRIPTIONS

Office of the Auditor General

Audit Expense Fund--to account for the costs in association with conducting audits in accordance with State Auditing Act .

Department of Central Management Services

State Garage Revolving Fund--to account for the operation and maintenance of State garages including the servicing and repair of all automotive equipment owned or controlled by the State. Revenues consist of charges to user agencies.

Statistical Services Revolving Fund--to account for the purchase, maintenance, and operation of electronic data processing and information devices used by State agencies. Revenues consist of charges from the user agencies.

Communications Revolving Fund--to account for the expenses related to telecommunications services for State agencies. Revenues consist of charges from user agencies.

Facilities Management Fund--to account for rental, maintenance, and other expenses related to the use of buildings by State agencies. Revenues consist of charges from user agencies.

Professional Services Fund--to account for the cost of professional services rendered by the Department of Central Management Services on behalf of other agencies. Revenues consist of charges from user agencies.

Workers' Compensation Revolving Fund--to account for workers' compensation expenses of State employees. Revenues consist of charges from the funds which paid the employees during the employees' active service.

Department of Corrections

Working Capital Revolving Fund--to account for the income and expenses associated with the production by factories, farms and service programs at several State correctional facilities for use by other State agencies.

Department of Healthcare and Family Services

Health Insurance Reserve Fund--to account for the self-insurance medical and dental plan for State employees, retirees and qualified dependents. This fund records all contributions, appropriations, interest, dividends, and expenses related to the plan.

State of Illinois

Combining Statement of Net Assets

Internal Service Funds

June 30, 2012 (Expressed in Thousands)

| | Auditor General | | Central | | Healthcare and | | |
|---|------------------|-------------------|------------------|------------------|-----------------|-------|-------------------|
| | Audit Expense | Management | Working Capital | Health Insurance | Healthcare and | Other | Total |
| | Fund | Services | Revolving Fund | Reserve Fund | Family Services | | |
| ASSETS | | | | | | | |
| Cash equity with State Treasurer | \$ 7,155 | \$ 62,844 | \$ 4,495 | \$ 106,976 | \$ 176 | \$ | \$ 181,646 |
| Cash and cash equivalents | | 4,031 | | 60,612 | | | 64,643 |
| Securities lending collateral of State Treasurer | | 17,088 | | 85,784 | | | 102,872 |
| Receivables, net: | | | | | | | |
| Intergovernmental | 27 | 13,778 | 51 | 9,833 | | | 23,689 |
| Other | | 2,446 | 793 | 22,468 | 10,092 | | 35,799 |
| Due from other funds | 18,080 | 768,326 | 9,051 | 1,192,435 | 411 | | 1,988,303 |
| Due from component units | 1,284 | 965 | 147 | 30,364 | 914 | | 33,674 |
| Inventories | | 1,762 | 6,797 | | | | 8,559 |
| Prepaid expenses | | | 43 | | | | 43 |
| Total current assets | 26,546 | 871,240 | 21,377 | 1,508,472 | 11,593 | | 2,439,228 |
| Capital assets not being depreciated | | 57,884 | | | | | 57,884 |
| Capital assets being depreciated, net | | 211,943 | 2,188 | 7 | | | 214,138 |
| Total noncurrent assets | | 269,827 | 2,188 | 7 | | | 272,022 |
| Total assets | 26,546 | 1,141,067 | 23,565 | 1,508,479 | 11,593 | | 2,711,250 |
| LIABILITIES | | | | | | | |
| Accounts payable and accrued liabilities | 5,248 | 54,755 | 2,496 | 1,421,513 | 5,360 | | 1,489,372 |
| Intergovernmental payables | | 17,119 | 38 | 11 | | | 17,168 |
| Due to other funds | 1 | 19,058 | 1,754 | 817 | 5,738 | | 27,368 |
| Due to component units | | 961 | 1 | | | | 962 |
| Unearned revenue | | 1,313 | | | | | 1,313 |
| Obligations under securities lending of State Treasurer | | 17,088 | | 85,784 | | | 102,872 |
| Current portion of long-term liabilities | | 141,394 | 299 | 28 | | | 141,721 |
| Total current liabilities | 5,249 | 251,688 | 4,588 | 1,508,153 | 11,098 | | 1,780,776 |
| Noncurrent portion of long-term liabilities | | 457,591 | 914 | 326 | | | 458,831 |
| Total liabilities | 5,249 | 709,279 | 5,502 | 1,508,479 | 11,098 | | 2,239,607 |
| NET ASSETS | | | | | | | |
| Invested in capital assets, net of related debt | | 246,048 | 2,138 | 7 | | | 248,193 |
| Restricted for debt service | | 4,031 | | | | | 4,031 |
| Unrestricted | 21,297 | 181,709 | 15,925 | (7) | 495 | | 219,419 |
| Total net assets | \$ 21,297 | \$ 431,788 | \$ 18,063 | \$ - | \$ 495 | | \$ 471,643 |

State of Illinois

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

Internal Service Funds

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

| | <u>Auditor General</u> | | <u>Corrections</u> | | <u>Healthcare and Family Services</u> | | |
|---|---------------------------|------------------------------------|---------------------------------------|--------------------------------------|---------------------------------------|-------------------|--|
| | <u>Audit Expense Fund</u> | <u>Central Management Services</u> | <u>Working Capital Revolving Fund</u> | <u>Health Insurance Reserve Fund</u> | <u>Other</u> | <u>Total</u> | |
| OPERATING REVENUES | | | | | | | |
| Charges for sales and services | \$ 22,876 | \$ 614,012 | \$ 50,757 | \$ 2,360,844 | \$ 21,339 | \$ 3,069,828 | |
| Federal government | | 22,480 | | 701 | | 23,181 | |
| Other | | 25 | | | 2 | 27 | |
| Total operating revenues | 22,876 | 636,517 | 50,757 | 2,361,545 | 21,341 | 3,093,036 | |
| OPERATING EXPENSES | | | | | | | |
| Cost of sales and services | 18,358 | 433,569 | 26,460 | | 21,233 | 499,620 | |
| Benefit payments and refunds | | 105,246 | | 2,221,064 | | 2,326,310 | |
| Interest | | | | 94,667 | | 94,667 | |
| General and administrative | | 30,418 | 22,783 | 84,214 | 58 | 137,473 | |
| Depreciation | | 23,356 | 623 | 3 | | 23,982 | |
| Other | | 12,761 | | | | 12,761 | |
| Total operating expenses | 18,358 | 605,350 | 49,866 | 2,399,948 | 21,291 | 3,094,813 | |
| Operating income (loss) | 4,518 | 31,167 | 891 | (38,403) | 50 | (1,777) | |
| NONOPERATING REVENUES (EXPENSES) | | | | | | | |
| Interest and investment income | | 192 | | 428 | 37 | 657 | |
| Interest expense | | (1,572) | (8) | | | (1,580) | |
| Federal government | | | | 37,975 | | 37,975 | |
| Other revenues | | | 603 | | | 603 | |
| Other expenses | | (17) | | | | (17) | |
| Income (loss) before transfers | 4,518 | 29,770 | 1,486 | - | 87 | 35,861 | |
| Contributions of capital assets | | 15,217 | | | | 15,217 | |
| Transfers-in | | 14,100 | | | | 14,100 | |
| Transfers-out | | | | | (73) | (73) | |
| Change in net assets | 4,518 | 59,087 | 1,486 | - | 14 | 65,105 | |
| Net assets, July 1, 2011 | 16,779 | 372,701 | 16,577 | | 481 | 406,538 | |
| NET ASSETS, JUNE 30, 2012 | \$ 21,297 | \$ 431,788 | \$ 18,063 | \$ - | \$ 495 | \$ 471,643 | |

Combining Statement of Cash Flows Internal Service Funds

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

| | Auditor General | | Corrections | | Healthcare and Family Services | | Total |
|--|--------------------------|-----------------------------------|---|----------------------------------|-----------------------------------|-------------------|-------|
| | Audit Expense Fund | Central Management Services | Working Capital Revolving Fund | Health Insurance Reserve Fund | Other | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | | |
| Cash received from sales and services | \$ 1,914 | \$ 32,646 | \$ 1,519 | \$ 122,993 | \$ 4 | \$ 159,076 | |
| Cash received from transactions with other funds | 3,187 | 652,411 | 57,682 | 2,290,491 | 28,936 | 3,032,707 | |
| Cash payments to suppliers for goods and services | (17,219) | (383,151) | (47,070) | (2,399,782) | (30,634) | (2,877,856) | |
| Cash payments to employees for services | (594) | (131,747) | (10,105) | (5,430) | | (147,876) | |
| Cash payments for workers compensation | | (125,234) | | | | (125,234) | |
| Cash receipts from other operating activities | | 25 | 598 | 47,798 | 2 | 48,423 | |
| Net cash provided (used) by operating activities | (12,712) | 44,950 | 2,624 | 56,070 | (1,692) | 89,240 | |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | | | |
| Interest paid on other borrowings | | (138) | | | | (138) | |
| Grants received | | | | 37,890 | | 37,890 | |
| Transfers-in from other funds | | 4,100 | | | | 4,100 | |
| Transfers-out to other funds | | | | | (73) | (73) | |
| Net cash provided (used) by noncapital financing activities | | 3,962 | | 37,890 | (73) | 41,779 | |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | | | |
| Acquisition and construction of capital assets | | (26,585) | (918) | | | (27,503) | |
| Principal paid on capital debt | | (7,090) | (7) | | | (7,097) | |
| Interest paid on capital debt | | (1,522) | (8) | | | (1,530) | |
| Proceeds from sales of capital assets | | | 7 | | | 7 | |
| Net cash provided (used) by capital and related financing activities | | (35,197) | (926) | | | (36,123) | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | | |
| Interest and dividends on investments | | 191 | | 390 | 39 | 620 | |
| Net cash provided (used) by investing activities | | 191 | | 390 | 39 | 620 | |
| Net increase (decrease) in cash and cash equivalents | (12,712) | 13,906 | 1,698 | 94,350 | (1,726) | 95,516 | |
| Cash and cash equivalents, July 1, 2011 | 19,867 | 52,969 | 2,797 | 73,238 | 1,902 | 150,773 | |
| CASH AND CASH EQUIVALENTS, JUNE 30, 2012 | \$ 7,155 | \$ 66,875 | \$ 4,495 | \$ 167,588 | \$ 176 | \$ 246,289 | |
| Reconciliation of cash and cash equivalents to the statement of net assets: | | | | | | | |
| Total cash and cash equivalents per statement of net assets | | \$ 4,031 | | \$ 60,612 | | \$ 64,643 | |
| Add: cash equity with State Treasurer | \$ 7,155 | 62,844 | \$ 4,495 | 106,976 | \$ 176 | 181,646 | |
| CASH AND CASH EQUIVALENTS, JUNE 30, 2012 | \$ 7,155 | \$ 66,875 | \$ 4,495 | \$ 167,588 | \$ 176 | \$ 246,289 | |

(continued)

State of Illinois

**Combining Statement of Cash Flows
Internal Service Funds**

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

| | Auditor General | | Corrections | Healthcare and Family Services | | | |
|---|-----------------------|-----------------------------------|---|-----------------------------------|-------------------|------------------|--|
| | Audit Expense Fund | Central Management Services | Working Capital Revolving Fund | Health Insurance Reserve Fund | Other | Total | |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | | | | | |
| OPERATING INCOME (LOSS) | \$ 4,518 | \$ 31,167 | \$ 891 | \$ (38,403) | \$ 50 | \$ (1,777) | |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | | | | |
| Depreciation | | 23,356 | 623 | 3 | | 23,982 | |
| Provision for uncollectible accounts | | 77 | 598 | | | 675 | |
| Cash receipts from other nonoperating income | | | | | | | |
| Changes in assets and liabilities: | | | | | | | |
| (Increase) decrease in accounts receivable | | (222) | 157 | (3,378) | (3,513) | (6,956) | |
| (Increase) decrease in intergovernmental receivables | (27) | (10,515) | (4) | (701) | | (11,247) | |
| (Increase) decrease in due from other funds | (17,767) | 50,945 | 8,190 | 49,710 | (124) | 90,954 | |
| (Increase) decrease in due from component units | 19 | (342) | (125) | 2,930 | 85 | 2,567 | |
| (Increase) decrease in inventories | | 37 | 450 | | | 487 | |
| (Increase) decrease in prepaid expenses | | | (33) | | | (33) | |
| Increase (decrease) in accounts payable and accrued liabilities | 552 | (24,065) | (8,000) | 46,437 | 71 | 14,995 | |
| Increase (decrease) in intergovernmental payables | | 4,442 | 12 | 1 | | 4,455 | |
| Increase (decrease) in due to other funds | (7) | 355 | 224 | (342) | 1,739 | 1,969 | |
| Increase (decrease) in due to component units | | (23) | (2) | | | (25) | |
| Increase (decrease) in unearned revenue | | (2,362) | | | | (2,362) | |
| Increase (decrease) in other liabilities | | (27,900) | (357) | (187) | | (28,444) | |
| Total adjustments | (17,230) | 13,783 | 1,733 | 94,473 | (1,742) | 91,017 | |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | \$ (12,712) | \$ 44,950 | \$ 2,624 | \$ 56,070 | \$ (1,692) | \$ 89,240 | |
| NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES | | | | | | | |
| Gain (loss) on disposal of capital assets | | \$ (17) | 1 | | | \$ (16) | |
| Transfer of assets from other state funds | | 15,217 | | | | 15,217 | |

State of Illinois

Combining Statement of Net Assets - Internal Service Funds

Central Management Services

June 30, 2012 (Expressed in Thousands)

| | State Garage Revolving Fund | Statistical Services Revolving Fund | Communications Revolving Fund | Facilities Management Revolving Fund | Professional Services Fund | Workers' Compensation Revolving Fund | Total |
|--|--------------------------------|---|-------------------------------------|---|-------------------------------|--|-------------------|
| ASSETS | | | | | | | |
| Cash equity with State Treasurer | \$ 6,339 | \$ 12,370 | \$ 14,473 | \$ 3,756 | \$ 7,893 | \$ 18,013 | \$ 62,844 |
| Cash and cash equivalents | | | | 4,031 | | | 4,031 |
| Securities lending collateral of State Treasurer | | | | 3,753 | 3,837 | 9,498 | 17,088 |
| Receivables, net: | | | | | | | |
| Intergovernmental | 50 | | 13,728 | | | | 13,778 |
| Other | 22 | | 2,408 | 6 | 3 | 7 | 2,446 |
| Due from other funds | 19,235 | 62,465 | 61,144 | 69,764 | 9,472 | 546,246 | 768,326 |
| Due from component units | | 28 | 893 | 44 | | | 965 |
| Inventories | 1,762 | | | | | | 1,762 |
| Total current assets | 27,408 | 74,863 | 92,646 | 81,354 | 21,205 | 573,764 | 871,240 |
| Capital assets not being depreciated | | | 19,515 | 38,369 | | | 57,884 |
| Capital assets being depreciated, net | 3,780 | 7,880 | 12,382 | 187,901 | | | 211,943 |
| Total noncurrent assets | 3,780 | 7,880 | 31,897 | 226,270 | | | 269,827 |
| Total assets | 31,188 | 82,743 | 124,543 | 307,624 | 21,205 | 573,764 | 1,141,067 |
| LIABILITIES | | | | | | | |
| Accounts payable and accrued liabilities | 10,768 | 11,097 | 12,203 | 19,913 | 711 | 63 | 54,755 |
| Intergovernmental payables | 34 | 11,322 | 4,391 | 1,355 | 13 | 4 | 17,119 |
| Due to other funds | 1,337 | 15,687 | 705 | 889 | 330 | 110 | 19,058 |
| Due to component units | 1 | | 760 | 200 | | | 961 |
| Unearned revenue | | | | 1,313 | | | 1,313 |
| Obligations under securities lending of State Treasurer | | | | 3,753 | 3,837 | 9,498 | 17,088 |
| Current portion of long-term liabilities | 206 | 1,451 | 890 | 3,352 | 43 | 135,452 | 141,394 |
| Total current liabilities | 12,346 | 39,557 | 18,949 | 30,775 | 4,934 | 145,127 | 251,688 |
| Noncurrent portion of long-term liabilities | 1,155 | 4,691 | 1,573 | 21,216 | 319 | 428,637 | 457,591 |
| Total liabilities | 13,501 | 44,248 | 20,522 | 51,991 | 5,253 | 573,764 | 709,279 |
| NET ASSETS | | | | | | | |
| Invested in capital assets, net of related debt | 3,741 | 6,957 | 31,105 | 204,245 | | | 246,048 |
| Restricted for debt service | | | | 4,031 | | | 4,031 |
| Unrestricted | 13,946 | 31,538 | 72,916 | 47,357 | 15,952 | | 181,709 |
| Total net assets | \$ 17,687 | \$ 38,495 | \$ 104,021 | \$ 255,633 | \$ 15,952 | \$ - | \$ 431,788 |

State of Illinois

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

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

| | State Garage Revolving Fund | Statistical Services Revolving Fund | Communications Revolving Fund | Facilities Management Revolving Fund | Professional Services Fund | Workers' Compensation Revolving Fund | Total |
|---------------------------------------|--------------------------------|---|-------------------------------------|---|-------------------------------|--|-------------------|
| OPERATING REVENUES | | | | | | | |
| Charges for sales and services | \$ 41,870 | \$ 151,143 | \$ 113,296 | \$ 188,114 | \$ 14,463 | \$ 105,126 | \$ 614,012 |
| Federal government | | | 22,480 | | | | 22,480 |
| Other | 25 | | | | | | 25 |
| Total operating revenues | 41,895 | 151,143 | 135,776 | 188,114 | 14,463 | 105,126 | 636,517 |
| OPERATING EXPENSES | | | | | | | |
| Cost of sales and services | 35,732 | 143,259 | 74,678 | 171,063 | 8,837 | | 433,569 |
| Benefit payments and refunds | | | | | | 105,246 | 105,246 |
| General and administrative | 8,284 | 2,227 | 10,340 | 9,455 | 112 | | 30,418 |
| Depreciation | 292 | 5,581 | 4,963 | 12,520 | | | 23,356 |
| Other | 302 | | 12,459 | | | | 12,761 |
| Total operating expenses | 44,610 | 151,067 | 102,440 | 193,038 | 8,949 | 105,246 | 605,350 |
| Operating income (loss) | (2,715) | 76 | 33,336 | (4,924) | 5,514 | (120) | 31,167 |
| NONOPERATING REVENUES | | | | | | | |
| Interest and investment income | | | | 37 | 35 | 120 | 192 |
| Interest expense | (9) | (209) | (28) | (1,326) | | | (1,572) |
| Other expenses | | | (17) | | | | (17) |
| Income (loss) before transfers | (2,724) | (133) | 33,291 | (6,213) | 5,549 | - | 29,770 |
| Contributions of capital assets | | 2,910 | 5,880 | 6,427 | | | 15,217 |
| Transfers-in | 14,100 | | | | | | 14,100 |
| Change in net assets | 11,376 | 2,777 | 39,171 | 214 | 5,549 | - | 59,087 |
| Net assets, July 1, 2011 | 6,311 | 35,718 | 64,850 | 255,419 | 10,403 | | 372,701 |
| NET ASSETS, JUNE 30, 2012 | \$ 17,687 | \$ 38,495 | \$ 104,021 | \$ 255,633 | \$ 15,952 | \$ - | \$ 431,788 |

State of Illinois

Combining Statement of Cash Flows - Internal Service Funds

Central Management Services

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

| | State Garage Revolving Fund | Statistical Services Revolving Fund | Communications Revolving Fund | Facilities Management Fund | Professional Services Fund | Workers' Compensation Revolving Fund | Total |
|---|-----------------------------------|--|-------------------------------------|----------------------------------|-------------------------------|---|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | | |
| Cash received from sales and services | \$ 776 | | \$ 30,888 | \$ 982 | | | \$ 32,646 |
| Cash received from transactions with other funds | 43,290 | \$ 161,207 | 99,117 | 202,696 | \$ 8,774 | \$ 137,327 | 652,411 |
| Cash payments to suppliers for goods and services | (24,145) | (81,920) | (83,748) | (177,794) | (8,268) | (7,276) | (383,151) |
| Cash payments to employees for services | (16,368) | (68,131) | (18,510) | (28,738) | | | (131,747) |
| Cash payments for workers compensation | | | | | | (125,234) | (125,234) |
| Cash receipts from other operating activities | 25 | | | | | | 25 |
| Net cash provided (used) by operating activities | 3,578 | 11,156 | 27,747 | (2,854) | 506 | 4,817 | 44,950 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | | | |
| Interest paid on other borrowings | (9) | (129) | | | | | (138) |
| Transfers-in from other funds | 4,100 | | | | | | 4,100 |
| Net cash provided (used) by noncapital financing activities | 4,091 | (129) | | | | | 3,962 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | | | |
| Acquisition and construction of capital assets | (3,592) | (5,278) | (17,667) | (48) | | | (26,585) |
| Principal paid on capital debt | (152) | (2,647) | (1,141) | (3,150) | | | (7,090) |
| Interest paid on capital debt | | (80) | (28) | (1,414) | | | (1,522) |
| Net cash provided (used) by capital and related financing activities | (3,744) | (8,005) | (18,836) | (4,612) | | | (35,197) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | | |
| Interest and dividends on investments | | | | 37 | 35 | 119 | 191 |
| Net cash provided (used) by investing activities | | | | 37 | 35 | 119 | 191 |
| Net increase (decrease) in cash and cash equivalents | 3,925 | 3,022 | 8,911 | (7,429) | 541 | 4,936 | 13,906 |
| Cash and cash equivalents, July 1, 2011 | 2,414 | 9,348 | 5,562 | 15,216 | 7,352 | 13,077 | 52,969 |
| CASH AND CASH EQUIVALENTS, JUNE 30, 2012 | \$ 6,339 | \$ 12,370 | \$ 14,473 | \$ 7,787 | \$ 7,893 | \$ 18,013 | \$ 66,875 |
| Reconciliation of cash and cash equivalents to the statement of net assets: | | | | | | | |
| Total cash and cash equivalents per statement of net assets | | | | \$ 4,031 | | | \$ 4,031 |
| Add: cash equity with State Treasurer | \$ 6,339 | \$ 12,370 | \$ 14,473 | 3,756 | \$ 7,893 | \$ 18,013 | 62,844 |
| CASH AND CASH EQUIVALENTS, JUNE 30, 2012 | \$ 6,339 | \$ 12,370 | \$ 14,473 | \$ 7,787 | \$ 7,893 | \$ 18,013 | \$ 66,875 |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | | | | | |
| OPERATING INCOME (LOSS) | \$ (2,715) | \$ 76 | \$ 33,336 | \$ (4,924) | \$ 5,514 | \$ (120) | \$ 31,167 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | | | | |
| Depreciation | 292 | 5,581 | 4,963 | 12,520 | | | 23,356 |
| Provision for uncollectible accounts | | | 77 | | | | 77 |
| Changes in assets and liabilities: | | | | | | | |
| (Increase) decrease in accounts receivable | (10) | | (211) | (1) | | | (222) |
| (Increase) decrease in intergovernmental receivables | (5) | | (10,510) | | | | (10,515) |
| (Increase) decrease in due from other funds | 2,039 | 6,294 | (1,849) | 17,949 | (5,689) | 32,201 | 50,945 |
| (Increase) decrease in due from component units | 4 | 12 | (328) | (30) | | | (342) |
| (Increase) decrease in inventories | 37 | | | | | | 37 |
| Increase (decrease) in accounts payable and accrued liabilities | 4,074 | (4,257) | 1,097 | (25,381) | 419 | (17) | (24,065) |
| Increase (decrease) in intergovernmental payables | 31 | 3,756 | 937 | (285) | 3 | | 4,442 |
| Increase (decrease) in due to other funds | 126 | 133 | (65) | (29) | 147 | 43 | 355 |
| Increase (decrease) in due to component units | | | 223 | (246) | | | (23) |
| Increase (decrease) in unearned revenue | | | | (2,362) | | | (2,362) |
| Increase (decrease) in other liabilities | (295) | (439) | 77 | (65) | 112 | (27,290) | (27,900) |
| Total adjustments | 6,293 | 11,080 | (5,589) | 2,070 | (5,008) | 4,937 | 13,783 |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | \$ 3,578 | \$ 11,156 | \$ 27,747 | \$ (2,854) | \$ 506 | \$ 4,817 | \$ 44,950 |
| NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES | | | | | | | |
| Gain (loss) on disposal of capital assets | | | \$ (17) | | | | \$ (17) |
| Transfer of assets from other state funds | | \$ 2,910 | 5,880 | 6,427 | | | 15,217 |

PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS

The Pension (and Other Employee Benefit) Trust Funds are maintained to account for the resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans and other employee benefit plans.

PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS DESCRIPTIONS

Department of Central Management Services

Deferred Compensation Plan--to account for the assets held in the State's Internal Revenue Code Section 457 Plan. All employees of the State are eligible to voluntarily elect to contribute a portion of their compensation to the Plan through payroll deductions.

Department of Healthcare and Family Services

Teacher Health Insurance Security--to provide health benefits for the Teachers' Retirement System recipient and dependent beneficiaries. Premiums are collected from retired and active teachers and the insurance plan is administered by private companies.

Community College Health Insurance Security--to provide health benefits for the retirees of community colleges in the State of Illinois and dependent beneficiaries. Premiums are collected from retired and active teachers and the insurance plan is administered by private companies.

General Assembly Retirement System, Judges' Retirement System, State Employees' Retirement System, Teachers' Retirement System and State Universities Retirement System

See Note 16 on page 138 for description of retirement systems.

State of Illinois

Combining Statement of Fiduciary Net Assets
Pension (and Other Employee Benefit) Trust Funds

June 30, 2012 (Expressed in Thousands)

| | Central Management Services | | Healthcare and Family Services | | | |
|---|-----------------------------|-----------------------------------|---|------------------------------------|---------------------------|------------------------------------|
| | Deferred Compensation Plan | Teacher Health Insurance Security | Community College Health Insurance Security | General Assembly Retirement System | Judges' Retirement System | State Employees' Retirement System |
| ASSETS | | | | | | |
| Cash equity with State Treasurer | \$ 7,276 | \$ 38,724 | \$ 1,122 | \$ 2,481 | \$ 10,691 | \$ 133,959 |
| Cash and cash equivalents | 1,241 | 13,305 | 1,380 | | | |
| Securities lending collateral of State Treasurer | 2,571 | 11,325 | 559 | 1,385 | 5,945 | 72,867 |
| Investments: | | | | | | |
| Equities | 2,158,202 | | | | | |
| Fixed income | 316,455 | | | | | |
| Private equity | | | | | | |
| Real estate | | | | | | |
| Other | 887,534 | | | | | |
| Equity in Illinois State Board of Investments | | | | 49,025 | 559,139 | 10,675,772 |
| Securities lending collateral | | | | | | |
| Receivables, net: | | | | | | |
| Members | | 4,646 | 230 | 21 | 186 | 9,478 |
| Employers | | 3,485 | 230 | | | |
| Investment income | 316 | 8 | | 1 | 4 | 51 |
| Intergovernmental | | 5,862 | 563 | | | |
| Pending investment sales | | | | | | |
| Other | 587 | 9,131 | 881 | 7 | 1 | 11,797 |
| Due from other funds | | | | | 66 | 29 |
| Due from primary government funds | | 56,331 | 2,564 | 1,313 | 7,954 | 139,453 |
| Due from component units | | | | | | |
| Prepaid expenses | | | | | | |
| Capital assets not being depreciated | | | | | | 954 |
| Capital assets being depreciated, net | | | | 4 | 9 | 1,769 |
| Total assets | 3,374,182 | 142,817 | 7,529 | 54,237 | 583,995 | 11,046,129 |
| LIABILITIES | | | | | | |
| Accounts payable and accrued liabilities | 2,345 | 162,464 | 44,927 | 20 | 7 | 7,573 |
| Intergovernmental payables | 2 | 2 | 1 | | | |
| Due to other funds | 8 | 12 | 2 | 68 | 5 | |
| Due to primary government funds | 31 | 123 | 20 | | 2 | 3,901 |
| Obligations under securities lending of State Treasurer | 2,571 | 11,325 | 559 | 1,385 | 5,945 | 72,867 |
| Payable to brokers for unsettled trades | | | | | | |
| Securities lending collateral | | | | | | |
| Long term obligations: | | | | | | |
| Due within one year | | 5 | | | | 13 |
| Due subsequent to one year | 134 | 82 | 6 | 20 | 60 | 1,087 |
| Total liabilities | 5,091 | 174,013 | 45,515 | 1,493 | 6,019 | 85,441 |
| NET ASSETS HELD IN TRUST FOR PENSION AND OTHER EMPLOYEE BENEFITS | | | | | | |
| | \$ 3,369,091 | \$ (31,196) | \$ (37,986) | \$ 52,744 | \$ 577,976 | \$ 10,960,688 |

**State Universities Retirement
System**

| Teachers' Retirement System | Defined Benefit | Defined Contribution | Total |
|-----------------------------------|----------------------|-------------------------|----------------------|
| \$ 17,093 | | | \$ 211,346 |
| 196,755 | \$ 499,251 | | 711,932 |
| 58,589 | | | 153,241 |
| 15,764,858 | 9,237,817 | \$ 544,350 | 27,705,227 |
| 6,826,295 | 3,695,072 | 146,383 | 10,984,205 |
| 4,175,728 | | | 4,175,728 |
| 4,480,391 | 416,549 | 12,156 | 4,909,096 |
| 5,338,077 | | 336,033 | 6,561,644 |
| | | | 11,283,936 |
| 2,559,174 | 12,121 | | 2,571,295 |
| 49,230 | 10,599 | 2,498 | 76,888 |
| 15,857 | 4,051 | 1,399 | 25,022 |
| 96,450 | 33,914 | | 130,744 |
| | | | 6,425 |
| 2,524,210 | 316,014 | | 2,840,224 |
| | | | 22,404 |
| | | | 95 |
| 160,533 | 204,294 | | 572,442 |
| | 2,055 | | 2,055 |
| 3,377 | 243 | | 3,620 |
| 238 | 532 | | 1,724 |
| 4,093 | 5,246 | | 11,121 |
| 42,270,948 | 14,437,758 | 1,042,819 | 72,960,414 |
| | | | 284,507 |
| 43,927 | 23,244 | | 5 |
| | | | 95 |
| 35 | | | 4,112 |
| 58,589 | | | 153,241 |
| 3,090,771 | 696,571 | | 3,787,342 |
| 2,559,174 | 11,759 | | 2,570,933 |
| | | | 72 |
| 24 | 30 | | 4,003 |
| 1,603 | 1,011 | | 6,804,310 |
| 5,754,123 | 732,615 | | 6,804,310 |
| \$ 36,516,825 | \$ 13,705,143 | \$ 1,042,819 | \$ 66,156,104 |

State of Illinois

**Combining Statement of Changes in Fiduciary Net Assets
Pension (and Other Employee Benefit) Trust Funds**

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

| | Central Management Services | Healthcare and Family Services | | General Assembly Retirement System | Judges' Retirement System | State Employees' Retirement System |
|---|-----------------------------------|---|--|---|---------------------------------|---|
| | Deferred Compensation Plan | Teacher Health Insurance Security | Community College Health Insurance Security | | | |
| ADDITIONS | | | | | | |
| Contributions: | | | | | | |
| Employer State | | \$ 71,376 | \$ 4,269 | \$ 10,502 | \$ 63,644 | \$ 1,391,416 |
| | | 87,622 | 4,396 | | | |
| Members: | | | | | | |
| Employees | \$ 174,932 | 95,271 | 4,269 | 1,622 | 16,445 | 259,123 |
| Retirees | | 165,651 | 14,953 | | | |
| Federal Medicare Part D | | 24,911 | 2,424 | | | |
| Other | 4,163 | 119 | | | | |
| Total contributions | 179,095 | 444,950 | 30,311 | 12,124 | 80,089 | 1,650,539 |
| Investment income: | | | | | | |
| Interest and other investment income | 84,144 | 127 | 10 | 1,406 | 15,309 | 289,016 |
| Net increase (decrease) in fair value of investments | (38,655) | | | (1,322) | (13,563) | (248,618) |
| Reimbursements of expenses not separable from investment income | 2,301 | | | | | |
| Less investment expense | (65) | | | (165) | (1,815) | (34,423) |
| Net investment income | 47,725 | 127 | 10 | (81) | (69) | 5,975 |
| Total additions | 226,820 | 445,077 | 30,321 | 12,043 | 80,020 | 1,656,514 |
| DEDUCTIONS | | | | | | |
| Benefit payments | 189,378 | 480,452 | 45,861 | 19,247 | 106,653 | 1,627,374 |
| Refunds | 122 | | | 149 | 587 | 23,500 |
| Depreciation | | | | 1 | 2 | 341 |
| General and administration | 3,100 | 2,946 | 2,789 | 297 | 762 | 15,364 |
| Total deductions | 192,600 | 483,398 | 48,650 | 19,694 | 108,004 | 1,666,579 |
| Change in fiduciary net assets held in trust for pension and other employee benefits | 34,220 | (38,321) | (18,329) | (7,651) | (27,984) | (10,065) |
| Net assets held in trust for pension and other employee benefits, July 1, 2011 | 3,334,871 | 7,125 | (19,657) | 60,395 | 605,960 | 10,970,753 |
| NET ASSETS HELD IN TRUST FOR PENSION AND OTHER EMPLOYEE BENEFITS, JUNE 30, 2012 | \$ 3,369,091 | \$ (31,196) | \$ (37,986) | \$ 52,744 | \$ 577,976 | \$ 10,960,688 |

**State Universities Retirement
System**

| Teachers' Retirement System | Defined Benefit | Defined Contribution | Total |
|-----------------------------------|--------------------|-------------------------|---------------|
| \$ 153,409 | \$ 45,596 | \$ 5,658 | \$ 354,454 |
| 2,405,172 | 940,219 | 40,266 | 4,869,091 |
| 917,661 | 258,236 | 54,122 | 1,781,681 |
| | | | 180,604 |
| | | | 27,335 |
| 2,678 | | | 6,960 |
| 3,478,920 | 1,244,051 | 100,046 | 7,220,125 |
| 1,028,704 | 287,870 | | 1,706,586 |
| (569,790) | (235,506) | 16,659 | (1,090,795) |
| | | | 2,301 |
| (234,807) | (43,297) | | (314,572) |
| 224,107 | 9,067 | 16,659 | 303,520 |
| 3,703,027 | 1,253,118 | 116,705 | 7,523,645 |
| 4,553,822 | 1,743,746 | 13,930 | 8,780,463 |
| 84,635 | 65,065 | 20,105 | 194,163 |
| 644 | 487 | | 1,475 |
| 18,368 | 12,680 | 389 | 56,695 |
| 4,657,469 | 1,821,978 | 34,424 | 9,032,796 |
| (954,442) | (568,860) | 82,281 | (1,509,151) |
| 37,471,267 | 14,274,003 | 960,538 | 67,665,255 |
| \$ 36,516,825 | \$ 13,705,143 | \$ 1,042,819 | \$ 66,156,104 |

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PRIVATE-PURPOSE TRUST FUNDS

Private-Purpose Trust Funds are maintained to account for resources legally held in trust for use by individuals, private organizations and other governments. There is no requirement that any portion of these resources be preserved as capital.

SIGNIFICANT PRIVATE-PURPOSE TRUST FUND DESCRIPTIONS

Treasurer

College Savings Pool Fund--to account for assets held by the Bright Start College Savings Program, a qualified State tuition program under Section 529 of the Internal Revenue Code. The program provides an opportunity for investors to invest on a tax-favored basis toward the qualified higher education expenses of a designated beneficiary associated with attending an institution of higher education.

State of Illinois

Combining Statement of Fiduciary Net Assets

Private-Purpose Trust Funds

June 30, 2012 (Expressed in Thousands)

| | <u>Treasurer</u> | | |
|---|--|-----------------|---------------------|
| | <u>College Savings Pool Fund</u> | <u>Other</u> | <u>Total</u> |
| ASSETS | | | |
| Cash equity with State Treasurer | | \$ 1,242 | \$ 1,242 |
| Cash and cash equivalents | \$ 324,469 | 23 | 324,492 |
| Investments: | | | |
| Equities | 2,356,889 | 261 | 2,357,150 |
| Fixed income | 1,857,146 | 142 | 1,857,288 |
| Other | | 20 | 20 |
| Securities lending collateral of State Treasurer | | 571 | 571 |
| Investment income receivables, net | 7,039 | | 7,039 |
| Loans and notes receivable, net | | 72 | 72 |
| Total assets | <u>4,545,543</u> | <u>2,331</u> | <u>4,547,874</u> |
| LIABILITIES | | | |
| Accounts payable and accrued liabilities | 1,274 | | 1,274 |
| Obligations under securities lending of State Treasurer | | 571 | 571 |
| Other liabilities | 5,187 | | 5,187 |
| Total liabilities | <u>6,461</u> | <u>571</u> | <u>7,032</u> |
| NET ASSETS | | | |
| Net assets held in trust for other purposes | <u>\$ 4,539,082</u> | <u>\$ 1,760</u> | <u>\$ 4,540,842</u> |

State of Illinois

Combining Statement of Changes in Net Fiduciary Assets

Private-Purpose Trust Funds

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

| | <u>Treasurer</u> | | |
|--|---------------------------------|-----------------|---------------------|
| | College Savings Pool Fund | Other | Total |
| ADDITIONS | | | |
| Contributions: | | | |
| Participants | \$ 1,628,564 | | \$ 1,628,564 |
| Other | | \$ 23 | 23 |
| Total contributions | <u>1,628,564</u> | <u>23</u> | <u>1,628,587</u> |
| Investment income: | | | |
| Interest and other investment income | 39,716 | 7 | 39,723 |
| Net increase in fair value of investments | 40,548 | 4 | 40,552 |
| Net investment income | <u>80,264</u> | <u>11</u> | <u>80,275</u> |
| Total additions | <u>1,708,828</u> | <u>34</u> | <u>1,708,862</u> |
| DEDUCTIONS | | | |
| Payments in accordance with trust agreements | 1,278,129 | | 1,278,129 |
| General and administrative | 15,548 | 8 | 15,556 |
| Total deductions | <u>1,293,677</u> | <u>8</u> | <u>1,293,685</u> |
| Change in net assets held in trust for individuals, organizations, and other governments | 415,151 | 26 | 415,177 |
| Net assets held in trust for individuals, organizations, and other governments, July 1, 2011 | <u>4,123,931</u> | <u>1,734</u> | <u>4,125,665</u> |
| NET ASSETS HELD IN TRUST FOR INDIVIDUALS, ORGANIZATIONS, AND OTHER GOVERNMENTS, JUNE 30, 2012 | <u>\$ 4,539,082</u> | <u>\$ 1,760</u> | <u>\$ 4,540,842</u> |

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AGENCY FUNDS

Agency funds are maintained to account for resources held by the State in a purely custodial capacity.

SIGNIFICANT AGENCY FUNDS DESCRIPTIONS

Department of Insurance

Security Deposit Fund--to hold securities on deposit by domestic and certain foreign domiciled insurance companies in the State for protection of all policyholders, policy obligations, and creditors of the companies.

Department of Healthcare and Family Services

Child Support Enforcement Trust Administrative Fund--to account for collections for child support payments on behalf of non-TANF child support clients to the appropriate non-TANF recipient.

Department of Revenue

Home Rule Municipal Retailers Occupation Tax Fund--to receive and record monies collected from a tax imposed upon all persons, in such municipality, in the business of selling tangible personal property.

Home Rule County Retailers Occupation Tax Fund--to receive and record monies collected from a tax imposed upon all persons, in such county, in the business of selling tangible personal property.

Metropolitan Pier and Exposition Authority Trust Fund--to receive and record monies obtained under the Metropolitan Pier and Exposition Authority Act.

Municipal Telecommunications Fund--to receive monies collected under the Simplified Municipal Telecommunications Act to be paid to the municipalities who imposed the tax under the Act.

RTA Sales Tax Trust Fund--to receive and record deposits of the RTA Sales Tax.

State of Illinois

Combining Statement of Fiduciary Net Assets

Agency Funds

June 30, 2012 (Expressed in Thousands)

| | Insurance | Healthcare and Family Services | | | |
|---|--------------------------|-----------------------------------|---------------------------------------|-------------------|---------------------|
| | | | Child Support Enforcement Trust | | |
| | Security Deposit Fund | Administrative Fund | Revenue | Other | Total |
| ASSETS | | | | | |
| Cash equity with State Treasurer | | \$ 16,183 | \$ 327,979 | \$ 97,429 | \$ 441,591 |
| Cash and cash equivalents | \$ 16,540 | 373 | | 25,360 | 42,273 |
| Securities lending collateral of State Treasurer | | | 117,965 | 19,598 | 137,563 |
| Investments | 895,187 | | | 28,023 | 923,210 |
| Receivables, net: | | | | | |
| Taxes | | | 186,481 | 22,724 | 209,205 |
| Intergovernmental | | | | 559 | 559 |
| Other | | 214,255 | 83 | 3,555 | 217,893 |
| Due from primary government funds | | | 42,117 | 4,652 | 46,769 |
| Other assets | | | | 169 | 169 |
| Total assets | \$ 911,727 | \$ 230,811 | \$ 674,625 | \$ 202,069 | \$ 2,019,232 |
| LIABILITIES | | | | | |
| Accounts payable and accrued liabilities | | \$ 18,196 | \$ 8,390 | \$ 21,457 | \$ 48,043 |
| Intergovernmental payables | | | 548,270 | 104,889 | 653,159 |
| Due to component units | | | | 64 | 64 |
| Obligations under securities lending of State Treasurer | | | 117,965 | 19,598 | 137,563 |
| Depository and other liabilities | \$ 911,727 | 212,615 | | 56,061 | 1,180,403 |
| Total liabilities | \$ 911,727 | \$ 230,811 | \$ 674,625 | \$ 202,069 | \$ 2,019,232 |

State of Illinois

Combining Statement of Changes in Assets and Liabilities

Agency Funds

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

| | Balance at July 1, 2011 | Additions | Deletions | Balance at June 30, 2012 |
|---|----------------------------|---------------------|---------------------|-----------------------------|
| Agency/Fund | | | | |
| Insurance: | | | | |
| Security Deposit Fund | | | | |
| Assets | | | | |
| Cash and cash equivalents | \$ 6,141 | \$ 44,022 | \$ 33,623 | \$ 16,540 |
| Investments | 869,311 | 251,011 | 225,135 | 895,187 |
| Total assets | \$ 875,452 | \$ 295,033 | \$ 258,758 | \$ 911,727 |
| Liabilities | | | | |
| Depository and other liabilities | \$ 875,452 | \$ 295,033 | \$ 258,758 | \$ 911,727 |
| Total liabilities | \$ 875,452 | \$ 295,033 | \$ 258,758 | \$ 911,727 |
| Healthcare and Family Services: | | | | |
| Child Support Enforcement Trust | | | | |
| Administrative Fund | | | | |
| Assets | | | | |
| Cash equity with State Treasurer | \$ 15,801 | \$ 185,520 | \$ 185,138 | \$ 16,183 |
| Cash and cash equivalents | 133 | 71,854 | 71,614 | 373 |
| Other receivables, net | 222,962 | 176,813 | 185,520 | 214,255 |
| Total assets | \$ 238,896 | \$ 434,187 | \$ 442,272 | \$ 230,811 |
| Liabilities | | | | |
| Accounts payable and accrued liabilities | \$ 16,997 | \$ 23,526 | \$ 22,327 | \$ 18,196 |
| Depository and other liabilities | 221,899 | 225,141 | 234,425 | 212,615 |
| Total liabilities | \$ 238,896 | \$ 248,667 | \$ 256,752 | \$ 230,811 |
| Revenue: | | | | |
| Assets | | | | |
| Cash equity with State Treasurer | \$ 385,831 | \$ 2,795,582 | \$ 2,853,434 | \$ 327,979 |
| Securities lending collateral of State Treasurer | 118,008 | 1,242,040 | 1,242,083 | 117,965 |
| Taxes receivable, net | 111,216 | 2,717,611 | 2,642,346 | 186,481 |
| Other receivables, net | 134 | 852 | 903 | 83 |
| Due from primary government funds | 82,660 | 111,790 | 152,333 | 42,117 |
| Total assets | \$ 697,849 | \$ 6,867,875 | \$ 6,891,099 | \$ 674,625 |
| Liabilities | | | | |
| Accounts payable and accrued liabilities | \$ 7,860 | \$ 34,616 | \$ 34,086 | \$ 8,390 |
| Intergovernmental payables | 571,981 | 2,795,637 | 2,819,348 | 548,270 |
| Obligations under securities lending of State Treasurer | 118,008 | 1,242,040 | 1,242,083 | 117,965 |
| Total liabilities | \$ 697,849 | \$ 4,072,293 | \$ 4,095,517 | \$ 674,625 |
| Other: | | | | |
| Assets | | | | |
| Cash equity with State Treasurer | \$ 91,836 | \$ 2,129,036 | \$ 2,123,443 | \$ 97,429 |
| Cash and cash equivalents | 22,757 | 1,193,838 | 1,191,235 | 25,360 |
| Securities lending collateral of State Treasurer | 18,157 | 201,370 | 199,929 | 19,598 |
| Investments | 26,881 | 3,078 | 1,936 | 28,023 |
| Taxes receivable, net | 15,691 | 432,826 | 425,793 | 22,724 |
| Intergovernmental receivables, net | 485 | 3,532 | 3,458 | 559 |
| Other receivables, net | 1,216 | 3,352 | 1,013 | 3,555 |
| Due from primary government funds | 7,391 | 8,566 | 11,305 | 4,652 |
| Other assets | 170 | 3 | 4 | 169 |
| Total assets | \$ 184,584 | \$ 3,975,601 | \$ 3,958,116 | \$ 202,069 |
| Liabilities | | | | |
| Accounts payable and accrued liabilities | \$ 19,005 | \$ 1,227,796 | \$ 1,225,344 | \$ 21,457 |
| Intergovernmental payables | 89,818 | 1,599,951 | 1,584,880 | 104,889 |
| Due to component units | 65 | 370 | 371 | 64 |
| Obligations under securities lending of State Treasurer | 18,157 | 201,370 | 199,929 | 19,598 |
| Depository and other liabilities | 57,539 | 256,645 | 258,123 | 56,061 |
| Total liabilities | \$ 184,584 | \$ 3,286,132 | \$ 3,268,647 | \$ 202,069 |

State of Illinois

Combining Statement of Changes in Assets and Liabilities

Agency Funds

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

| | Balance at July 1, 2011 | Additions | Deletions | Balance at June 30, 2012 |
|---|----------------------------|----------------------|----------------------|-----------------------------|
| Total - All Funds | | | | |
| Assets | | | | |
| Cash equity with State Treasurer | \$ 493,468 | \$ 5,110,138 | \$ 5,162,015 | \$ 441,591 |
| Cash and cash equivalents | 29,031 | 1,309,714 | 1,296,472 | 42,273 |
| Securities lending collateral of State Treasurer | 136,165 | 1,443,410 | 1,442,012 | 137,563 |
| Investments | 896,192 | 254,089 | 227,071 | 923,210 |
| Taxes receivable, net | 126,907 | 3,150,437 | 3,068,139 | 209,205 |
| Intergovernmental receivables, net | 485 | 3,532 | 3,458 | 559 |
| Other receivables, net | 224,312 | 181,017 | 187,436 | 217,893 |
| Due from primary government funds | 90,051 | 120,356 | 163,638 | 46,769 |
| Other assets | 170 | 3 | 4 | 169 |
| Total assets | \$ 1,996,781 | \$ 11,572,696 | \$ 11,550,245 | \$ 2,019,232 |
| Liabilities | | | | |
| Accounts payable and accrued liabilities | \$ 43,862 | \$ 1,285,938 | \$ 1,281,757 | \$ 48,043 |
| Intergovernmental payables | 661,799 | 4,395,588 | 4,404,228 | 653,159 |
| Due to component units | 65 | 370 | 371 | 64 |
| Obligations under securities lending of State Treasurer | 136,165 | 1,443,410 | 1,442,012 | 137,563 |
| Depository and other liabilities | 1,154,890 | 776,819 | 751,306 | 1,180,403 |
| Total liabilities | \$ 1,996,781 | \$ 7,902,125 | \$ 7,879,674 | \$ 2,019,232 |

State of Illinois

Combining Statement of Fiduciary Net Assets - Agency Funds

Revenue

June 30, 2012 (Expressed in Thousands)

| | Home Rule Municipal Retailers Occupation Tax Fund | Home Rule County Retailers Occupation Tax Fund | Metropolitan Pier and Exposition Authority Trust Fund | Municipal Telecommunications Fund | RTA Sales Tax Trust Fund | Total |
|---|---|--|---|---|--------------------------------|-------------------|
| ASSETS | | | | | | |
| Cash equity with State Treasurer | \$ 95,813 | \$ 23,371 | \$ 41,362 | \$ 52,908 | \$ 114,525 | \$ 327,979 |
| Securities lending collateral of State Treasurer | 25,208 | 46,176 | 13,846 | | 32,735 | 117,965 |
| Receivables, net: | | | | | | |
| Taxes | 67,186 | 30,680 | 12,643 | 1,172 | 74,800 | 186,481 |
| Other | 18 | 32 | 10 | | 23 | 83 |
| Due from primary government funds | | | | 21,375 | 20,742 | 42,117 |
| Total assets | \$ 188,225 | \$ 100,259 | \$ 67,861 | \$ 75,455 | \$ 242,825 | \$ 674,625 |
| LIABILITIES | | | | | | |
| Accounts payable and accrued liabilities | \$ 1,222 | | \$ 120 | \$ 7,048 | | \$ 8,390 |
| Intergovernmental payables | 161,795 | \$ 54,083 | 53,895 | 68,407 | \$ 210,090 | 548,270 |
| Obligations under securities lending of State Treasurer | 25,208 | 46,176 | 13,846 | | 32,735 | 117,965 |
| Total liabilities | \$ 188,225 | \$ 100,259 | \$ 67,861 | \$ 75,455 | \$ 242,825 | \$ 674,625 |

State of Illinois

Combining Statement of Changes in Assets and Liabilities

Agency Funds - Revenue

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

| | Balance at July 1, 2011 | Additions | Deletions | Balance at June 30, 2012 |
|--|----------------------------|---------------------|---------------------|-----------------------------|
| Home Rule Municipal Retailers | | | | |
| Occupation Tax Fund | | | | |
| Assets | | | | |
| Cash equity with State Treasurer | \$ 119,416 | \$ 809,039 | \$ 832,642 | \$ 95,813 |
| Securities lending collateral of State Treasurer | 31,663 | 358,869 | 365,324 | 25,208 |
| Taxes receivable, net | 34,520 | 841,321 | 808,655 | 67,186 |
| Other receivables, net | 36 | 366 | 384 | 18 |
| Total assets | \$ 185,635 | \$ 2,009,595 | \$ 2,007,005 | \$ 188,225 |
| Liabilities | | | | |
| Accounts payable and accrued liabilities | \$ 1,710 | \$ 739 | \$ 1,227 | \$ 1,222 |
| Intergovernmental payables | 152,262 | 840,948 | 831,415 | 161,795 |
| Obligations under securities lending of State Treasurer | 31,663 | 358,869 | 365,324 | 25,208 |
| Total liabilities | \$ 185,635 | \$ 1,200,556 | \$ 1,197,966 | \$ 188,225 |
| Home Rule County Retailers | | | | |
| Occupation Tax Fund | | | | |
| Assets | | | | |
| Cash equity with State Treasurer | \$ 45,231 | \$ 474,686 | \$ 496,546 | \$ 23,371 |
| Securities lending collateral of State Treasurer | 29,657 | 406,008 | 389,489 | 46,176 |
| Taxes receivable, net | 32,173 | 472,800 | 474,293 | 30,680 |
| Other receivables, net | 34 | 391 | 393 | 32 |
| Total assets | \$ 107,095 | \$ 1,353,885 | \$ 1,360,721 | \$ 100,259 |
| Liabilities | | | | |
| Intergovernmental payables | \$ 77,438 | \$ 473,191 | \$ 496,546 | \$ 54,083 |
| Obligations under securities lending of State Treasurer | 29,657 | 406,008 | 389,489 | 46,176 |
| Total liabilities | \$ 107,095 | \$ 879,199 | \$ 886,035 | \$ 100,259 |
| Metropolitan Pier and Exposition Authority Trust Fund | | | | |
| Assets | | | | |
| Cash equity with State Treasurer | \$ 68,538 | \$ 117,944 | \$ 145,120 | \$ 41,362 |
| Securities lending collateral of State Treasurer | 23,071 | 71,334 | 80,559 | 13,846 |
| Taxes receivable, net | 11,193 | 119,306 | 117,856 | 12,643 |
| Other receivables, net | 26 | 72 | 88 | 10 |
| Total assets | \$ 102,828 | \$ 308,656 | \$ 343,623 | \$ 67,861 |
| Liabilities | | | | |
| Accounts payable and accrued liabilities | \$ - | \$ 120 | \$ - | \$ 120 |
| Intergovernmental payables | 79,757 | 119,258 | 145,120 | 53,895 |
| Obligations under securities lending of State Treasurer | 23,071 | 71,334 | 80,559 | 13,846 |
| Total liabilities | \$ 102,828 | \$ 190,712 | \$ 225,679 | \$ 67,861 |
| Municipal Telecommunications Fund | | | | |
| Assets | | | | |
| Cash equity with State Treasurer | \$ 22,151 | \$ 331,934 | \$ 301,177 | \$ 52,908 |
| Taxes receivable, net | 1,136 | 299,111 | 299,075 | 1,172 |
| Due from primary government funds | 54,234 | - | 32,859 | 21,375 |
| Total assets | \$ 77,521 | \$ 631,045 | \$ 633,111 | \$ 75,455 |
| Liabilities | | | | |
| Accounts payable and accrued liabilities | \$ 6,150 | \$ 33,757 | \$ 32,859 | \$ 7,048 |
| Intergovernmental payables | 71,371 | 265,354 | 268,318 | 68,407 |
| Total liabilities | \$ 77,521 | \$ 299,111 | \$ 301,177 | \$ 75,455 |
| RTA Sales Tax Trust Fund | | | | |
| Assets | | | | |
| Cash equity with State Treasurer | \$ 130,495 | \$ 1,061,979 | \$ 1,077,949 | \$ 114,525 |
| Securities lending collateral of State Treasurer | 33,617 | 405,829 | 406,711 | 32,735 |
| Taxes receivable, net | 32,194 | 985,073 | 942,467 | 74,800 |
| Other receivables, net | 38 | 23 | 38 | 23 |
| Due from primary government funds | 28,426 | 111,790 | 119,474 | 20,742 |
| Total assets | \$ 224,770 | \$ 2,564,694 | \$ 2,546,639 | \$ 242,825 |
| Liabilities | | | | |
| Intergovernmental payables | \$ 191,153 | \$ 1,096,886 | \$ 1,077,949 | \$ 210,090 |
| Obligations under securities lending of State Treasurer | 33,617 | 405,829 | 406,711 | 32,735 |
| Total liabilities | \$ 224,770 | \$ 1,502,715 | \$ 1,484,660 | \$ 242,825 |

State of Illinois

Combining Statement of Changes in Assets and Liabilities

Agency Funds - Revenue

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

| | Balance at July 1, 2011 | Additions | Deletions | Balance at June 30, 2012 |
|---|----------------------------|---------------------|---------------------|-----------------------------|
| Total - All Funds | | | | |
| Assets | | | | |
| Cash equity with State Treasurer | \$ 385,831 | \$ 2,795,582 | \$ 2,853,434 | \$ 327,979 |
| Securities lending collateral of State Treasurer | 118,008 | 1,242,040 | 1,242,083 | 117,965 |
| Taxes receivable, net | 111,216 | 2,717,611 | 2,642,346 | 186,481 |
| Other receivables, net | 134 | 852 | 903 | 83 |
| Due from primary government funds | 82,660 | 111,790 | 152,333 | 42,117 |
| Total assets | \$ 697,849 | \$ 6,867,875 | \$ 6,891,099 | \$ 674,625 |
| Liabilities | | | | |
| Accounts payable and accrued liabilities | \$ 7,860 | \$ 34,616 | \$ 34,086 | \$ 8,390 |
| Intergovernmental payables | 571,981 | 2,795,637 | 2,819,348 | 548,270 |
| Obligations under securities lending of State Treasurer | 118,008 | 1,242,040 | 1,242,083 | 117,965 |
| Total liabilities | \$ 697,849 | \$ 4,072,293 | \$ 4,095,517 | \$ 674,625 |

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COMPONENT UNITS

Component Units are legally separate organizations for which the elected officials of the primary government are financially accountable. Component Units also include certain other organizations because of the nature and significance of their relationship with the primary government.

NONMAJOR COMPONENT UNITS DESCRIPTIONS

NONMAJOR AUTHORITIES

Illinois Literacy Foundation--to account for supplemental funds raised from the private sector to promote the Illinois Literacy Foundation.

Illinois Grain Insurance Corporation--to account for monies held to compensate grain producers for losses from the failure of a grain dealer.

Illinois Conservation Foundation--to provide additional funding for the Illinois Department of Natural Resources' conservation programs that either are not receiving adequate State funding or else cannot be implemented because State funding is not available.

Illinois Arts Council Foundation--to further charitable, literary and educational art awareness programs.

The Comprehensive Health Insurance Plan Board--to provide an alternate market for health insurance for eligible Illinois residents having a preexisting health condition.

East St. Louis Financial Advisory Authority--to provide a secure financial basis for and to furnish assistance to the City of East St. Louis.

Illinois Finance Authority--to provide economic development to the public and private institutions in Illinois that create and retain jobs and to improve the quality of life in Illinois by providing access to capital.

Illinois Medical District Commission--to combine the resources of diverse medical institutions to promote low cost medical care in the City of Chicago, accelerate scientific research, improve diagnostic methods and train health care professionals.

Quad Cities Regional Economic Development Authority--to promote and enhance economic development in Rock Island, Henry, Knox, and Mercer counties in northwestern Illinois.

Western Illinois Economic Development Authority--to promote and enhance economic development in Warren, Henderson, Hancock, McDonough, Fulton, Mason, Cass, Schuyler, Brown, Adams, Scott, Morgan, and Pike counties in western Illinois.

Southwestern Illinois Development Authority--to promote and enhance economic development in St. Clair and Madison counties in southwestern Illinois.

Southeastern Illinois Economic Development Authority--to promote and enhance economic development in Fayette, Cumberland, Clark, Effingham, Jasper, Crawford, Marion, Clay, Richland, Lawrence, Jefferson, Wayne, Edwards, Wabash, Hamilton, and White counties and Irvington Township in Washington County in southeastern Illinois.

Upper Illinois River Valley Development Authority--to promote and enhance economic development within the State's Upper Illinois River Valley.

Will-Kankakee Regional Development Authority--to promote and enhance economic development in the counties of Will and Kankakee.

IMSA Fund for Advancement of Education--to benefit, perform the function of and carry out certain charitable, educational, literary and scientific purposes of the Illinois Mathematics and Science Academy.

NONMAJOR UNIVERSITIES

Board of Trustees of Chicago State University--to operate, manage, control and maintain Chicago State University. The Board was created on January 1, 1996 with the dissolution of the Board of Governors of State Colleges and Universities.

Board of Trustees of Eastern Illinois University--to operate, manage, control and maintain Eastern Illinois University. The Board was created on January 1, 1996 with the dissolution of the Board of Governors of State Colleges and Universities.

Board of Trustees of Governors State University--to operate, manage, control and maintain Governors State University. The Board was created on January 1, 1996 with the dissolution of the Board of Governors of State Colleges and Universities.

Board of Trustees of Northeastern Illinois University--to operate, manage, control and maintain Northeastern Illinois University. The Board was created on January 1, 1996 with the dissolution of the Board of Governors of State Colleges and Universities.

Board of Trustees of Western Illinois University--to operate, manage, control and maintain Western Illinois University. The Board was created on January 1, 1996 with the dissolution of the Board of Governors of State Colleges and Universities.

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State of Illinois

Combining Statement of Net Assets
Component Units - Other Authorities

June 30, 2012 (Expressed in Thousands)

| | Illinois Literacy Foundation | Illinois Grain Insurance Corporation | Illinois Conservation Foundation | Illinois Arts Council Foundation | Comprehensive Health Insurance Plan Board | East St. Louis Financial Advisory Authority |
|--|------------------------------------|--|--|--|---|---|
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 26 | \$ 7,119 | \$ 399 | \$ 10 | \$ 88,377 | \$ 159 |
| Securities lending collateral of State Treasurer Investments | | | 2,574 | 74 | | 6,934 |
| Receivables, net: | | | | | | |
| Intergovernmental | | | 2 | | | |
| Other | | 2 | 31 | | 2,749 | |
| Due from component units | | | | | | |
| Due from primary government | | 49 | | | 12,230 | 10 |
| Prepaid expenses | | | 12 | | 3 | |
| Unamortized bond issuance costs | | | | | | |
| Loans and notes receivable, net | | | | | | |
| Restricted assets: | | | | | | |
| Cash equity with State Treasurer | | | | | | |
| Cash and cash equivalents | | | | | | |
| Investments | | | | | | |
| Other receivables, net | | | | | | |
| Loans and notes receivable, net | | | | | | |
| Capital assets not being depreciated | | | 3,059 | | | |
| Capital assets being depreciated, net | | | 1,364 | | 39 | 9 |
| Other assets | | | | | | |
| Total assets | 26 | 7,170 | 7,441 | 84 | 103,398 | 7,112 |
| LIABILITIES | | | | | | |
| Accounts payable and accrued liabilities | | | 66 | | 4,233 | 11 |
| Due to component units | | | | | | |
| Due to primary government | | | | | 6 | |
| Obligations under securities lending collateral of State Treasurer | | | | | | |
| Unearned revenue | | | | | 17,499 | |
| Short-term notes payable | | | | | | |
| Other liabilities | | | | | 35,656 | |
| Long-term obligations: | | | | | | |
| Due within one year | | | | | 6 | 2 |
| Due subsequent to one year | | | | | 297 | 9 |
| Total liabilities | | | 66 | | 57,697 | 22 |
| NET ASSETS | | | | | | |
| Invested in capital assets, net of related debt | | | 4,423 | | 39 | |
| Restricted for: | | | | | | |
| Debt service | | | | | | |
| Capital projects | | | | | | |
| Nonexpendable purposes | | | 119 | | | |
| Other expendable purposes | | 7,170 | 1,222 | | 45,662 | |
| Unrestricted | 26 | | 1,611 | 84 | | 7,090 |
| Total net assets | \$ 26 | \$ 7,170 | \$ 7,375 | \$ 84 | \$ 45,701 | \$ 7,090 |

| Illinois Finance Authority | Illinois Medical District Commission | Quad Cities Regional Economic Development Authority | Western Illinois Economic Development Authority | Southwestern Illinois Development Authority | Southeastern Illinois Economic Development Authority | Upper Illinois River Valley Development Authority | Will-Kankakee Regional Development Authority | IMSA Fund for Advancement of Education | Total |
|----------------------------|--------------------------------------|---|---|---|--|---|--|--|------------|
| \$ 58,710 | \$ 1,449 | \$ 38 | \$ 33 | \$ 4,665 | \$ 1 | \$ 20 | \$ 30 | \$ 966 | \$ 162,002 |
| 8,336 | | | | | | | | | 8,336 |
| 85 | 2,222 | | 340 | | | 460 | | 3,413 | 16,102 |
| | | | | | | | | | 2 |
| 109 | 14 | | | | | | | 947 | 3,852 |
| 46,382 | 29,823 | | | | | | | | 76,205 |
| 49,137 | 972 | | | | | | | 366 | 62,764 |
| 34 | 21 | | | 6 | | | | 16 | 92 |
| 330 | 608 | | | | | | | | 938 |
| 9,615 | | | | 2,161 | | | | | 11,776 |
| 17,777 | | | | | | | | | 17,777 |
| 45,489 | 1,700 | | | | | | | | 47,189 |
| 60,554 | 317 | | | 191 | | | | | 61,062 |
| 1,407 | | | | 1,662 | | | | | 3,069 |
| 53,286 | | | | | | | | | 53,286 |
| | 42,855 | | | 100 | | | | | 46,014 |
| | 17,343 | | | 301 | | | | | 19,056 |
| 108 | 15 | | | | | | | | 123 |
| 351,359 | 97,339 | 38 | 373 | 9,086 | 1 | 480 | 30 | 5,708 | 589,645 |
| 5,337 | 2,126 | | | 16 | 27 | | | 1 | 11,817 |
| | 30,497 | | | | | | | | 30,497 |
| 17,146 | | | | | | | | | 17,152 |
| 8,336 | | | | | | | | | 8,336 |
| 364 | 4,225 | | | 1,600 | | | | 25 | 23,713 |
| 58 | 3,000 | | | | | | | | 3,058 |
| | | | | | | | | | 35,656 |
| 24,059 | 770 | | | | | | | | 24,837 |
| 203,040 | 24,465 | | | | | | | | 227,811 |
| 258,340 | 65,083 | | | 1,616 | 27 | | | 26 | 382,877 |
| 108 | 23,848 | | | 401 | | | | | 28,819 |
| 3,634 | | | | | | | | | 3,634 |
| | 17 | | | | | | | | 17 |
| 22,256 | | | | 5,186 | | | | 122 | 241 |
| 67,021 | 8,391 | 38 | 373 | 1,883 | (26) | 480 | 30 | 4,146 | 91,147 |
| \$ 93,019 | \$ 32,256 | \$ 38 | \$ 373 | \$ 7,470 | \$ (26) | \$ 480 | \$ 30 | \$ 5,682 | \$ 206,768 |

State of Illinois

**Combining Statement of Activities
Component Units - Other Authorities**

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

| Functions/Programs | Expenses | Program revenues | | | Net (expense) revenue |
|--|-------------------|----------------------|------------------------------------|----------------------------------|-----------------------|
| | | Charges for services | Operating grants and contributions | Capital grants and contributions | |
| Illinois Literacy Foundation | \$ 82 | | | | \$ (82) |
| Illinois Grain Insurance Corporation | 14 | \$ 151 | | | 137 |
| Illinois Conservation Foundation | 1,803 | 33 | \$ 1,242 | \$ 9 | (519) |
| Illinois Arts Council Foundation | | | | | |
| Comprehensive Health Insurance Plan Board | 237,096 | 119,597 | 3,434 | | (114,065) |
| East St. Louis Financial Advisory Authority | 111 | | | | (111) |
| Illinois Finance Authority | 16,539 | 16,554 | | 1,500 | 1,515 |
| Illinois Medical District Commission | 7,317 | 3,876 | | 2,187 | (1,254) |
| Quad Cities Regional Economic Development Authority | 30 | 2 | | | (28) |
| Western Illinois Economic Development Authority | 20 | | | | (20) |
| Southwestern Illinois Development Authority | 583 | 247 | 400 | | 64 |
| Southeastern Illinois Economic Development Authority | | | | | |
| Upper Illinois River Valley Development Authority | 185 | 98 | | | (87) |
| Will-Kankakee Regional Development Authority | 23 | | | | (23) |
| IMSA Fund for Advancement of Education | 1,435 | 130 | 946 | | (359) |
| Total | \$ 265,238 | \$ 140,688 | \$ 6,022 | \$ 3,696 | \$ (114,832) |

| General revenues | | | Additions to permanent endowments | Total general revenues and additions to permanent endowments | Change in net assets | Net assets, July 1, 2011 | Net assets, June 30, 2012 |
|-------------------------|--------------------------------------|------------------|---|--|-------------------------|-----------------------------|------------------------------|
| State appropriations | Interest and investment income | Other | | | | | |
| \$ 80 | | | | \$ 80 | \$ (2) | \$ 28 | \$ 26 |
| 14 | \$ 5 | | | 19 | 156 | 7,014 | 7,170 |
| 452 | (68) | | | 384 | (135) | 7,510 | 7,375 |
| | | | | | | 84 | 84 |
| 24,630 | 21 | \$ 87,854 | | 112,505 | (1,560) | 47,261 | 45,701 |
| 104 | 318 | | | 422 | 311 | 6,779 | 7,090 |
| | 520 | | | 520 | 2,035 | 90,984 | 93,019 |
| | 1,426 | | | 1,426 | 172 | 32,084 | 32,256 |
| | | | | | (28) | 66 | 38 |
| | | 44 | | 44 | 24 | 349 | 373 |
| | 34 | 53 | | 87 | 151 | 7,319 | 7,470 |
| | | | | | | (26) | (26) |
| | | | | | (87) | 567 | 480 |
| | | | | | (23) | 53 | 30 |
| 255 | 45 | | \$ 50 | 350 | (9) | 5,691 | 5,682 |
| <u>\$ 25,535</u> | <u>\$ 2,301</u> | <u>\$ 87,951</u> | <u>\$ 50</u> | <u>\$ 115,837</u> | <u>\$ 1,005</u> | <u>\$ 205,763</u> | <u>\$ 206,768</u> |

State of Illinois

**Combining Statement of Net Assets
Component Units - Other Universities**

June 30, 2012 (Expressed in Thousands)

| | Chicago State University | Eastern Illinois University | Governors State University | Northeastern Illinois University | Western Illinois University |
|--|-----------------------------|--------------------------------|-------------------------------|--|--------------------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 16,202 | \$ 52,363 | \$ 35,619 | \$ 49,481 | \$ 87,431 |
| Investments | | 1,846 | 1,502 | 1,408 | 24,038 |
| Receivables, net: | | | | | |
| Intergovernmental | | | 1,634 | 2,810 | |
| Other | 10,487 | 12,674 | 4,086 | 4,884 | 11,252 |
| Due from component units | | | | | 9 |
| Due from primary government | 11,738 | 11,804 | 8,729 | 13,024 | 14,478 |
| Inventories | 43 | 2,110 | 77 | 7 | 2,439 |
| Prepaid expenses | 477 | 60 | 39 | 1,048 | 113 |
| Unamortized bond issuance costs | | 1,836 | 1,000 | 718 | 2,231 |
| Loans and notes receivable, net | 611 | 6,447 | 3,245 | 1,919 | 1,936 |
| Restricted assets: | | | | | |
| Cash and cash equivalents | 8,324 | 11,054 | 24,723 | 2,945 | 141 |
| Investments | 4,269 | 60,672 | | 6,362 | 22,716 |
| Other receivables | | 2,091 | | | |
| Other assets | | | | | 2,478 |
| Other assets | 452 | 1,298 | 169 | 436 | 1,290 |
| Capital assets not being depreciated | 14,044 | 85,503 | 6,267 | 28,103 | 61,086 |
| Capital assets being depreciated, net | 134,002 | 209,033 | 77,953 | 91,189 | 153,534 |
| Total assets | 200,649 | 458,791 | 165,043 | 204,334 | 385,172 |
| LIABILITIES | | | | | |
| Accounts payable and accrued liabilities | 7,474 | 14,618 | 3,849 | 8,031 | 21,051 |
| Intergovernmental payables | | | 3,724 | 178 | |
| Due to component units | 28 | | | | |
| Due to primary government | | 195 | | | 213 |
| Unearned revenue | 7,585 | 3,935 | 3,891 | 3,125 | 5,108 |
| Assets held for others | | 6,916 | | 468 | |
| Short-term notes payable | | 1,387 | | | |
| Other liabilities | | 5,729 | | | 42 |
| Long-term obligations: | | | | | |
| Due within one year | 2,226 | 8,723 | 2,321 | 2,446 | 7,777 |
| Due subsequent to one year | 20,411 | 126,967 | 50,569 | 39,510 | 115,898 |
| Total liabilities | 37,724 | 168,470 | 64,354 | 53,758 | 150,089 |
| NET ASSETS | | | | | |
| Invested in capital assets, net of related debt | 131,103 | 171,838 | 57,347 | 93,185 | 145,608 |
| Restricted for: | | | | | |
| Debt service | | 1,673 | 1,184 | 2,101 | |
| Nonexpendable purposes | 3,064 | 41,031 | 1,339 | 5,003 | 17,464 |
| Other expendable purposes | 3,684 | 25,315 | 1,259 | 4,900 | 10,971 |
| Unrestricted | 25,074 | 50,464 | 39,560 | 45,387 | 61,040 |
| Total net assets | \$ 162,925 | \$ 290,321 | \$ 100,689 | \$ 150,576 | \$ 235,083 |

Total

| | |
|----|------------------|
| \$ | 241,096 |
| | 28,794 |
| | 4,444 |
| | 43,383 |
| | 9 |
| | 59,773 |
| | 4,676 |
| | 1,737 |
| | 5,785 |
| | 14,158 |
| | 47,187 |
| | 94,019 |
| | 2,091 |
| | 2,478 |
| | 3,645 |
| | 195,003 |
| | 665,711 |
| | <u>1,413,989</u> |

| | |
|--|----------------|
| | 55,023 |
| | 3,902 |
| | 28 |
| | 408 |
| | 23,644 |
| | 7,384 |
| | 1,387 |
| | 5,771 |
| | 23,493 |
| | 353,355 |
| | <u>474,395</u> |

| | |
|--|---------|
| | 599,081 |
|--|---------|

| | |
|----|----------------|
| | 4,958 |
| | 67,901 |
| | 46,129 |
| | 221,525 |
| \$ | <u>939,594</u> |

State of Illinois

Combining Statement of Activities
Component Units - Other Universities
For the Year Ended June 30, 2012 (Expressed in Thousands)

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program revenues</u> | | <u>Net (expense) revenue</u> |
|----------------------------------|-------------------|--------------------------------|---|--------------------------------------|
| | | <u>Charges for service</u> | <u>Operating grants and contributions</u> | |
| Chicago State University | \$ 141,059 | \$ 47,229 | \$ 12,665 | \$ (81,165) |
| Eastern Illinois University | 255,604 | 120,282 | 26,516 | \$ 31 (108,775) |
| Governors State University | 98,644 | 40,758 | 8,223 | (49,663) |
| Northeastern Illinois University | 165,569 | 65,056 | 35,055 | (65,458) |
| Western Illinois University | 285,511 | 142,776 | 19,413 | (123,322) |
| Total | <u>\$ 946,387</u> | <u>\$ 416,101</u> | <u>\$ 101,872</u> | <u>\$ 31 (428,383)</u> |

| <u>General revenues</u> | | | <u>Additions to permanent endowments</u> | <u>Total general revenues and additions to permanent endowments</u> | <u>Change in net assets</u> | <u>Net assets, July 1, 2011</u> | <u>Net assets, June 30, 2012</u> |
|---------------------------------|---|------------------|--|---|---------------------------------|-------------------------------------|--------------------------------------|
| <u>State appropriations</u> | <u>Interest and investment income</u> | <u>Other</u> | | | | | |
| \$ 72,474 | \$ 119 | \$ 18,146 | \$ 1 | \$ 90,740 | \$ 9,575 | \$ 153,350 | \$ 162,925 |
| 102,377 | 1,030 | 18,963 | 4,157 | 126,527 | 17,752 | 272,569 | 290,321 |
| 51,733 | 46 | 7,014 | 102 | 58,895 | 9,232 | 91,457 | 100,689 |
| 79,330 | 289 | 71 | 378 | 80,068 | 14,610 | 135,966 | 150,576 |
| 127,386 | 303 | 19,456 | 1,793 | 148,938 | 25,616 | 209,467 | 235,083 |
| <u>\$ 433,300</u> | <u>\$ 1,787</u> | <u>\$ 63,650</u> | <u>\$ 6,431</u> | <u>\$ 505,168</u> | <u>\$ 76,785</u> | <u>\$ 862,809</u> | <u>\$ 939,594</u> |

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Budgetary Schedules

The following budgetary schedules for the State have been prepared in accordance with the terminology and classifications of funds used by the State in the Statewide Accounting Management System (“SAMS”) budgetary purposes. SAMS establishes the following budgetary fund groups to account for the State’s budgetary activities:

- General** – funds established to account for those services traditionally provided by a state government which are not accounted for in other funds;
- Highway** – funds established to receive and distribute assessments related to transportation, and to support the construction and maintenance of transportation facilities and activities of the State;
- Special State** – funds designated by statute as special funds in the State Treasury and not elsewhere classified;
- Bond Financed** – funds established to receive and administer the proceeds of various bond issues of the State;
- Debt Service** – funds established to finance and account for the payment of principal and interest generally associated with the general and special obligation bond issues of the State;
- Federal Trust** – funds established pursuant to grants and contracts or under statutory authority between State agencies and the federal government;
- Revolving** – funds established to finance and account for intra-governmental services; and
- State Trust** – funds established by statute or under statutory authority for nonfederal programs which are not deemed to be a traditional governmental activity or elsewhere classified.

As the attached schedules are presented on the budgetary basis and not the GAAP basis of accounting, all budgeted funds of the State, including those presented as required supplemental information, are presented. The schedules presented as required supplemental information classify certain major governmental funds differently for GAAP reporting purposes than the following budgetary presentation. Below is a summary of those differences:

| GAAP Basis | Budgetary Basis Includes |
|--------------|--|
| General Fund | All General Funds Highway Funds: 1 fund included as an other highway fund Special State Funds: Budget Stabilization Fund County Provider Trust Fund Long-Term Care Provider Fund Hospital Provider Fund Drug Rebate Fund Healthcare Provider Relief Fund Public Transportation Fund and 47 funds included as other special state funds Debt Service Funds: Capital Projects Fund and 1 fund included as an other debt service fund Federal Trust Funds: 2 funds included as other federal trust funds State Trust Funds: Public Assistance Recoveries Trust Fund and 1 fund included as an other state trust fund |

State of Illinois

**Combined Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP)
All Budgeted Fund Groups**

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

| | General Funds | | | Highway Funds | | |
|---|-----------------------|-----------------------|-----------------------|-------------------|-------------------|-----------------------|
| | Final Budget | Actual | Variance Over (Under) | Final Budget | Actual | Variance Over (Under) |
| REVENUES: | | | | | | |
| Income taxes | \$ 17,723,000 | \$ 18,044,228 | \$ 321,228 | | | |
| Sales taxes | 6,586,000 | 7,225,573 | 639,573 | | | |
| Motor fuel taxes | | | | \$ 1,326,900 | \$ 1,221,462 | \$ (105,438) |
| Public utility taxes | 1,082,000 | 995,148 | (86,852) | | | |
| Federal government | 4,762,000 | 3,636,653 | (1,125,347) | 1,521,800 | 1,610,503 | 88,703 |
| Other | 1,960,000 | 2,056,659 | 96,659 | 1,583,873 | 1,423,679 | (160,194) |
| Less: | | | | | | |
| Refunds | 12,103 | 11,973 | (130) | 28,899 | 22,118 | (6,781) |
| Total revenues | 32,100,897 | 31,946,288 | (154,609) | 4,403,674 | 4,233,526 | (170,148) |
| EXPENDITURES: | | | | | | |
| Current: | | | | | | |
| Health and social services | 13,509,376 | 13,332,589 | (176,787) | 165,294 | 165,294 | - |
| Education | 12,102,502 | 12,087,069 | (15,433) | | | |
| General government | 1,694,599 | 1,655,128 | (39,471) | 60,048 | 50,927 | (9,121) |
| Employment and economic development | 105,386 | 99,123 | (6,263) | 1,900 | 1,900 | - |
| Transportation | 21,440 | 21,339 | (101) | 4,001,360 | 3,548,261 | (453,099) |
| Public protection and justice | 2,012,542 | 1,986,194 | (26,348) | | | |
| Environment and business regulation | 71,075 | 67,934 | (3,141) | | | |
| Debt service: | | | | | | |
| Principal | | | | | | |
| Interest | | | | | | |
| Capital outlays | 23,298 | 19,259 | (4,039) | 66,632 | 47,121 | (19,511) |
| Total expenditures | 29,540,218 | 29,268,635 | (271,583) | 4,295,234 | 3,813,503 | (481,731) |
| Excess (deficiency) of revenues over (under) expenditures | 2,560,679 | 2,677,653 | 116,974 | 108,440 | 420,023 | 311,583 |
| OTHER SOURCES (USES) OF FINANCIAL RESOURCES: | | | | | | |
| Proceeds from general and special obligation bond issues | | | | | | |
| Operating transfers-in | 7,231,024 | 7,231,024 | - | 1,135,020 | 1,135,020 | - |
| Operating transfers-out | (10,385,002) | (10,385,002) | - | (1,522,029) | (1,522,029) | - |
| Total other sources (uses) of financial resources | (3,153,978) | (3,153,978) | - | (387,009) | (387,009) | - |
| Budgetary funds-nonbudgeted accounts | | | | | | |
| Excess (deficiency) of revenues over (under) expenditures, other sources (uses) of financial resources, and budgetary funds-nonbudgeted accounts | | | | | | |
| | (593,299) | (476,325) | 116,974 | (278,569) | 33,014 | 311,583 |
| Budgetary fund balances (deficits), July 1, 2011, as previously reported | | | | | | |
| | (4,507,409) | (4,507,409) | - | 910,825 | 910,825 | - |
| Reclassifications between budgetary/nonbudgetary funds-net | | | | | | |
| Budgetary fund balances (deficits), July 1, 2011, as reclassified | | | | | | |
| | (4,507,409) | (4,507,409) | - | 910,825 | 910,825 | - |
| BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2012 | \$ (5,100,708) | \$ (4,983,734) | \$ 116,974 | \$ 632,256 | \$ 943,839 | \$ 311,583 |

| Special State Funds | | | Bond Financed Funds | | | Debt Service Funds | | |
|---------------------|--------------|-----------------------|---------------------|--------------|-----------------------|--------------------|--------------|-----------------------|
| Final Budget | Actual | Variance Over (Under) | Final Budget | Actual | Variance Over (Under) | Final Budget | Actual | Variance Over (Under) |
| \$ 3,247,132 | \$ 3,173,294 | \$ (73,838) | | | | \$ 52,660 | \$ 52,660 | \$ - |
| 817,565 | 855,511 | 37,946 | | | | | | |
| 71,512 | 69,539 | (1,973) | | | | | | |
| 503,746 | 481,783 | (21,963) | | | | | | |
| 4,383,615 | 4,167,935 | (215,680) | | | | 64,157 | 63,909 | (248) |
| 8,566,996 | 8,275,724 | (291,272) | \$ - | \$ 49 | \$ 49 | 538,680 | 524,098 | (14,582) |
| 2,157,946 | 2,145,594 | (12,352) | | | | | | |
| 15,432,620 | 14,878,192 | (554,428) | - | 49 | 49 | 655,497 | 640,667 | (14,830) |
| 11,160,243 | 9,035,332 | (2,124,911) | 72,532 | 72,532 | - | | | |
| 365,201 | 313,784 | (51,417) | 45,582 | 44,986 | (596) | | | |
| 4,194,253 | 3,698,214 | (496,039) | 326,590 | 325,986 | (604) | | | |
| 961,618 | 581,418 | (380,200) | 224,680 | 204,186 | (20,494) | | | |
| 776,599 | 740,925 | (35,674) | 1,170,258 | 1,170,105 | (153) | | | |
| 223,567 | 130,540 | (93,027) | | | | | | |
| 1,129,589 | 993,475 | (136,114) | 54,610 | 54,610 | - | | | |
| | | | | | | 3,806,343 | 3,715,871 | (90,472) |
| | | | | | | 1,565,041 | 1,471,337 | (93,704) |
| 36,599 | 29,108 | (7,491) | 260,851 | 261,219 | 368 | | | |
| 18,847,669 | 15,522,796 | (3,324,873) | 2,155,103 | 2,133,624 | (21,479) | 5,371,384 | 5,187,208 | (184,176) |
| (3,415,049) | (644,604) | 2,770,445 | (2,155,103) | (2,133,575) | 21,528 | (4,715,887) | (4,546,541) | 169,346 |
| | | | 2,144,890 | 2,144,890 | - | 1,954,186 | 1,954,186 | - |
| 3,860,815 | 3,860,815 | - | 322,858 | 322,858 | - | 3,329,272 | 3,329,272 | - |
| (2,683,213) | (2,683,213) | - | (322,858) | (322,858) | - | (547,994) | (547,994) | - |
| 1,177,602 | 1,177,602 | - | 2,144,890 | 2,144,890 | - | 4,735,464 | 4,735,464 | - |
| (65,426) | (65,426) | - | | | | | | |
| (2,302,873) | 467,572 | 2,770,445 | (10,213) | 11,315 | 21,528 | 19,577 | 188,923 | 169,346 |
| 1,949,202 | 1,949,202 | - | 1,448,295 | 1,448,295 | - | 1,132,597 | 1,132,597 | - |
| 1,949,202 | 1,949,202 | - | 1,448,295 | 1,448,295 | - | 1,132,597 | 1,132,597 | - |
| \$ (353,671) | \$ 2,416,774 | \$ 2,770,445 | \$ 1,438,082 | \$ 1,459,610 | \$ 21,528 | \$ 1,152,174 | \$ 1,321,520 | \$ 169,346 |

(continued)

State of Illinois

**Combined Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP)
All Budgeted Fund Groups**

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

(continued)

| | Federal Trust Funds | | | Revolving Funds | | |
|---|-----------------------|---------------------|-----------------------|---------------------|------------------|-----------------------|
| | Final Budget | Actual | Variance Over (Under) | Final Budget | Actual | Variance Over (Under) |
| REVENUES: | | | | | | |
| Income taxes | | | | | | |
| Sales taxes | | | | | | |
| Motor fuel taxes | | | | | | |
| Public utility taxes | | | | | | |
| Federal government | \$ 5,519,685 | \$ 5,052,163 | \$ (467,522) | \$ 39,990 | \$ 16,130 | \$ (23,860) |
| Other | 264,720 | 306,368 | 41,648 | 543,816 | 601,339 | 57,523 |
| Less: | | | | | | |
| Refunds | 620 | - | (620) | 8,601 | 33 | (8,568) |
| Total revenues | 5,783,785 | 5,358,531 | (425,254) | 575,205 | 617,436 | 42,231 |
| EXPENDITURES: | | | | | | |
| Current: | | | | | | |
| Health and social services | 2,115,906 | 1,619,715 | (496,191) | | | |
| Education | 4,003,956 | 2,307,256 | (1,696,700) | | | |
| General government | 42,755 | 11,563 | (31,192) | 867,111 | 630,964 | (236,147) |
| Employment and economic development | 1,563,212 | 695,874 | (867,338) | | | |
| Transportation | 265,444 | 115,437 | (150,007) | 850 | 678 | (172) |
| Public protection and justice | 605,670 | 184,109 | (421,561) | 49,730 | 48,339 | (1,391) |
| Environment and business regulation | 222,881 | 127,108 | (95,773) | | | |
| Debt service: | | | | | | |
| Principal | | | | | | |
| Interest | | | | | | |
| Capital outlays | 9,917 | 1,138 | (8,779) | 19,815 | 5,392 | (14,423) |
| Total expenditures | 8,829,741 | 5,062,200 | (3,767,541) | 937,506 | 685,373 | (252,133) |
| Excess (deficiency) of revenues over (under) expenditures | (3,045,956) | 296,331 | 3,342,287 | (362,301) | (67,937) | 294,364 |
| OTHER SOURCES (USES) OF FINANCIAL RESOURCES: | | | | | | |
| Proceeds from general and special obligation bond issues | | | | | | |
| Operating transfers-in | 41,524 | 41,524 | - | 178,334 | 178,334 | - |
| Operating transfers-out | (43,605) | (43,605) | - | (6,359) | (6,359) | - |
| Total other sources (uses) of financial resources | (2,081) | (2,081) | - | 171,975 | 171,975 | - |
| Budgetary funds-nonbudgeted accounts | (157,834) | (157,834) | - | | | |
| Excess (deficiency) of revenues over (under) expenditures, other sources (uses) of financial resources, and budgetary funds-nonbudgeted accounts | (3,205,871) | 136,416 | 3,342,287 | (190,326) | 104,038 | 294,364 |
| Budgetary fund balances (deficits), July 1, 2011, as previously reported | (494,463) | (494,463) | - | (29,573) | (29,573) | - |
| Reclassifications between budgetary/nonbudgetary funds-net | | | | | | |
| Budgetary fund balances (deficits), July 1, 2011, as reclassified | (494,463) | (494,463) | - | (29,573) | (29,573) | - |
| BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2012 | \$ (3,700,334) | \$ (358,047) | \$ 3,342,287 | \$ (219,899) | \$ 74,465 | \$ 294,364 |

| State Trust Funds | | | Total | | |
|-------------------|-------------|-----------------------|----------------|---------------|-----------------------|
| Final Budget | Actual | Variance Over (Under) | Final Budget | Actual | Variance Over (Under) |
| \$ 812,777 | \$ 812,777 | \$ - | \$ 20,970,132 | \$ 21,217,522 | \$ 247,390 |
| 33,249 | 33,249 | - | 8,269,002 | 8,946,521 | 677,519 |
| 329,564 | 329,564 | - | 1,431,661 | 1,324,250 | (107,411) |
| 84,039 | 161,571 | 77,532 | 1,915,310 | 1,806,495 | (108,815) |
| 2,543,247 | 3,012,067 | 468,820 | 16,375,286 | 14,708,864 | (1,666,422) |
| | | | 16,001,332 | 16,199,983 | 198,651 |
| 312 | 197 | (115) | 2,208,481 | 2,179,915 | (28,566) |
| 3,802,564 | 4,349,031 | 546,467 | 62,754,242 | 62,023,720 | (730,522) |
| 243,132 | 203,967 | (39,165) | 27,266,483 | 24,429,429 | (2,837,054) |
| 18,459 | 3,654 | (14,805) | 16,535,700 | 14,756,749 | (1,778,951) |
| 442,088 | 152,691 | (289,397) | 7,627,444 | 6,525,473 | (1,101,971) |
| | | | 2,856,796 | 1,582,501 | (1,274,295) |
| | | | 6,235,951 | 5,596,745 | (639,206) |
| 2,750 | 2,077 | (673) | 2,894,259 | 2,351,259 | (543,000) |
| 12,615 | 4,212 | (8,403) | 1,490,770 | 1,247,339 | (243,431) |
| | | | 3,806,343 | 3,715,871 | (90,472) |
| | | | 1,565,041 | 1,471,337 | (93,704) |
| 1,272 | 525 | (747) | 418,384 | 363,762 | (54,622) |
| 720,316 | 367,126 | (353,190) | 70,697,171 | 62,040,465 | (8,656,706) |
| 3,082,248 | 3,981,905 | 899,657 | (7,942,929) | (16,745) | 7,926,184 |
| | | | 4,099,076 | 4,099,076 | - |
| 11,787 | 11,787 | - | 16,110,634 | 16,110,634 | - |
| (307,262) | (307,262) | - | (15,818,322) | (15,818,322) | - |
| (295,475) | (295,475) | - | 4,391,388 | 4,391,388 | - |
| (3,567,553) | (3,567,553) | - | (3,790,813) | (3,790,813) | - |
| (780,780) | 118,877 | 899,657 | (7,342,354) | 583,830 | 7,926,184 |
| 296,772 | 296,772 | - | 706,246 | 706,246 | - |
| 28,035 | 28,035 | - | 28,035 | 28,035 | - |
| 324,807 | 324,807 | - | 734,281 | 734,281 | - |
| \$ (455,973) | \$ 443,684 | \$ 899,657 | \$ (6,608,073) | \$ 1,318,111 | \$ 7,926,184 |

State of Illinois

Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP) General Funds

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

| | General Revenue | | | Common School Special Account | | |
|--|-----------------------|-----------------------|-----------------------|-------------------------------|--------------------|-----------------------|
| | Final Budget | Actual | Variance Over (Under) | Final Budget | Actual | Variance Over (Under) |
| REVENUES: | | | | | | |
| Income taxes | \$ 16,429,000 | \$ 16,726,790 | \$ 297,790 | | | |
| Sales taxes | 4,931,000 | 5,418,874 | 487,874 | \$ 1,655,000 | \$ 1,806,699 | \$ 151,699 |
| Public utility taxes | 985,000 | 905,681 | (79,319) | | | |
| Federal government | 4,762,000 | 3,636,653 | (1,125,347) | | | |
| Other | 1,841,000 | 1,936,880 | 95,880 | | | |
| Less: | | | | | | |
| Refunds | 12,103 | 11,973 | (130) | | | |
| Total revenues | 28,935,897 | 28,612,905 | (322,992) | 1,655,000 | 1,806,699 | 151,699 |
| EXPENDITURES: | | | | | | |
| Current: | | | | | | |
| Health and social services | 13,509,376 | 13,332,589 | (176,787) | | | |
| Education | 3,136,760 | 3,123,228 | (13,532) | | | |
| General government | 1,694,585 | 1,655,114 | (39,471) | | | |
| Employment and economic development | 105,386 | 99,123 | (6,263) | | | |
| Transportation | 21,440 | 21,339 | (101) | | | |
| Public protection and justice | 2,012,542 | 1,986,194 | (26,348) | | | |
| Environment and business regulation | 71,075 | 67,934 | (3,141) | | | |
| Capital outlays | 22,653 | 18,696 | (3,957) | | | |
| Total expenditures | 20,573,817 | 20,304,217 | (269,600) | | | |
| Excess (deficiency) of revenues over (under) expenditures | 8,362,080 | 8,308,688 | (53,392) | 1,655,000 | 1,806,699 | 151,699 |
| OTHER SOURCES (USES) OF FINANCIAL RESOURCES: | | | | | | |
| Operating transfers-in | 1,029,912 | 1,029,912 | - | | | |
| Operating transfers-out | (8,501,321) | (8,501,321) | - | (1,883,477) | (1,883,477) | - |
| Total other sources (uses) of financial resources | (7,471,409) | (7,471,409) | - | (1,883,477) | (1,883,477) | - |
| Excess (deficiency) of revenues over (under) expenditures and other sources (uses) of financial resources | 890,671 | 837,279 | (53,392) | (228,477) | (76,778) | 151,699 |
| Budgetary fund balances (deficits), July 1, 2011 | (4,965,907) | (4,965,907) | - | 83,985 | 83,985 | - |
| BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2012 | \$ (4,075,236) | \$ (4,128,628) | \$ (53,392) | \$ (144,492) | \$ 7,207 | \$ 151,699 |

| Education Assistance | | | Common School | | | Total | | |
|----------------------|--------------|-----------------------|---------------|--------------|-----------------------|----------------|----------------|-----------------------|
| Final Budget | Actual | Variance Over (Under) | Final Budget | Actual | Variance Over (Under) | Final Budget | Actual | Variance Over (Under) |
| \$ 1,294,000 | \$ 1,317,438 | \$ 23,438 | | | | \$ 17,723,000 | \$ 18,044,228 | \$ 321,228 |
| | | | \$ 97,000 | \$ 89,467 | \$ (7,533) | 6,586,000 | 7,225,573 | 639,573 |
| | | | | | | 1,082,000 | 995,148 | (86,852) |
| | | | | | | 4,762,000 | 3,636,653 | (1,125,347) |
| - | 63 | 63 | 119,000 | 119,716 | 716 | 1,960,000 | 2,056,659 | 96,659 |
| | | | | | | 12,103 | 11,973 | (130) |
| 1,294,000 | 1,317,501 | 23,501 | 216,000 | 209,183 | (6,817) | 32,100,897 | 31,946,288 | (154,609) |
| | | | | | | | | |
| | | | | | | 13,509,376 | 13,332,589 | (176,787) |
| 2,731,608 | 2,729,707 | (1,901) | 6,234,134 | 6,234,134 | - | 12,102,502 | 12,087,069 | (15,433) |
| 14 | 14 | - | | | | 1,694,599 | 1,655,128 | (39,471) |
| | | | | | | 105,386 | 99,123 | (6,263) |
| | | | | | | 21,440 | 21,339 | (101) |
| | | | | | | 2,012,542 | 1,986,194 | (26,348) |
| | | | | | | 71,075 | 67,934 | (3,141) |
| 645 | 563 | (82) | | | | 23,298 | 19,259 | (4,039) |
| 2,732,267 | 2,730,284 | (1,983) | 6,234,134 | 6,234,134 | - | 29,540,218 | 29,268,635 | (271,583) |
| | | | | | | | | |
| (1,438,267) | (1,412,783) | 25,484 | (6,018,134) | (6,024,951) | (6,817) | 2,560,679 | 2,677,653 | 116,974 |
| | | | | | | | | |
| 340,335 | 340,335 | - | 5,860,777 | 5,860,777 | - | 7,231,024 | 7,231,024 | - |
| (41) | (41) | - | (163) | (163) | - | (10,385,002) | (10,385,002) | - |
| 340,294 | 340,294 | - | 5,860,614 | 5,860,614 | - | (3,153,978) | (3,153,978) | - |
| | | | | | | | | |
| (1,097,973) | (1,072,489) | 25,484 | (157,520) | (164,337) | (6,817) | (593,299) | (476,325) | 116,974 |
| | | | | | | | | |
| 353,806 | 353,806 | - | 20,707 | 20,707 | - | (4,507,409) | (4,507,409) | - |
| | | | | | | | | |
| \$ (744,167) | \$ (718,683) | \$ 25,484 | \$ (136,813) | \$ (143,630) | \$ (6,817) | \$ (5,100,708) | \$ (4,983,734) | \$ 116,974 |

State of Illinois

Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP) Highway Funds

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

| | Road | | | Motor Fuel Tax - State | | |
|--|-------------------|-------------------|-----------------------|------------------------|--------------------|-----------------------|
| | Final Budget | Actual | Variance Over (Under) | Final Budget | Actual | Variance Over (Under) |
| REVENUES: | | | | | | |
| Motor fuel taxes | | | | \$ 1,326,900 | \$ 1,221,462 | \$ (105,438) |
| Federal government | \$ 1,521,800 | \$ 1,610,447 | \$ 88,647 | - | 56 | 56 |
| Other | 1,065,700 | 956,946 | (108,754) | | | |
| Less: | | | | | | |
| Refunds | 2,559 | 2,506 | (53) | 26,340 | 19,612 | (6,728) |
| Total revenues | 2,584,941 | 2,564,887 | (20,054) | 1,300,560 | 1,201,906 | (98,654) |
| EXPENDITURES: | | | | | | |
| Current: | | | | | | |
| Health and social services | 165,294 | 165,294 | - | | | |
| General government | 2,149 | 1,977 | (172) | 57,899 | 48,950 | (8,949) |
| Employment and economic development | 1,900 | 1,900 | - | | | |
| Transportation | 2,698,967 | 2,293,867 | (405,100) | 12,797 | 11,443 | (1,354) |
| Capital outlays | 66,610 | 47,118 | (19,492) | 22 | 3 | (19) |
| Total expenditures | 2,934,920 | 2,510,156 | (424,764) | 70,718 | 60,396 | (10,322) |
| Excess (deficiency) of revenues over (under) expenditures | (349,979) | 54,731 | 404,710 | 1,229,842 | 1,141,510 | (88,332) |
| OTHER SOURCES (USES) OF FINANCIAL RESOURCES: | | | | | | |
| Operating transfers-in | 319,116 | 319,116 | - | 1,002 | 1,002 | - |
| Operating transfers-out | (371,538) | (371,538) | - | (1,147,456) | (1,147,456) | - |
| Total other sources (uses) of financial resources | (52,422) | (52,422) | - | (1,146,454) | (1,146,454) | - |
| Excess (deficiency) of revenues over (under) expenditures and other sources (uses) of financial resources | (402,401) | 2,309 | 404,710 | 83,388 | (4,944) | (88,332) |
| Budgetary fund balances (deficits), July 1, 2011 | 670,961 | 670,961 | - | 103,307 | 103,307 | - |
| BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2012 | \$ 268,560 | \$ 673,270 | \$ 404,710 | \$ 186,695 | \$ 98,363 | \$ (88,332) |

| Motor Fuel Tax - Municipalities | | | State Construction Account | | | Other | | |
|---------------------------------|-------------|-----------------------|----------------------------|------------|-----------------------|--------------|------------|-----------------------|
| Final Budget | Actual | Variance Over (Under) | Final Budget | Actual | Variance Over (Under) | Final Budget | Actual | Variance Over (Under) |
| | | | \$ 518,173 | \$ 466,685 | \$ (51,488) | \$ - | \$ 48 | \$ 48 |
| | | | 518,173 | 466,685 | (51,488) | - | 48 | 48 |
| \$ 298,040 | \$ 275,558 | \$ (22,482) | 649,737 | 649,380 | (357) | 341,819 | 318,013 | (23,806) |
| 298,040 | 275,558 | (22,482) | 649,737 | 649,380 | (357) | 341,819 | 318,013 | (23,806) |
| (298,040) | (275,558) | 22,482 | (131,564) | (182,695) | (51,131) | (341,819) | (317,965) | 23,854 |
| 276,589 | 276,589 | - | 209,585 | 209,585 | - | 328,728 | 328,728 | - |
| | | | (34) | (34) | - | (3,001) | (3,001) | - |
| 276,589 | 276,589 | - | 209,551 | 209,551 | - | 325,727 | 325,727 | - |
| (21,451) | 1,031 | 22,482 | 77,987 | 26,856 | (51,131) | (16,092) | 7,762 | 23,854 |
| (21,303) | (21,303) | - | 173,150 | 173,150 | - | (15,290) | (15,290) | - |
| \$ (42,754) | \$ (20,272) | \$ 22,482 | \$ 251,137 | \$ 200,006 | \$ (51,131) | \$ (31,382) | \$ (7,528) | \$ 23,854 |

(continued)

State of Illinois

Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP) Highway Funds

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

(continued)

| | Final Budget | Total Actual | Variance Over (Under) |
|---|-------------------|-------------------|--------------------------|
| REVENUES: | | | |
| Motor fuel taxes | \$ 1,326,900 | \$ 1,221,462 | \$ (105,438) |
| Federal government | 1,521,800 | 1,610,503 | 88,703 |
| Other | 1,583,873 | 1,423,679 | (160,194) |
| Less: | | | |
| Refunds | 28,899 | 22,118 | (6,781) |
| Total revenues | 4,403,674 | 4,233,526 | (170,148) |
| EXPENDITURES: | | | |
| Current: | | | |
| Health and social services | 165,294 | 165,294 | - |
| General government | 60,048 | 50,927 | (9,121) |
| Employment and economic development | 1,900 | 1,900 | - |
| Transportation | 4,001,360 | 3,548,261 | (453,099) |
| Capital outlays | 66,632 | 47,121 | (19,511) |
| Total expenditures | 4,295,234 | 3,813,503 | (481,731) |
| Excess (deficiency) of revenues over (under) expenditures | 108,440 | 420,023 | 311,583 |
| OTHER SOURCES (USES) OF FINANCIAL RESOURCES: | | | |
| Operating transfers-in | 1,135,020 | 1,135,020 | - |
| Operating transfers-out | (1,522,029) | (1,522,029) | - |
| Total other sources (uses) of financial resources | (387,009) | (387,009) | - |
| Excess (deficiency) of revenues over (under) expenditures, other sources (uses) of financial resources | (278,569) | 33,014 | 311,583 |
| Budgetary fund balances (deficits), July 1, 2011 | 910,825 | 910,825 | - |
| BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2012 | \$ 632,256 | \$ 943,839 | \$ 311,583 |

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State of Illinois

Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP) Special State Funds

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

| | Elected Officials | | | Code Departments | | |
|---|----------------------|-------------------|-----------------------|----------------------|-------------------|-----------------------|
| | Comptroller | | | Final Budget | Actual | Variance Over (Under) |
| | Budget Stabilization | | | | | |
| | Final Budget | Actual | Variance Over (Under) | Final Budget | Actual | Variance Over (Under) |
| REVENUES: | | | | | | |
| Income taxes | | | | \$ 1,021,045 | \$ 947,207 | \$ (73,838) |
| Sales taxes | | | | 667,145 | 700,978 | 33,833 |
| Motor fuel taxes | | | | | | |
| Public utility taxes | | | | 222,055 | 222,055 | - |
| Federal government | | | | 3,012,544 | 2,941,193 | (71,351) |
| Other | | | | 5,634,148 | 6,132,528 | 498,380 |
| Less: | | | | | | |
| Refunds | | | | 8,798 | 322 | (8,476) |
| Total revenues | | | | 10,548,139 | 10,943,639 | 395,500 |
| EXPENDITURES: | | | | | | |
| Current: | | | | | | |
| Health and social services | | | | 9,398,837 | 7,772,553 | (1,626,284) |
| Education | | | | 13,031 | 11,478 | (1,553) |
| General government | | | | 3,550,986 | 3,287,204 | (263,782) |
| Employment and economic development | | | | | | |
| Transportation | | | | 455,894 | 454,947 | (947) |
| Public protection and justice | | | | | | |
| Environment and business regulation | | | | | | |
| Capital outlays | | | | 454 | 78 | (376) |
| Total expenditures | | | | 13,419,202 | 11,526,260 | (1,892,942) |
| Excess (deficiency) of revenues over (under) expenditures | | | | (2,871,063) | (582,621) | 2,288,442 |
| OTHER SOURCES (USES) OF FINANCIAL RESOURCES: | | | | | | |
| Operating transfers-in | \$ 275,000 | \$ 275,000 | \$ - | 2,310,117 | 2,310,117 | - |
| Operating transfers-out | (275,000) | (275,000) | - | (1,579,071) | (1,579,071) | - |
| Total other sources (uses) of financial resources | - | - | - | 731,046 | 731,046 | - |
| Budgetary funds-nonbudgeted accounts | | | | (65,200) | (65,200) | - |
| Excess (deficiency) of revenues over (under) expenditures, other sources (uses) of financial resources, and budgetary funds-nonbudgeted accounts | | | | (2,205,217) | 83,225 | 2,288,442 |
| Budgetary fund balances (deficits), July 1, 2011 | 275,704 | 275,704 | - | 272,007 | 272,007 | - |
| BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2012 | \$ 275,704 | \$ 275,704 | \$ - | \$(1,933,210) | \$ 355,232 | \$ 2,288,442 |

| Agencies, Boards & Commissions | | | Other | | | Total | | |
|--------------------------------|------------|-----------------------|--------------|--------------|-----------------------|--------------|--------------|-----------------------|
| Final Budget | Actual | Variance Over (Under) | Final Budget | Actual | Variance Over (Under) | Final Budget | Actual | Variance Over (Under) |
| | | | \$ 2,226,087 | \$ 2,226,087 | \$ - | \$ 3,247,132 | \$ 3,173,294 | \$ (73,838) |
| | | | 150,420 | 154,533 | 4,113 | 817,565 | 855,511 | 37,946 |
| | | | 71,512 | 69,539 | (1,973) | 71,512 | 69,539 | (1,973) |
| | | | 281,691 | 259,728 | (21,963) | 503,746 | 481,783 | (21,963) |
| \$ 273,000 | \$ 65,009 | \$ (207,991) | 1,098,071 | 1,161,733 | 63,662 | 4,383,615 | 4,167,935 | (215,680) |
| 1,451,960 | 735,323 | (716,637) | 1,480,888 | 1,407,873 | (73,015) | 8,566,996 | 8,275,724 | (291,272) |
| 50 | - | (50) | 2,149,098 | 2,145,272 | (3,826) | 2,157,946 | 2,145,594 | (12,352) |
| 1,724,910 | 800,332 | (924,578) | 3,159,571 | 3,134,221 | (25,350) | 15,432,620 | 14,878,192 | (554,428) |
| 974 | 807 | (167) | 1,760,432 | 1,261,972 | (498,460) | 11,160,243 | 9,035,332 | (2,124,911) |
| | | | 352,170 | 302,306 | (49,864) | 365,201 | 313,784 | (51,417) |
| 161,021 | 141,927 | (19,094) | 482,246 | 269,083 | (213,163) | 4,194,253 | 3,698,214 | (496,039) |
| | | | 961,618 | 581,418 | (380,200) | 961,618 | 581,418 | (380,200) |
| | | | 320,705 | 285,978 | (34,727) | 776,599 | 740,925 | (35,674) |
| | | | 223,567 | 130,540 | (93,027) | 223,567 | 130,540 | (93,027) |
| 416,953 | 414,658 | (2,295) | 712,636 | 578,817 | (133,819) | 1,129,589 | 993,475 | (136,114) |
| 75 | 10 | (65) | 36,070 | 29,020 | (7,050) | 36,599 | 29,108 | (7,491) |
| 579,023 | 557,402 | (21,621) | 4,849,444 | 3,439,134 | (1,410,310) | 18,847,669 | 15,522,796 | (3,324,873) |
| 1,145,887 | 242,930 | (902,957) | (1,689,873) | (304,913) | 1,384,960 | (3,415,049) | (644,604) | 2,770,445 |
| 1 | 1 | - | 1,275,697 | 1,275,697 | - | 3,860,815 | 3,860,815 | - |
| (340,027) | (340,027) | - | (489,115) | (489,115) | - | (2,683,213) | (2,683,213) | - |
| (340,026) | (340,026) | - | 786,582 | 786,582 | - | 1,177,602 | 1,177,602 | - |
| | | | (226) | (226) | - | (65,426) | (65,426) | - |
| 805,861 | (97,096) | (902,957) | (903,517) | 481,443 | 1,384,960 | (2,302,873) | 467,572 | 2,770,445 |
| 338,057 | 338,057 | - | 1,063,434 | 1,063,434 | - | 1,949,202 | 1,949,202 | - |
| \$ 1,143,918 | \$ 240,961 | \$ (902,957) | \$ 159,917 | \$ 1,544,877 | \$ 1,384,960 | \$ (353,671) | \$ 2,416,774 | \$ 2,770,445 |

State of Illinois

Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP) Special State Funds - Code Departments

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

| | Healthcare and Family Services | | | Revenue | | |
|---|--------------------------------|------------------|-----------------------|-------------------|-------------------|-----------------------|
| | Final Budget | Actual | Variance Over (Under) | Final Budget | Actual | Variance Over (Under) |
| REVENUES: | | | | | | |
| Income taxes | | | | \$ 1,021,045 | \$ 947,207 | \$ (73,838) |
| Sales taxes | | | | 667,145 | 700,978 | 33,833 |
| Public utility taxes | | | | 222,055 | 222,055 | - |
| Federal government | \$ 2,600,887 | \$ 2,595,615 | \$ (5,272) | | | |
| Other | 4,288,569 | 4,518,508 | 229,939 | 109,420 | 109,420 | - |
| Less: | | | | | | |
| Refunds | 8,750 | 274 | (8,476) | | | |
| Total revenues | 6,880,706 | 7,113,849 | 233,143 | 2,019,665 | 1,979,660 | (40,005) |
| EXPENDITURES: | | | | | | |
| Current: | | | | | | |
| Health and social services | 8,960,044 | 7,394,065 | (1,565,979) | | | |
| Education | | | | 13,031 | 11,478 | (1,553) |
| General government | 28,392 | 26,410 | (1,982) | 2,569,944 | 2,565,231 | (4,713) |
| Transportation | | | | | | |
| Capital outlays | | | | 18 | 2 | (16) |
| Total expenditures | 8,988,436 | 7,420,475 | (1,567,961) | 2,582,993 | 2,576,711 | (6,282) |
| Excess (deficiency) of revenues over (under) expenditures | (2,107,730) | (306,626) | 1,801,104 | (563,328) | (597,051) | (33,723) |
| OTHER SOURCES (USES) OF FINANCIAL RESOURCES: | | | | | | |
| Operating transfers-in | 496,847 | 496,847 | - | 1,375,442 | 1,375,442 | - |
| Operating transfers-out | (150,018) | (150,018) | - | (788,585) | (788,585) | - |
| Total other sources (uses) of financial resources | 346,829 | 346,829 | - | 586,857 | 586,857 | - |
| Budgetary funds-nonbudgeted accounts | | | | | | |
| Excess (deficiency) of revenues over (under) expenditures, other sources (uses) of financial resources, and budgetary funds-nonbudgeted accounts | (1,760,901) | 40,203 | 1,801,104 | 23,529 | (10,194) | (33,723) |
| Budgetary fund balances (deficits), July 1, 2011 | 41,999 | 41,999 | - | 284,229 | 284,229 | - |
| BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2012 | \$(1,718,902) | \$ 82,202 | \$ 1,801,104 | \$ 307,758 | \$ 274,035 | \$ (33,723) |

| Transportation | | | Other Code Departments | | | Total | | |
|-----------------------|-------------|-----------------------|------------------------|------------|-----------------------|----------------|-------------|-----------------------|
| Public Transportation | | | | | | | | |
| Final Budget | Actual | Variance Over (Under) | Final Budget | Actual | Variance Over (Under) | Final Budget | Actual | Variance Over (Under) |
| | | | | | | \$ 1,021,045 | \$ 947,207 | \$ (73,838) |
| | | | | | | 667,145 | 700,978 | 33,833 |
| | | | | | | 222,055 | 222,055 | - |
| | | | \$ 411,657 | \$ 345,578 | \$ (66,079) | 3,012,544 | 2,941,193 | (71,351) |
| | | | 1,236,159 | 1,504,600 | 268,441 | 5,634,148 | 6,132,528 | 498,380 |
| | | | 48 | 48 | - | 8,798 | 322 | (8,476) |
| | | | 1,647,768 | 1,850,130 | 202,362 | 10,548,139 | 10,943,639 | 395,500 |
| | | | 438,793 | 378,488 | (60,305) | 9,398,837 | 7,772,553 | (1,626,284) |
| | | | | | | 13,031 | 11,478 | (1,553) |
| \$ 2,000 | \$ 308 | \$ (1,692) | 950,650 | 695,255 | (255,395) | 3,550,986 | 3,287,204 | (263,782) |
| 455,894 | 454,947 | (947) | | | | 455,894 | 454,947 | (947) |
| | | | 436 | 76 | (360) | 454 | 78 | (376) |
| 457,894 | 455,255 | (2,639) | 1,389,879 | 1,073,819 | (316,060) | 13,419,202 | 11,526,260 | (1,892,942) |
| (457,894) | (455,255) | 2,639 | 257,889 | 776,311 | 518,422 | (2,871,063) | (582,621) | 2,288,442 |
| 437,824 | 437,824 | - | 4 | 4 | - | 2,310,117 | 2,310,117 | - |
| (19) | (19) | - | (640,449) | (640,449) | - | (1,579,071) | (1,579,071) | - |
| 437,805 | 437,805 | - | (640,445) | (640,445) | - | 731,046 | 731,046 | - |
| | | | (65,200) | (65,200) | - | (65,200) | (65,200) | - |
| (20,089) | (17,450) | 2,639 | (447,756) | 70,666 | 518,422 | (2,205,217) | 83,225 | 2,288,442 |
| (9,901) | (9,901) | - | (44,320) | (44,320) | - | 272,007 | 272,007 | - |
| \$ (29,990) | \$ (27,351) | \$ 2,639 | \$ (492,076) | \$ 26,346 | \$ 518,422 | \$ (1,933,210) | \$ 355,232 | \$ 2,288,442 |

State of Illinois

**Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP)
Special State Funds - Department of Healthcare and Family Services**

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

| | County Provider Trust | | | Long Term Care Provider | | |
|--|-----------------------|--------------------|-----------------------|-------------------------|--------------------|-----------------------|
| | Final Budget | Actual | Variance Over (Under) | Final Budget | Actual | Variance Over (Under) |
| REVENUES: | | | | | | |
| Federal government | \$ 676,912 | \$ 714,925 | \$ 38,013 | \$ 349,462 | \$ 216,687 | \$ (132,775) |
| Other | 688,136 | 720,185 | 32,049 | 342,763 | 293,608 | (49,155) |
| Less: | | | | | | |
| Refunds | 1,000 | - | (1,000) | 2,750 | 105 | (2,645) |
| Total revenues | 1,364,048 | 1,435,110 | 71,062 | 689,475 | 510,190 | (179,285) |
| EXPENDITURES: | | | | | | |
| Current: | | | | | | |
| Health and social services | 1,983,119 | 1,442,149 | (540,970) | 859,242 | 654,929 | (204,313) |
| General government | | | | | | |
| Total expenditures | 1,983,119 | 1,442,149 | (540,970) | 859,242 | 654,929 | (204,313) |
| Excess (deficiency) of revenues over (under) expenditures | (619,071) | (7,039) | 612,032 | (169,767) | (144,739) | 25,028 |
| OTHER SOURCES (USES) OF FINANCIAL RESOURCES: | | | | | | |
| Operating transfers-in | | | | 30,013 | 30,013 | - |
| Operating transfers-out | | | | (20,002) | (20,002) | - |
| Total other sources (uses) of financial resources | | | | 10,011 | 10,011 | - |
| Excess (deficiency) of revenues over (under) expenditures and other sources (uses) of financial resources | (619,071) | (7,039) | 612,032 | (159,756) | (134,728) | 25,028 |
| Budgetary fund balances (deficits), July 1, 2011 | (3,838) | (3,838) | - | 38,656 | 38,656 | - |
| BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2012 | \$ (622,909) | \$ (10,877) | \$ 612,032 | \$ (121,100) | \$ (96,072) | \$ 25,028 |

| Hospital Provider | | | Drug Rebate Fund | | | Healthcare Provider Relief | | |
|-------------------|------------|-----------------------|------------------|------------|-----------------------|----------------------------|------------|-----------------------|
| Final Budget | Actual | Variance Over (Under) | Final Budget | Actual | Variance Over (Under) | Final Budget | Actual | Variance Over (Under) |
| \$ 776,449 | \$ 756,847 | \$ (19,602) | \$ 178,774 | \$ 275,854 | \$ 97,080 | \$ 578,773 | \$ 592,533 | \$ 13,760 |
| 897,644 | 890,204 | (7,440) | 308 | 466 | 158 | 492 | 157,651 | 157,159 |
| 5,000 | 169 | (4,831) | | | | | | |
| 1,669,093 | 1,646,882 | (22,211) | 179,082 | 276,320 | 97,238 | 579,265 | 750,184 | 170,919 |
| 1,725,000 | 1,507,311 | (217,689) | 600,000 | 599,882 | (118) | 1,402,000 | 862,153 | (539,847) |
| 1,725,000 | 1,507,311 | (217,689) | 600,000 | 599,882 | (118) | 1,402,000 | 862,153 | (539,847) |
| (55,907) | 139,571 | 195,478 | (420,918) | (323,562) | 97,356 | (822,735) | (111,969) | 710,766 |
| (130,000) | (130,000) | - | 281,215 | 281,215 | - | 185,619 | 185,619 | - |
| (130,000) | (130,000) | - | 281,215 | 281,215 | - | (16) | (16) | - |
| (130,000) | (130,000) | - | 281,215 | 281,215 | - | 185,603 | 185,603 | - |
| (185,907) | 9,571 | 195,478 | (139,703) | (42,347) | 97,356 | (637,132) | 73,634 | 710,766 |
| 130,361 | 130,361 | - | 135,186 | 135,186 | - | 22,070 | 22,070 | - |
| \$ (55,546) | \$ 139,932 | \$ 195,478 | \$ (4,517) | \$ 92,839 | \$ 97,356 | \$ (615,062) | \$ 95,704 | \$ 710,766 |

(continued)

State of Illinois

Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP) Special State Funds - Department of Healthcare and Family Services

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

(continued)

| | Health Insurance Reserve | | | Total | | |
|--|--------------------------|---------------------|-----------------------|----------------------|------------------|-----------------------|
| | Final Budget | Actual | Variance Over (Under) | Final Budget | Actual | Variance Over (Under) |
| REVENUES: | | | | | | |
| Federal government | \$ 40,517 | \$ 38,769 | \$ (1,748) | \$ 2,600,887 | \$ 2,595,615 | \$ (5,272) |
| Other | 2,359,226 | 2,456,394 | 97,168 | 4,288,569 | 4,518,508 | 229,939 |
| Less: | | | | | | |
| Refunds | | | | 8,750 | 274 | (8,476) |
| Total revenues | 2,399,743 | 2,495,163 | 95,420 | 6,880,706 | 7,113,849 | 233,143 |
| EXPENDITURES: | | | | | | |
| Current: | | | | | | |
| Health and social services | 2,390,683 | 2,327,641 | (63,042) | 8,960,044 | 7,394,065 | (1,565,979) |
| General government | 28,392 | 26,410 | (1,982) | 28,392 | 26,410 | (1,982) |
| Total expenditures | 2,419,075 | 2,354,051 | (65,024) | 8,988,436 | 7,420,475 | (1,567,961) |
| Excess (deficiency) of revenues over (under) expenditures | (19,332) | 141,112 | 160,444 | (2,107,730) | (306,626) | 1,801,104 |
| OTHER SOURCES (USES) OF FINANCIAL RESOURCES: | | | | | | |
| Operating transfers-in | | | | 496,847 | 496,847 | - |
| Operating transfers-out | | | | (150,018) | (150,018) | - |
| Total other sources (uses) of financial resources | | | | 346,829 | 346,829 | - |
| Excess (deficiency) of revenues over (under) expenditures and other sources (uses) of financial resources | (19,332) | 141,112 | 160,444 | (1,760,901) | 40,203 | 1,801,104 |
| Budgetary fund balances (deficits), July 1, 2011 | (280,436) | (280,436) | - | 41,999 | 41,999 | - |
| BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2012 | \$ (299,768) | \$ (139,324) | \$ 160,444 | \$(1,718,902) | \$ 82,202 | \$ 1,801,104 |

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State of Illinois

**Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP)
Special State Funds - Department of Revenue**

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

| | State and Local Sales Tax Reform | | | Local Government Distributive | | |
|--|----------------------------------|------------------|-----------------------|-------------------------------|--------------------|-----------------------|
| | Final Budget | Actual | Variance Over (Under) | Final Budget | Actual | Variance Over (Under) |
| REVENUES: | | | | | | |
| Income taxes | | | | | | |
| Sales taxes | \$ 241,264 | \$ 275,097 | \$ 33,833 | | | |
| Public utility taxes | | | | | | |
| Other | | | | | | |
| Total revenues | 241,264 | 275,097 | 33,833 | | | |
| EXPENDITURES: | | | | | | |
| Current: | | | | | | |
| Education | | | | | | |
| General government | 51,600 | 51,600 | - | \$ 1,236,291 | \$ 1,236,290 | \$ (1) |
| Capital outlays | | | | | | |
| Total expenditures | 51,600 | 51,600 | - | 1,236,291 | 1,236,290 | (1) |
| Excess (deficiency) of revenues over (under) expenditures | 189,664 | 223,497 | 33,833 | (1,236,291) | (1,236,290) | 1 |
| OTHER SOURCES (USES) OF FINANCIAL RESOURCES: | | | | | | |
| Operating transfers-in | 1 | 1 | - | 1,243,222 | 1,243,222 | - |
| Operating transfers-out | (214,090) | (214,090) | - | (50) | (50) | - |
| Total other sources (uses) of financial resources | (214,089) | (214,089) | - | 1,243,172 | 1,243,172 | - |
| Excess (deficiency) of revenues over (under) expenditures and other sources (uses) of financial resources | (24,425) | 9,408 | 33,833 | 6,881 | 6,882 | 1 |
| Budgetary fund balances (deficits), July 1, 2011 | 40,957 | 40,957 | - | (16,915) | (16,915) | - |
| BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2012 | \$ 16,532 | \$ 50,365 | \$ 33,833 | \$ (10,034) | \$ (10,033) | \$ 1 |

| Personal Property Tax Replacement | | | Build Illinois | | | Total | | |
|-----------------------------------|------------|-----------------------|----------------|------------|-----------------------|--------------|------------|-----------------------|
| Final Budget | Actual | Variance Over (Under) | Final Budget | Actual | Variance Over (Under) | Final Budget | Actual | Variance Over (Under) |
| \$ 1,021,045 | \$ 947,207 | \$ (73,838) | | | | \$ 1,021,045 | \$ 947,207 | \$ (73,838) |
| | | | \$ 425,881 | \$ 425,881 | \$ - | 667,145 | 700,978 | 33,833 |
| 222,055 | 222,055 | - | | | | 222,055 | 222,055 | - |
| 370 | 370 | - | 109,050 | 109,050 | - | 109,420 | 109,420 | - |
| 1,243,470 | 1,169,632 | (73,838) | 534,931 | 534,931 | - | 2,019,665 | 1,979,660 | (40,005) |
| | | | | | | | | |
| 13,031 | 11,478 | (1,553) | | | | 13,031 | 11,478 | (1,553) |
| 1,282,053 | 1,277,341 | (4,712) | | | | 2,569,944 | 2,565,231 | (4,713) |
| 18 | 2 | (16) | | | | 18 | 2 | (16) |
| 1,295,102 | 1,288,821 | (6,281) | | | | 2,582,993 | 2,576,711 | (6,282) |
| | | | | | | | | |
| (51,632) | (119,189) | (67,557) | 534,931 | 534,931 | - | (563,328) | (597,051) | (33,723) |
| | | | | | | | | |
| 92,753 | 92,753 | - | 39,466 | 39,466 | - | 1,375,442 | 1,375,442 | - |
| (48) | (48) | - | (574,397) | (574,397) | - | (788,585) | (788,585) | - |
| 92,705 | 92,705 | - | (534,931) | (534,931) | - | 586,857 | 586,857 | - |
| | | | | | | | | |
| 41,073 | (26,484) | (67,557) | - | - | - | 23,529 | (10,194) | (33,723) |
| | | | | | | | | |
| 260,188 | 260,188 | - | (1) | (1) | - | 284,229 | 284,229 | - |
| | | | | | | | | |
| \$ 301,261 | \$ 233,704 | \$ (67,557) | \$ (1) | \$ (1) | \$ - | \$ 307,758 | \$ 274,035 | \$ (33,723) |

State of Illinois

Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP) Special State - Other Code Departments

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

| | Children and Family Services DCFS Children's Services | | | State Lottery State Lottery Fund | | |
|--|--|--------------------|-----------------------|-------------------------------------|------------------|-----------------------|
| | Final Budget | Actual | Variance Over (Under) | Final Budget | Actual | Variance Over (Under) |
| REVENUES: | | | | | | |
| Federal government | \$ 411,657 | \$ 345,578 | \$ (66,079) | | | |
| Other | 3,732 | 6,077 | 2,345 | \$ 1,232,427 | \$ 1,498,523 | \$ 266,096 |
| Less: | | | | | | |
| Refunds | | | | 48 | 48 | - |
| Total revenues | 415,389 | 351,655 | (63,734) | 1,232,379 | 1,498,475 | 266,096 |
| EXPENDITURES: | | | | | | |
| Current: | | | | | | |
| Health and social services | 438,793 | 378,488 | (60,305) | | | |
| General government | 1,557 | 1,557 | - | 949,093 | 693,698 | (255,395) |
| Capital outlays | | | | 436 | 76 | (360) |
| Total expenditures | 440,350 | 380,045 | (60,305) | 949,529 | 693,774 | (255,755) |
| Excess (deficiency) of revenues over (under) expenditures | (24,961) | (28,390) | (3,429) | 282,850 | 804,701 | 521,851 |
| OTHER SOURCES (USES) OF FINANCIAL RESOURCES: | | | | | | |
| Operating transfers-in | | | | 4 | 4 | - |
| Operating transfers-out | (556) | (556) | - | (639,893) | (639,893) | - |
| Total other sources (uses) of financial resources | (556) | (556) | - | (639,889) | (639,889) | - |
| Budgetary funds-nonbudgeted accounts | | | | (65,200) | (65,200) | - |
| Excess (deficiency) of revenues over (under) expenditures and other sources (uses) of financial resources | (25,517) | (28,946) | (3,429) | (422,239) | 99,612 | 521,851 |
| Budgetary fund balances (deficits), July 1, 2011 | (27,361) | (27,361) | - | (16,959) | (16,959) | - |
| BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2012 | \$ (52,878) | \$ (56,307) | \$ (3,429) | \$ (439,198) | \$ 82,653 | \$ 521,851 |

| | Total | | |
|--------------|------------|--|-----------------------|
| Final Budget | Actual | | Variance Over (Under) |
| \$ 411,657 | \$ 345,578 | | \$ (66,079) |
| 1,236,159 | 1,504,600 | | 268,441 |
| 48 | 48 | | - |
| 1,647,768 | 1,850,130 | | 202,362 |

| | | | |
|-----------|-----------|--|-----------|
| 438,793 | 378,488 | | (60,305) |
| 950,650 | 695,255 | | (255,395) |
| 436 | 76 | | (360) |
| 1,389,879 | 1,073,819 | | (316,060) |

| | | | |
|---------|---------|--|---------|
| 257,889 | 776,311 | | 518,422 |
|---------|---------|--|---------|

| | | | |
|-----------|-----------|--|---|
| 4 | 4 | | - |
| (640,449) | (640,449) | | - |
| (640,445) | (640,445) | | - |
| (65,200) | (65,200) | | - |

| | | | |
|--------------|-----------|--|------------|
| (447,756) | 70,666 | | 518,422 |
| (44,320) | (44,320) | | - |
| \$ (492,076) | \$ 26,346 | | \$ 518,422 |

State of Illinois

Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP) Special State - Agencies, Boards and Commissions

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

| | Illinois Gaming Board | | | Environmental Protection Agency | | |
|--|-----------------------|------------------|-----------------------|---------------------------------|-------------------|-----------------------|
| | State Gaming Fund | | | Water Revolving Fund | | |
| | Final Budget | Actual | Variance Over (Under) | Final Budget | Actual | Variance Over (Under) |
| REVENUES: | | | | | | |
| Federal government | | | | \$ 273,000 | \$ 65,009 | \$ (207,991) |
| Other | \$ 581,060 | \$ 538,164 | \$ (42,896) | 870,900 | 197,159 | (673,741) |
| Less: | | | | | | |
| Refunds | 50 | - | (50) | | | |
| Total revenues | 581,010 | 538,164 | (42,846) | 1,143,900 | 262,168 | (881,732) |
| EXPENDITURES: | | | | | | |
| Current: | | | | | | |
| Health and social services | 974 | 807 | (167) | | | |
| General government | 161,019 | 141,925 | (19,094) | 2 | 2 | - |
| Environment and business regulation | | | | 416,953 | 414,658 | (2,295) |
| Capital outlays | 75 | 10 | (65) | | | |
| Total expenditures | 162,068 | 142,742 | (19,326) | 416,955 | 414,660 | (2,295) |
| Excess (deficiency) of revenues over (under) expenditures | 418,942 | 395,422 | (23,520) | 726,945 | (152,492) | (879,437) |
| OTHER SOURCES (USES) OF FINANCIAL RESOURCES: | | | | | | |
| Operating transfers-in | 1 | 1 | - | | | |
| Operating transfers-out | (340,027) | (340,027) | - | | | |
| Total other sources (uses) of financial resources | (340,026) | (340,026) | - | | | |
| Excess (deficiency) of revenues over (under) expenditures and other sources (uses) of financial resources | 78,916 | 55,396 | (23,520) | 726,945 | (152,492) | (879,437) |
| Budgetary fund balances (deficits), July 1, 2011 | 18,007 | 18,007 | - | 320,050 | 320,050 | - |
| BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2012 | \$ 96,923 | \$ 73,403 | \$ (23,520) | \$ 1,046,995 | \$ 167,558 | \$ (879,437) |

| Total | | |
|--------------|-----------|-----------------------|
| Final Budget | Actual | Variance Over (Under) |
| \$ 273,000 | \$ 65,009 | \$ (207,991) |
| 1,451,960 | 735,323 | (716,637) |
| 50 | - | (50) |
| 1,724,910 | 800,332 | (924,578) |

| | | |
|-----------|---------|-----------|
| 974 | 807 | (167) |
| 161,021 | 141,927 | (19,094) |
| 416,953 | 414,658 | (2,295) |
| 75 | 10 | (65) |
| 579,023 | 557,402 | (21,621) |
| 1,145,887 | 242,930 | (902,957) |

| | | |
|-----------|-----------|---|
| 1 | 1 | - |
| (340,027) | (340,027) | - |
| (340,026) | (340,026) | - |

| | | |
|--------------|------------|--------------|
| 805,861 | (97,096) | (902,957) |
| 338,057 | 338,057 | - |
| \$ 1,143,918 | \$ 240,961 | \$ (902,957) |

State of Illinois

Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP) Bond Financed Funds

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

| | Commerce and Economic Opportunity | | | Transportation | | |
|--|-----------------------------------|-------------------|-----------------------|--------------------|--------------------|-----------------------|
| | Final Budget | Actual | Variance Over (Under) | Final Budget | Actual | Variance Over (Under) |
| REVENUES: | | | | | | |
| Other | \$ - | \$ 49 | \$ 49 | | | |
| Total revenues | - | 49 | 49 | | | |
| EXPENDITURES: | | | | | | |
| Current: | | | | | | |
| Health and social services | 72,532 | 72,532 | - | | | |
| Education | 1,357 | 1,357 | - | | | |
| General government | 34,645 | 34,491 | (154) | \$ 32 | \$ 32 | \$ - |
| Employment and economic development | 184,222 | 163,728 | (20,494) | | | |
| Transportation | | | | 1,170,258 | 1,170,105 | (153) |
| Environment and business regulation | 11,494 | 11,494 | - | | | |
| Capital outlays | 78,276 | 78,276 | - | | | |
| Total expenditures | 382,526 | 361,878 | (20,648) | 1,170,290 | 1,170,137 | (153) |
| Excess (deficiency) of revenues over (under) expenditures | (382,526) | (361,829) | 20,697 | (1,170,290) | (1,170,137) | 153 |
| OTHER SOURCES (USES) OF FINANCIAL RESOURCES: | | | | | | |
| Proceeds from general and special obligation bond issues | 709,913 | 709,913 | - | 846,021 | 846,021 | - |
| Operating transfers in | | | | 322,858 | 322,858 | - |
| Operating transfers out | | | | (198,800) | (198,800) | - |
| Total other sources (uses) of financial resources | 709,913 | 709,913 | - | 970,079 | 970,079 | - |
| Excess (deficiency) of revenues over (under) expenditures and other sources (uses) of financial resources | 327,387 | 348,084 | 20,697 | (200,211) | (200,058) | 153 |
| Budgetary fund balances (deficits), July 1, 2011 | 70,978 | 70,978 | - | 988,642 | 988,642 | - |
| BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2012 | \$ 398,365 | \$ 419,062 | \$ 20,697 | \$ 788,431 | \$ 788,584 | \$ 153 |

| Capital Development Board | | | Other | | | Total | | |
|---------------------------|------------|-----------------------|--------------|-----------|-----------------------|--------------|--------------|-----------------------|
| Final Budget | Actual | Variance Over (Under) | Final Budget | Actual | Variance Over (Under) | Final Budget | Actual | Variance Over (Under) |
| | | | | | | \$ - | \$ 49 | \$ 49 |
| | | | | | | - | 49 | 49 |
| | | | | | | 72,532 | 72,532 | - |
| \$ 44,225 | \$ 43,629 | \$ (596) | | | | 45,582 | 44,986 | (596) |
| 291,913 | 291,463 | (450) | | | | 326,590 | 325,986 | (604) |
| 24,703 | 24,703 | - | \$ 15,755 | \$ 15,755 | \$ - | 224,680 | 204,186 | (20,494) |
| | | | | | | 1,170,258 | 1,170,105 | (153) |
| 2,648 | 2,648 | - | 40,468 | 40,468 | - | 54,610 | 54,610 | - |
| 182,575 | 182,943 | 368 | | | | 260,851 | 261,219 | 368 |
| 546,064 | 545,386 | (678) | 56,223 | 56,223 | - | 2,155,103 | 2,133,624 | (21,479) |
| (546,064) | (545,386) | 678 | (56,223) | (56,223) | - | (2,155,103) | (2,133,575) | 21,528 |
| 516,665 | 516,665 | - | 72,291 | 72,291 | - | 2,144,890 | 2,144,890 | - |
| | | | | | | 322,858 | 322,858 | - |
| (124,053) | (124,053) | - | (5) | (5) | - | (322,858) | (322,858) | - |
| 392,612 | 392,612 | - | 72,286 | 72,286 | - | 2,144,890 | 2,144,890 | - |
| (153,452) | (152,774) | 678 | 16,063 | 16,063 | - | (10,213) | 11,315 | 21,528 |
| 380,127 | 380,127 | - | 8,548 | 8,548 | - | 1,448,295 | 1,448,295 | - |
| \$ 226,675 | \$ 227,353 | \$ 678 | \$ 24,611 | \$ 24,611 | \$ - | \$ 1,438,082 | \$ 1,459,610 | \$ 21,528 |

State of Illinois

Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP) Bond Financed Funds - Department of Transportation

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

| | Transportation Series A | | | Transportation Series B | | |
|--|-------------------------|------------------|-----------------------|-------------------------|-------------------|-----------------------|
| | Final Budget | Actual | Variance Over (Under) | Final Budget | Actual | Variance Over (Under) |
| EXPENDITURES: | | | | | | |
| Current: | | | | | | |
| General government | | | | \$ 32 | \$ 32 | \$ - |
| Transportation | \$ 419,300 | \$ 419,276 | \$ (24) | 283,509 | 283,509 | - |
| Total expenditures | 419,300 | 419,276 | (24) | 283,541 | 283,541 | - |
| Excess (deficiency) of revenues over (under) expenditures | (419,300) | (419,276) | 24 | (283,541) | (283,541) | - |
| OTHER SOURCES (USES) OF FINANCIAL RESOURCES: | | | | | | |
| Proceeds from general and special obligation bond issues | | | | 583,038 | 583,038 | - |
| Operating transfers in | | | | 5 | 5 | - |
| Operating transfers out | (198,800) | (198,800) | - | | | |
| Total other sources (uses) of financial resources | (198,800) | (198,800) | - | 583,043 | 583,043 | - |
| Excess (deficiency) of revenues over (under) expenditures and other sources (uses) of financial resources | (618,100) | (618,076) | 24 | 299,502 | 299,502 | - |
| Budgetary fund balances (deficits), July 1, 2011 | 668,625 | 668,625 | - | 225,317 | 225,317 | - |
| BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2012 | \$ 50,525 | \$ 50,549 | \$ 24 | \$ 524,819 | \$ 524,819 | \$ - |

| Transportation Bond Series D | | | Total | | |
|------------------------------|------------|-----------------------|--------------|--------------|-----------------------|
| Final Budget | Actual | Variance Over (Under) | Final Budget | Actual | Variance Over (Under) |
| \$ 467,449 | \$ 467,320 | \$ (129) | \$ 1,170,258 | \$ 1,170,105 | \$ (153) |
| 467,449 | 467,320 | (129) | 1,170,290 | 1,170,137 | (153) |
| (467,449) | (467,320) | 129 | (1,170,290) | (1,170,137) | 153 |
| 262,983 | 262,983 | - | 846,021 | 846,021 | - |
| 322,853 | 322,853 | - | 322,858 | 322,858 | - |
| | | | (198,800) | (198,800) | - |
| 585,836 | 585,836 | - | 970,079 | 970,079 | - |
| 118,387 | 118,516 | 129 | (200,211) | (200,058) | 153 |
| 94,700 | 94,700 | - | 988,642 | 988,642 | - |
| \$ 213,087 | \$ 213,216 | \$ 129 | \$ 788,431 | \$ 788,584 | \$ 153 |

State of Illinois

**Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP)
Bond Financed Funds - Capital Development Board**

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

| | Capital Development | | | School Construction | | |
|--|---------------------|------------------|-----------------------|---------------------|------------------|-----------------------|
| | Final Budget | Actual | Variance Over (Under) | Final Budget | Actual | Variance Over (Under) |
| EXPENDITURES: | | | | | | |
| Current: | | | | | | |
| Education | \$ 27,941 | \$ 27,345 | \$ (596) | \$ 16,284 | \$ 16,284 | \$ - |
| General government | 26,571 | 26,121 | (450) | 265,342 | 265,342 | - |
| Employment and economic development | 24,703 | 24,703 | - | | | |
| Environment and business regulation | 2,648 | 2,648 | - | | | |
| Capital outlays | 182,575 | 182,943 | 368 | | | |
| Total expenditures | 264,438 | 263,760 | (678) | 281,626 | 281,626 | - |
| Excess (deficiency) of revenues over (under) expenditures | (264,438) | (263,760) | 678 | (281,626) | (281,626) | - |
| OTHER SOURCES (USES) OF FINANCIAL RESOURCES: | | | | | | |
| Proceeds from general and special obligation bond issues | 213,388 | 213,388 | - | 303,277 | 303,277 | - |
| Operating transfers out | | | | (124,053) | (124,053) | - |
| Total other sources (uses) of financial resources | 213,388 | 213,388 | - | 179,224 | 179,224 | - |
| Excess (deficiency) of revenues over (under) expenditures and other sources (uses) of financial resources | (51,050) | (50,372) | 678 | (102,402) | (102,402) | - |
| Budgetary fund balances (deficits), July 1, 2011 | 108,653 | 108,653 | - | 271,474 | 271,474 | - |
| BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2012 | \$ 57,603 | \$ 58,281 | \$ 678 | \$ 169,072 | \$169,072 | \$ - |

| Total | | |
|--------------|------------|-----------------------|
| Final Budget | Actual | Variance Over (Under) |
| \$ 44,225 | \$ 43,629 | \$ (596) |
| 291,913 | 291,463 | (450) |
| 24,703 | 24,703 | - |
| 2,648 | 2,648 | - |
| 182,575 | 182,943 | 368 |
| 546,064 | 545,386 | (678) |
| (546,064) | (545,386) | 678 |
| 516,665 | 516,665 | - |
| (124,053) | (124,053) | - |
| 392,612 | 392,612 | - |
| (153,452) | (152,774) | 678 |
| 380,127 | 380,127 | - |
| \$ 226,675 | \$ 227,353 | \$ 678 |

State of Illinois

Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP) Debt Service Funds

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

| | General Obligation Bond, Retirement, and Interest | | | Capital Projects | | |
|--|--|---------------------|--------------------------|------------------|------------------|--------------------------|
| | Final Budget | Actual | Variance Over (Under) | Final Budget | Actual | Variance Over (Under) |
| REVENUES: | | | | | | |
| Sales tax | | | | \$ 52,660 | \$ 52,660 | \$ - |
| Federal government | \$ 64,157 | \$ 63,909 | \$ (248) | | | |
| Other | 58,784 | 42,347 | (16,437) | 479,862 | 479,816 | (46) |
| Total revenues | 122,941 | 106,256 | (16,685) | 532,522 | 532,476 | (46) |
| EXPENDITURES: | | | | | | |
| Debt service: | | | | | | |
| Principal | 3,468,108 | 3,400,108 | (68,000) | | | |
| Interest | 1,565,041 | 1,471,337 | (93,704) | | | |
| Total expenditures | 5,033,149 | 4,871,445 | (161,704) | | | |
| Excess (deficiency) of revenues over (under) expenditures | (4,910,208) | (4,765,189) | 145,019 | 532,522 | 532,476 | (46) |
| OTHER SOURCES (USES) OF FINANCIAL RESOURCES: | | | | | | |
| Proceeds from general and special obligation bond issues | 1,954,186 | 1,954,186 | - | | | |
| Operating transfers-in | 2,874,917 | 2,874,917 | - | 140,557 | 140,557 | - |
| Operating transfers-out | | | | (547,994) | (547,994) | - |
| Total other sources (uses) of financial resources | 4,829,103 | 4,829,103 | - | (407,437) | (407,437) | - |
| Excess (deficiency) of revenues over (under) expenditures and other sources (uses) of financial resources | (81,105) | 63,914 | 145,019 | 125,085 | 125,039 | (46) |
| Budgetary fund balances (deficits), July 1, 2011 | 1,226,271 | 1,226,271 | - | (113,703) | (113,703) | - |
| BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2012 | \$ 1,145,166 | \$ 1,290,185 | \$ 145,019 | \$ 11,382 | \$ 11,336 | \$ (46) |

| Build Illinois Bond, Retirement, and Interest | | | Other | | | Total | | |
|--|-----------|--------------------------|-----------------|-----------|--------------------------|-----------------|--------------|--------------------------|
| Final Budget | Actual | Variance Over (Under) | Final Budget | Actual | Variance Over (Under) | Final Budget | Actual | Variance Over (Under) |
| | | | | | | \$ 52,660 | \$ 52,660 | \$ - |
| | | | | | | 64,157 | 63,909 | (248) |
| \$ 34 | \$ 25 | \$ (9) | \$ - | \$ 1,910 | \$ 1,910 | 538,680 | 524,098 | (14,582) |
| 34 | 25 | (9) | - | 1,910 | 1,910 | 655,497 | 640,667 | (14,830) |
| 322,000 | 299,731 | (22,269) | 16,235 | 16,032 | (203) | 3,806,343 | 3,715,871 | (90,472) |
| 322,000 | 299,731 | (22,269) | 16,235 | 16,032 | (203) | 1,565,041 | 1,471,337 | (93,704) |
| (321,966) | (299,706) | 22,260 | (16,235) | (14,122) | 2,113 | (4,715,887) | (4,546,541) | 169,346 |
| | | | | | | 1,954,186 | 1,954,186 | - |
| 299,731 | 299,731 | - | 14,067 | 14,067 | - | 3,329,272 | 3,329,272 | - |
| 299,731 | 299,731 | - | 14,067 | 14,067 | - | (547,994) | (547,994) | - |
| | | | | | | 4,735,464 | 4,735,464 | - |
| (22,235) | 25 | 22,260 | (2,168) | (55) | 2,113 | 19,577 | 188,923 | 169,346 |
| 4,236 | 4,236 | - | 15,793 | 15,793 | - | 1,132,597 | 1,132,597 | - |
| \$ (17,999) | \$ 4,261 | \$ 22,260 | \$ 13,625 | \$ 15,738 | \$ 2,113 | \$ 1,152,174 | \$ 1,321,520 | \$ 169,346 |

State of Illinois

Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP) Federal Trust Funds

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

| | Code Departments | | | State Board of Education | | |
|---|---------------------|--------------------|-----------------------|--------------------------|---------------------|-----------------------|
| | Final Budget | Actual | Variance Over (Under) | Final Budget | Actual | Variance Over (Under) |
| REVENUES: | | | | | | |
| Federal government | \$ 1,128,957 | \$ 1,254,082 | \$ 125,125 | \$ 2,230,553 | \$ 2,143,752 | \$ (86,801) |
| Other | 83,445 | 87,199 | 3,754 | 3 | 6 | 3 |
| Less: | | | | | | |
| Refunds | 500 | - | (500) | | | |
| Total revenues | 1,211,902 | 1,341,281 | 129,379 | 2,230,556 | 2,143,758 | (86,798) |
| EXPENDITURES: | | | | | | |
| Current: | | | | | | |
| Health and social services | 1,146,104 | 1,030,869 | (115,235) | | | |
| Education | | | | 3,576,483 | 2,021,588 | (1,554,895) |
| General government | 558 | 496 | (62) | 18 | 18 | - |
| Employment and economic development | 317,559 | 242,176 | (75,383) | | | |
| Transportation | | | | | | |
| Public protection and justice | | | | | | |
| Environment and business regulation | | | | | | |
| Capital outlays | 2,660 | 76 | (2,584) | 705 | 479 | (226) |
| Total expenditures | 1,466,881 | 1,273,617 | (193,264) | 3,577,206 | 2,022,085 | (1,555,121) |
| Excess (deficiency) of revenues over (under) expenditures | (254,979) | 67,664 | 322,643 | (1,346,650) | 121,673 | 1,468,323 |
| OTHER SOURCES (USES) OF FINANCIAL RESOURCES: | | | | | | |
| Operating transfers-in | 14,181 | 14,181 | - | | | |
| Operating transfers-out | (92) | (92) | - | (17,752) | (17,752) | - |
| Total other sources (uses) of financial resources | 14,089 | 14,089 | - | (17,752) | (17,752) | - |
| Budgetary funds-nonbudgeted accounts | (10,047) | (10,047) | - | (4,596) | (4,596) | - |
| Excess (deficiency) of revenues over (under) expenditures, other sources (uses) of financial resources, and budgetary funds-nonbudgeted accounts | (250,937) | 71,706 | 322,643 | (1,368,998) | 99,325 | 1,468,323 |
| Budgetary fund balances (deficits), July 1, 2011 | (99,148) | (99,148) | - | (435,479) | (435,479) | - |
| BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2012 | \$ (350,085) | \$ (27,442) | \$ 322,643 | \$ (1,804,477) | \$ (336,154) | \$ 1,468,323 |

| Other | | | Total | | |
|--------------|--------------|-----------------------|--------------|--------------|-----------------------|
| Final Budget | Actual | Variance Over (Under) | Final Budget | Actual | Variance Over (Under) |
| \$ 2,160,175 | \$ 1,654,329 | \$ (505,846) | \$ 5,519,685 | \$ 5,052,163 | \$ (467,522) |
| 181,272 | 219,163 | 37,891 | 264,720 | 306,368 | 41,648 |
| 120 | - | (120) | 620 | - | (620) |
| 2,341,327 | 1,873,492 | (467,835) | 5,783,785 | 5,358,531 | (425,254) |

| | | | | | |
|-----------|-----------|-------------|-----------|-----------|-------------|
| 969,802 | 588,846 | (380,956) | 2,115,906 | 1,619,715 | (496,191) |
| 427,473 | 285,668 | (141,805) | 4,003,956 | 2,307,256 | (1,696,700) |
| 42,179 | 11,049 | (31,130) | 42,755 | 11,563 | (31,192) |
| 1,245,653 | 453,698 | (791,955) | 1,563,212 | 695,874 | (867,338) |
| 265,444 | 115,437 | (150,007) | 265,444 | 115,437 | (150,007) |
| 605,670 | 184,109 | (421,561) | 605,670 | 184,109 | (421,561) |
| 222,881 | 127,108 | (95,773) | 222,881 | 127,108 | (95,773) |
| 6,552 | 583 | (5,969) | 9,917 | 1,138 | (8,779) |
| 3,785,654 | 1,766,498 | (2,019,156) | 8,829,741 | 5,062,200 | (3,767,541) |

| | | | | | |
|-------------|---------|-----------|-------------|---------|-----------|
| (1,444,327) | 106,994 | 1,551,321 | (3,045,956) | 296,331 | 3,342,287 |
|-------------|---------|-----------|-------------|---------|-----------|

| | | | | | |
|-----------|-----------|---|-----------|-----------|---|
| 27,343 | 27,343 | - | 41,524 | 41,524 | - |
| (25,761) | (25,761) | - | (43,605) | (43,605) | - |
| 1,582 | 1,582 | - | (2,081) | (2,081) | - |
| (143,191) | (143,191) | - | (157,834) | (157,834) | - |

| | | | | | |
|----------------|----------|--------------|----------------|--------------|--------------|
| (1,585,936) | (34,615) | 1,551,321 | (3,205,871) | 136,416 | 3,342,287 |
| 40,164 | 40,164 | - | (494,463) | (494,463) | - |
| \$ (1,545,772) | \$ 5,549 | \$ 1,551,321 | \$ (3,700,334) | \$ (358,047) | \$ 3,342,287 |

State of Illinois

Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP) Federal Trust Funds - Code Departments

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

| | Human Services | | | Employment Security | | |
|---|---------------------|-------------------|-----------------------|---|--------------------|-----------------------|
| | Final Budget | Actual | Variance Over (Under) | Federal Title III Social Security and Employment Budget | Actual | Variance Over (Under) |
| REVENUES: | | | | | | |
| Federal government | \$ 888,957 | \$ 1,013,945 | \$ 124,988 | \$ 240,000 | \$ 240,137 | \$ 137 |
| Other | 71,407 | 73,508 | 2,101 | 12,038 | 13,691 | 1,653 |
| Less: | | | | | | |
| Refunds | 200 | - | (200) | 300 | - | (300) |
| Total revenues | 960,164 | 1,087,453 | 127,289 | 251,738 | 253,828 | 2,090 |
| EXPENDITURES: | | | | | | |
| Current: | | | | | | |
| Health and social services | 1,146,104 | 1,030,869 | (115,235) | | | |
| General government | 131 | 128 | (3) | 427 | 368 | (59) |
| Employment and economic development | | | | 317,559 | 242,176 | (75,383) |
| Capital outlays | | | | 2,660 | 76 | (2,584) |
| Total expenditures | 1,146,235 | 1,030,997 | (115,238) | 320,646 | 242,620 | (78,026) |
| Excess (deficiency) of revenues over (under) expenditures | (186,071) | 56,456 | 242,527 | (68,908) | 11,208 | 80,116 |
| OTHER SOURCES (USES) OF FINANCIAL RESOURCES: | | | | | | |
| Operating transfers-in | 14,181 | 14,181 | - | | | |
| Operating transfers-out | | | | (92) | (92) | - |
| Total other sources (uses) of financial resources | 14,181 | 14,181 | - | (92) | (92) | - |
| Budgetary funds-nonbudgeted accounts | (10,047) | (10,047) | - | | | |
| Excess (deficiency) of revenues over (under) expenditures, other sources (uses) of financial resources, and budgetary funds-nonbudgeted accounts | (181,937) | 60,590 | 242,527 | (69,000) | 11,116 | 80,116 |
| Budgetary fund balances (deficits), July 1, 2011 | (66,687) | (66,687) | - | (32,461) | (32,461) | - |
| BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2012 | \$ (248,624) | \$ (6,097) | \$ 242,527 | \$ (101,461) | \$ (21,345) | \$ 80,116 |

| | Total | | |
|--------------|--------------|------------|--------------|
| Final Budget | Actual | Variance | Over (Under) |
| \$ 1,128,957 | \$ 1,254,082 | \$ 125,125 | |
| 83,445 | 87,199 | 3,754 | |
| 500 | - | (500) | |
| 1,211,902 | 1,341,281 | 129,379 | |
| 1,146,104 | 1,030,869 | (115,235) | |
| 558 | 496 | (62) | |
| 317,559 | 242,176 | (75,383) | |
| 2,660 | 76 | (2,584) | |
| 1,466,881 | 1,273,617 | (193,264) | |
| (254,979) | 67,664 | 322,643 | |
| 14,181 | 14,181 | - | |
| (92) | (92) | - | |
| 14,089 | 14,089 | - | |
| (10,047) | (10,047) | - | |
| (250,937) | 71,706 | 322,643 | |
| (99,148) | (99,148) | - | |
| \$ (350,085) | \$ (27,442) | \$ 322,643 | |

State of Illinois

**Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP)
Federal Trust Funds - Department of Human Services**

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

| | Employment & Training | | | DHS Special Purpose Trust | | |
|---|-----------------------|--------------------|-----------------------|---------------------------|------------------|-----------------------|
| | Final Budget | Actual | Variance Over (Under) | Final Budget | Actual | Variance Over (Under) |
| REVENUES: | | | | | | |
| Federal government | \$ 458,512 | \$ 501,210 | \$ 42,698 | \$ 221,877 | \$ 290,165 | \$ 68,288 |
| Other | | | | 146 | 1,000 | 854 |
| Less: | | | | | | |
| Refunds | | | | | | |
| Total revenues | 458,512 | 501,210 | 42,698 | 222,023 | 291,165 | 69,142 |
| EXPENDITURES: | | | | | | |
| Current: | | | | | | |
| Health and social services | 520,000 | 499,431 | (20,569) | 286,254 | 233,816 | (52,438) |
| General government | | | | 102 | 99 | (3) |
| Total expenditures | 520,000 | 499,431 | (20,569) | 286,356 | 233,915 | (52,441) |
| Excess (deficiency) of revenues over (under) expenditures | (61,488) | 1,779 | 63,267 | (64,333) | 57,250 | 121,583 |
| OTHER SOURCES (USES) OF FINANCIAL RESOURCES: | | | | | | |
| Operating transfers-in | | | | 14,181 | 14,181 | - |
| Operating transfers-out | | | | | | |
| Total other sources (uses) of financial resources | | | | 14,181 | 14,181 | - |
| Budgetary funds-nonbudgeted accounts | | | | (10,047) | (10,047) | - |
| Excess (deficiency) of revenues over (under) expenditures, other sources (uses) of financial resources, and budgetary funds-nonbudgeted accounts | (61,488) | 1,779 | 63,267 | (60,199) | 61,384 | 121,583 |
| Budgetary fund balances (deficits), July 1, 2011 | (48,362) | (48,362) | - | (3,454) | (3,454) | - |
| BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2012 | \$ (109,850) | \$ (46,583) | \$ 63,267 | \$ (63,653) | \$ 57,930 | \$ 121,583 |

| USDA Women, Infants and Children | | | Total | | |
|----------------------------------|-------------|-----------------------|--------------|--------------|-----------------------|
| Final Budget | Actual | Variance Over (Under) | Final Budget | Actual | Variance Over (Under) |
| \$ 208,568 | \$ 222,570 | \$ 14,002 | \$ 888,957 | \$ 1,013,945 | \$ 124,988 |
| 71,261 | 72,508 | 1,247 | 71,407 | 73,508 | 2,101 |
| 200 | - | (200) | 200 | - | (200) |
| 279,629 | 295,078 | 15,449 | 960,164 | 1,087,453 | 127,289 |
| 339,850 | 297,622 | (42,228) | 1,146,104 | 1,030,869 | (115,235) |
| 29 | 29 | - | 131 | 128 | (3) |
| 339,879 | 297,651 | (42,228) | 1,146,235 | 1,030,997 | (115,238) |
| (60,250) | (2,573) | 57,677 | (186,071) | 56,456 | 242,527 |
| | | | 14,181 | 14,181 | - |
| | | | - | - | - |
| | | | 14,181 | 14,181 | - |
| | | | (10,047) | (10,047) | - |
| (60,250) | (2,573) | 57,677 | (181,937) | 60,590 | 242,527 |
| (14,871) | (14,871) | - | (66,687) | (66,687) | - |
| \$ (75,121) | \$ (17,444) | \$ 57,677 | \$ (248,624) | \$ (6,097) | \$ 242,527 |

State of Illinois

Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP) Federal Trust Funds - State Board of Education

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

| | S.B.E. Department of Agriculture | | | S.B.E. Federal Department of Education | | |
|---|-------------------------------------|--------------------|--------------------------|---|---------------------|--------------------------|
| | Final Budget | Actual | Variance Over (Under) | Final Budget | Actual | Variance Over (Under) |
| REVENUES: | | | | | | |
| Federal government | \$ 636,000 | \$ 655,774 | \$ 19,774 | \$ 1,594,553 | \$ 1,487,978 | \$ (106,575) |
| Other | - | 6 | 6 | 3 | - | (3) |
| Total revenues | 636,000 | 655,780 | 19,780 | 1,594,556 | 1,487,978 | (106,578) |
| EXPENDITURES: | | | | | | |
| Current: | | | | | | |
| Education | 736,534 | 649,076 | (87,458) | 2,839,949 | 1,372,512 | (1,467,437) |
| General government | | | | 18 | 18 | - |
| Capital outlays | 250 | 209 | (41) | 455 | 270 | (185) |
| Total expenditures | 736,784 | 649,285 | (87,499) | 2,840,422 | 1,372,800 | (1,467,622) |
| Excess (deficiency) of revenues over (under) expenditures | (100,784) | 6,495 | 107,279 | (1,245,866) | 115,178 | 1,361,044 |
| OTHER SOURCES (USES) OF FINANCIAL RESOURCES: | | | | | | |
| Operating transfers-out | | | | (17,752) | (17,752) | - |
| Total other sources (uses) of financial resources | | | | (17,752) | (17,752) | - |
| Budgetary funds-nonbudgeted accounts | (127) | (127) | - | (4,469) | (4,469) | - |
| Excess (deficiency) of revenues over (under) expenditures, other sources (uses) of financial resources, and budgetary funds-nonbudgeted accounts | (100,911) | 6,368 | 107,279 | (1,268,087) | 92,957 | 1,361,044 |
| Budgetary fund balances (deficits), July 1, 2011 | (40,213) | (40,213) | - | (395,266) | (395,266) | - |
| BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2012 | \$ (141,124) | \$ (33,845) | \$ 107,279 | \$(1,663,353) | \$ (302,309) | \$ 1,361,044 |

| Total | | |
|-----------------|--------------|--------------------------|
| Final Budget | Actual | Variance Over (Under) |
| \$ 2,230,553 | \$ 2,143,752 | \$ (86,801) |
| 3 | 6 | 3 |
| 2,230,556 | 2,143,758 | (86,798) |

| | | |
|-----------|-----------|-------------|
| 3,576,483 | 2,021,588 | (1,554,895) |
| 18 | 18 | - |
| 705 | 479 | (226) |
| 3,577,206 | 2,022,085 | (1,555,121) |

| | | |
|-------------|----------|-----------|
| (1,346,650) | 121,673 | 1,468,323 |
| (17,752) | (17,752) | - |
| (17,752) | (17,752) | - |
| (4,596) | (4,596) | - |

| | | |
|-----------------------|---------------------|---------------------|
| (1,368,998) | 99,325 | 1,468,323 |
| (435,479) | (435,479) | - |
| <u>\$ (1,804,477)</u> | <u>\$ (336,154)</u> | <u>\$ 1,468,323</u> |

State of Illinois

Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP) State Trust Funds

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

| | Code Departments | | | Other Agencies, Boards and Commissions State Employees Retirement System | | |
|---|---------------------|--------------------|--------------------------|---|--------------------|--------------------------|
| | Final Budget | Actual | Variance Over (Under) | Final Budget | Actual | Variance Over (Under) |
| REVENUES: | | | | | | |
| Sales taxes | \$ 812,777 | \$ 812,777 | \$ - | | | |
| Motor fuel taxes | | | | | | |
| Public utility taxes | 329,564 | 329,564 | - | | | |
| Federal government | - | 52,403 | 52,403 | | | |
| Other | 399,300 | 691,824 | 292,524 | \$ 1,764,781 | \$ 1,764,781 | \$ - |
| Less: | | | | | | |
| Refunds | 12 | - | (12) | | | |
| Total revenues | 1,541,629 | 1,886,568 | 344,939 | 1,764,781 | 1,764,781 | - |
| EXPENDITURES: | | | | | | |
| Current: | | | | | | |
| Health and social services | 53,576 | 43,254 | (10,322) | | | |
| Education | | | | | | |
| General government | 4,569 | 4,514 | (55) | 300,000 | 28,739 | (271,261) |
| Public protection and justice | | | | | | |
| Environment and business regulation | | | | | | |
| Capital outlays | 1,272 | 525 | (747) | | | |
| Total expenditures | 59,417 | 48,293 | (11,124) | 300,000 | 28,739 | (271,261) |
| Excess (deficiency) of revenues over (under) expenditures | 1,482,212 | 1,838,275 | 356,063 | 1,464,781 | 1,736,042 | 271,261 |
| OTHER SOURCES (USES) OF FINANCIAL RESOURCES: | | | | | | |
| Operating transfers-in | | | | | | |
| Operating transfers-out | (306,941) | (306,941) | - | (94) | (94) | - |
| Total other sources (uses) of financial resources | (306,941) | (306,941) | - | (94) | (94) | - |
| Budgetary funds-nonbudgeted accounts | (1,536,093) | (1,536,093) | - | (1,658,939) | (1,658,939) | - |
| Excess (deficiency) of revenues over (under) expenditures, other sources (uses) of financial resources, and budgetary funds-nonbudgeted accounts | (360,822) | (4,759) | 356,063 | (194,252) | 77,009 | 271,261 |
| Budgetary fund balances (deficits), July 1, 2011, as previously reported | 154,791 | 154,791 | - | 52,978 | 52,978 | - |
| Reclassifications between budgetary/nonbudgetary funds-net | | | | | | |
| Budgetary fund balances (deficits), July 1, 2011, as reclassified | 154,791 | 154,791 | - | 52,978 | 52,978 | - |
| BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2012 | \$ (206,031) | \$ 150,032 | \$ 356,063 | \$ (141,274) | \$ 129,987 | \$ 271,261 |

| Other | | | Total | | |
|--------------|------------|-----------------------|--------------|-------------|-----------------------|
| Final Budget | Actual | Variance Over (Under) | Final Budget | Actual | Variance Over (Under) |
| \$ 33,249 | \$ 33,249 | \$ - | \$ 812,777 | \$ 812,777 | \$ - |
| | | | 33,249 | 33,249 | - |
| | | | 329,564 | 329,564 | - |
| 84,039 | 109,168 | 25,129 | 84,039 | 161,571 | 77,532 |
| 379,166 | 555,462 | 176,296 | 2,543,247 | 3,012,067 | 468,820 |
| 300 | 197 | (103) | 312 | 197 | (115) |
| 496,154 | 697,682 | 201,528 | 3,802,564 | 4,349,031 | 546,467 |
| 189,556 | 160,713 | (28,843) | 243,132 | 203,967 | (39,165) |
| 18,459 | 3,654 | (14,805) | 18,459 | 3,654 | (14,805) |
| 137,519 | 119,438 | (18,081) | 442,088 | 152,691 | (289,397) |
| 2,750 | 2,077 | (673) | 2,750 | 2,077 | (673) |
| 12,615 | 4,212 | (8,403) | 12,615 | 4,212 | (8,403) |
| | | | 1,272 | 525 | (747) |
| 360,899 | 290,094 | (70,805) | 720,316 | 367,126 | (353,190) |
| 135,255 | 407,588 | 272,333 | 3,082,248 | 3,981,905 | 899,657 |
| 11,787 | 11,787 | - | 11,787 | 11,787 | - |
| (227) | (227) | - | (307,262) | (307,262) | - |
| 11,560 | 11,560 | - | (295,475) | (295,475) | - |
| (372,521) | (372,521) | - | (3,567,553) | (3,567,553) | - |
| (225,706) | 46,627 | 272,333 | (780,780) | 118,877 | 899,657 |
| 89,003 | 89,003 | - | 296,772 | 296,772 | - |
| 28,035 | 28,035 | - | 28,035 | 28,035 | - |
| 117,038 | 117,038 | - | 324,807 | 324,807 | - |
| \$ (108,668) | \$ 163,665 | \$ 272,333 | \$ (455,973) | \$ 443,684 | \$ 899,657 |

State of Illinois

Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP) State Trust Funds - Code Departments

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

| | Healthcare and Family Services Public Aid Recoveries Trust | | | Revenue | | |
|---|---|------------------|--------------------------|--------------------|--------------------|--------------------------|
| | Final Budget | Actual | Variance Over (Under) | Final Budget | Actual | Variance Over (Under) |
| REVENUES: | | | | | | |
| Sales taxes | | | | \$ 812,777 | \$ 812,777 | \$ - |
| Public utility taxes | | | | 329,564 | 329,564 | - |
| Federal government | \$ - | \$ 52,403 | \$ 52,403 | | | |
| Other | 398,934 | 691,458 | 292,524 | 366 | 366 | - |
| Less: | | | | | | |
| Refunds | | | | 12 | - | (12) |
| Total revenues | 398,934 | 743,861 | 344,927 | 1,142,695 | 1,142,707 | 12 |
| EXPENDITURES: | | | | | | |
| Current: | | | | | | |
| Health and social services | 53,576 | 43,254 | (10,322) | | | |
| General government | 3,407 | 3,407 | - | 1,162 | 1,107 | (55) |
| Capital outlays | 1,272 | 525 | (747) | | | |
| Total expenditures | 58,255 | 47,186 | (11,069) | 1,162 | 1,107 | (55) |
| Excess (deficiency) of revenues over (under) expenditures | 340,679 | 696,675 | 355,996 | 1,141,533 | 1,141,600 | 67 |
| OTHER SOURCES (USES) OF FINANCIAL RESOURCES: | | | | | | |
| Operating transfers-out | (306,941) | (306,941) | - | | | |
| Total other sources (uses) of financial resources | (306,941) | (306,941) | - | | | |
| Budgetary funds-nonbudgeted accounts | (403,384) | (403,384) | - | (1,132,709) | (1,132,709) | - |
| Excess (deficiency) of revenues over (under) expenditures, other sources (uses) of financial resources, and budgetary funds-nonbudgeted accounts | (369,646) | (13,650) | 355,996 | 8,824 | 8,891 | 67 |
| Budgetary fund balances (deficits), July 1, 2011 | 30,164 | 30,164 | - | 124,627 | 124,627 | - |
| BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2012 | \$ (339,482) | \$ 16,514 | \$ 355,996 | \$ 133,451 | \$ 133,518 | \$ 67 |

| | Total | | |
|--------------|-------------|-----------------------|--|
| Final Budget | Actual | Variance Over (Under) | |
| \$ 812,777 | \$ 812,777 | \$ - | |
| 329,564 | 329,564 | - | |
| - | 52,403 | 52,403 | |
| 399,300 | 691,824 | 292,524 | |
| 12 | - | (12) | |
| 1,541,629 | 1,886,568 | 344,939 | |
| 53,576 | 43,254 | (10,322) | |
| 4,569 | 4,514 | (55) | |
| 1,272 | 525 | (747) | |
| 59,417 | 48,293 | (11,124) | |
| 1,482,212 | 1,838,275 | 356,063 | |
| (306,941) | (306,941) | - | |
| (306,941) | (306,941) | - | |
| (1,536,093) | (1,536,093) | - | |
| (360,822) | (4,759) | 356,063 | |
| 154,791 | 154,791 | - | |
| \$ (206,031) | \$ 150,032 | \$ 356,063 | |

State of Illinois

Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP) State Trust Funds - Department of Revenue

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

| | Home Rule Municipal ROT | | | Municipal Telecommunications | | |
|---|-------------------------|------------------|-----------------------|------------------------------|------------------|-----------------------|
| | Final Budget | Actual | Variance Over (Under) | Final Budget | Actual | Variance Over (Under) |
| REVENUES: | | | | | | |
| Sales taxes | \$ 812,777 | \$ 812,777 | \$ - | | | |
| Public utility taxes | | | | \$ 329,564 | \$ 329,564 | \$ - |
| Other | 366 | 366 | - | | | |
| Less: | | | | | | |
| Refunds | | | | 12 | - | (12) |
| Total revenues | 813,143 | 813,143 | - | 329,552 | 329,564 | 12 |
| EXPENDITURES: | | | | | | |
| Current: | | | | | | |
| General government | 1,162 | 1,107 | (55) | | | |
| Total expenditures | 1,162 | 1,107 | (55) | | | |
| Excess (deficiency) of revenues over (under) expenditures | 811,981 | 812,036 | 55 | 329,552 | 329,564 | 12 |
| Budgetary funds-nonbudgeted accounts | (831,532) | (831,532) | - | (301,177) | (301,177) | - |
| Excess (deficiency) of revenues over (under) expenditures and budgetary funds-nonbudgeted accounts | (19,551) | (19,496) | 55 | 28,375 | 28,387 | 12 |
| Budgetary fund balances (deficits), July 1, 2011 | 108,393 | 108,393 | - | 16,234 | 16,234 | - |
| BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2012 | \$ 88,842 | \$ 88,897 | \$ 55 | \$ 44,609 | \$ 44,621 | \$ 12 |

| | | | Total | | |
|-------------|-----------|-------------|-----------|----|--------------|
| | Final | | Actual | | Variance |
| | Budget | | | | Over (Under) |
| \$ | 812,777 | \$ | 812,777 | \$ | - |
| | 329,564 | | 329,564 | | - |
| | 366 | | 366 | | - |
| | 12 | | - | | (12) |
| | 1,142,695 | | 1,142,707 | | 12 |
| | 1,162 | | 1,107 | | (55) |
| | 1,162 | | 1,107 | | (55) |
| | 1,141,533 | | 1,141,600 | | 67 |
| (1,132,709) | | (1,132,709) | | | - |
| | 8,824 | | 8,891 | | 67 |
| | 124,627 | | 124,627 | | - |
| \$ | 133,451 | \$ | 133,518 | \$ | 67 |

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Statistical Section

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STATISTICAL SECTION

This part of the Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the State's overall financial health.

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Financial Trends

These schedules contain trend information to help the reader understand how the State's financial performance and well-being have changed over time. 304

Revenue Capacity

These schedules contain information to help the reader assess the State's most significant revenue sources: the personal income tax and the sales tax. 312

Debt Capacity

These schedules present information to help the reader assess the affordability of the State's current levels of outstanding debt and the State's ability to issue additional debt in the future. 316

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the State's financial activities take place. 324

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the State's financial report relates to the services the State provides and the activities it performs. 326

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

State of Illinois**Net Assets by Component**

Last Ten Fiscal Year Ends

(Accrual Basis of Accounting, Amounts in Thousands)

| | For the Fiscal Year | | | | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2012 | 2011 | 2010 | 2009 | 2008 |
| Governmental Activities | | | | | |
| Invested in capital assets, net of related debt | \$ 14,990,452 | \$ 14,696,923 | \$ 14,770,681 | \$ 14,148,546 | \$ 13,688,917 |
| Restricted | 3,568,812 | 3,447,715 | 1,257,062 | 998,026 | 978,277 |
| Unrestricted | (65,133,224) | (61,753,364) | (53,562,848) | (44,608,334) | (39,213,817) |
| Total governmental activities net assets | <u>(46,573,960)</u> | <u>(43,608,726)</u> | <u>(37,535,105)</u> | <u>(29,461,762)</u> | <u>(24,546,623)</u> |
| Business-type Activities | | | | | |
| Invested in capital assets, net of related debt | 4,673 | 3,890 | 3,791 | 3,630 | 2,983 |
| Restricted | 2,253,093 | 2,362,947 | 2,182,492 | 2,732,443 | 4,533,482 |
| Unrestricted | (422,682) | (1,129,243) | (1,227,648) | (161,927) | (840) |
| Total business-type activities net assets | <u>1,835,084</u> | <u>1,237,594</u> | <u>958,635</u> | <u>2,574,146</u> | <u>4,535,625</u> |
| Primary Government | | | | | |
| Invested in capital assets, net of related debt | 14,995,125 | 14,700,813 | 14,774,472 | 14,152,176 | 13,691,900 |
| Restricted | 5,821,905 | 5,810,662 | 3,439,554 | 3,730,469 | 5,511,759 |
| Unrestricted | (65,555,906) | (62,882,607) | (54,790,496) | (44,770,261) | (39,214,657) |
| Total primary government net assets | <u>\$(44,738,876)</u> | <u>\$(42,371,132)</u> | <u>\$(36,576,470)</u> | <u>\$(26,887,616)</u> | <u>\$(20,010,998)</u> |

Note: Balances have been restated for prior period adjustments, corrections, and reclassifications when practical.

State of Illinois**Fund Balances, Governmental Funds**

Last Ten Fiscal Year Ends

(Modified Accrual Basis of Accounting, Amounts in Thousands)

| | For the Fiscal Year | | | | |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2012 | 2011 | 2010 | 2009 | 2008 |
| General fund (per GASB 54) | | | | | |
| Nonspendable | \$ 34,652 | \$ 32,108 | | | |
| Restricted | 39,276 | 37,247 | | | |
| Committed | 864,077 | 1,132,322 | | | |
| Assigned | - | - | | | |
| Unassigned | (10,070,984) | (9,211,633) | | | |
| General fund (prior to GASB 54) | | | | | |
| Reserved | | | \$ 44,002 | \$ 40,803 | \$ 67,135 |
| Unreserved | | | (8,861,844) | (7,463,137) | (4,102,555) |
| Total general fund | <u>(9,132,979)</u> | <u>(8,009,956)</u> | <u>(8,817,842)</u> | <u>(7,422,334)</u> | <u>(4,035,420)</u> |
| All other governmental funds (per GASB 54) | | | | | |
| Nonspendable | \$ 85,281 | \$ 78,447 | | | |
| Restricted | 3,249,709 | 3,192,381 | | | |
| Committed | 3,848,234 | 3,437,839 | | | |
| Assigned | 7,959 | 20,984 | | | |
| Unassigned | (1,553,553) | (1,698,486) | | | |
| All other governmental funds (prior to GASB 54) | | | | | |
| Reserved | | | \$ 501,514 | \$ 507,169 | \$ 488,365 |
| Unreserved, reported in: | | | | | |
| Special revenue funds | | | 1,287,511 | 1,990,761 | 2,215,352 |
| Debt service funds | | | 1,061,585 | 837,423 | 850,615 |
| Capital projects funds | | | 2,036,453 | 15,991 | 46,248 |
| Permanent funds | | | 13,648 | 916 | 1,248 |
| Total all other governmental funds | <u>\$ 5,637,630</u> | <u>\$ 5,031,165</u> | <u>\$ 4,900,711</u> | <u>\$ 3,352,260</u> | <u>\$ 3,601,828</u> |

Notes: Balances have been restated for prior period adjustments, corrections and reclassifications when practical. Additionally, due to the implementation of GASB Statement No. 54 in fiscal year 2011, fund balances have been classified as Nonspendable, Restricted, Committed, Assigned and Unassigned. For fiscal years prior to 2011, fund balances were classified as Reserved or Unreserved according to GASB Statement No. 34.

The dramatic increase in unreserved fund balances reported in special revenue funds in fiscal year 2003 was the result of the \$10 billion general obligation bond for funding and reimbursing a portion of the State's contributions to the State's retirement system issued just prior to the end of fiscal year 2003. The majority of the bond issue was not distributed until fiscal year 2004.

Schedule 1

| Ended June 30, | | | | |
|------------------------|------------------------|------------------------|------------------------|------------------------|
| 2007 | 2006 | 2005 | 2004 | 2003 |
| \$ 13,370,326 | \$ 12,518,094 | \$ 12,088,581 | \$ 11,924,560 | \$ 11,750,160 |
| 954,435 | 956,926 | 942,154 | 912,938 | 1,855,032 |
| (35,169,568) | (32,218,061) | (30,611,904) | (28,248,123) | (26,445,507) |
| (20,844,807) | (18,743,041) | (17,581,169) | (15,410,625) | (12,840,315) |
| 2,966 | 3,114 | 3,110 | 3,539 | 3,615 |
| 4,534,492 | 3,923,607 | 2,598,458 | 2,380,247 | 2,037,232 |
| (15,145) | (111,414) | 170,619 | (352,806) | 137,542 |
| 4,522,313 | 3,815,307 | 2,772,187 | 2,030,980 | 2,178,389 |
| 13,373,292 | 12,521,208 | 12,091,691 | 11,928,099 | 11,753,775 |
| 5,488,927 | 4,880,533 | 3,540,612 | 3,293,185 | 3,892,264 |
| (35,184,713) | (32,329,475) | (30,441,285) | (28,600,929) | (26,307,965) |
| <u>\$ (16,322,494)</u> | <u>\$ (14,927,734)</u> | <u>\$ (14,808,982)</u> | <u>\$ (13,379,645)</u> | <u>\$ (10,661,926)</u> |

Schedule 2

| Ended June 30, | | | | |
|-----------------------|---------------------|---------------------|---------------------|----------------------|
| 2007 | 2006 | 2005 | 2004 | 2003 |
| \$ 53,544 | \$ 49,921 | \$ 50,375 | \$ 145,766 | \$ 275,203 |
| (4,224,670) | (3,020,145) | (3,349,245) | (2,691,535) | (4,455,975) |
| <u>(4,171,126)</u> | <u>(2,970,224)</u> | <u>(3,298,870)</u> | <u>(2,545,769)</u> | <u>(4,180,772)</u> |
| \$ 165,428 | \$ 180,970 | \$ 158,571 | \$ 316,714 | \$ 166,137 |
| 2,441,850 | 2,506,755 | 1,830,925 | 1,784,366 | 11,044,754 |
| 834,197 | 823,784 | 836,740 | 792,078 | 1,217,431 |
| 143,539 | 465,974 | 32,959 | (21,857) | 37,208 |
| 1,131 | 1,108 | 418 | 539 | 2,897 |
| <u>\$ 3,586,145</u> | <u>\$ 3,978,591</u> | <u>\$ 2,859,613</u> | <u>\$ 2,871,840</u> | <u>\$ 12,468,427</u> |

State of Illinois

Changes in Net Assets

Last Ten Fiscal Years

(Accrual Basis of Accounting, Amounts in Thousands)

| | For the Fiscal Year | | | | |
|---|----------------------------|---------------------|---------------------|---------------------|---------------------|
| | 2012 | 2011 | 2010 | 2009 | 2008 |
| Governmental Activities: | | | | | |
| Expenses | | | | | |
| Health and social services | \$ 26,021,677 | \$ 24,972,973 | \$ 24,444,776 | \$ 23,532,863 | \$ 21,687,952 |
| Education | 17,703,469 | 17,839,554 | 17,255,748 | 16,337,431 | 15,242,711 |
| General government | 2,575,789 | 1,755,142 | 1,478,124 | 1,956,817 | 1,935,074 |
| Employment and economic development | 1,332,412 | 1,581,353 | 1,258,762 | 861,955 | 874,861 |
| Transportation | 4,471,245 | 4,867,065 | 4,852,940 | 4,275,112 | 4,198,002 |
| Public protection and justice | 3,621,072 | 3,579,498 | 3,391,692 | 3,246,422 | 3,223,783 |
| Environment and business regulation | 1,033,428 | 1,055,309 | 1,033,959 | 803,815 | 926,138 |
| Intergovernmental-revenue sharing | 5,329,498 | 5,191,373 | 4,205,934 | 4,631,525 | 5,139,754 |
| Interest | 1,608,440 | 1,368,509 | 1,183,995 | 1,123,866 | 1,137,058 |
| Total governmental activities expenses | 63,697,030 | 62,210,776 | 59,105,930 | 56,769,806 | 54,365,333 |
| Program revenues | | | | | |
| Charges for services: | | | | | |
| Health and social services | 175,218 | 228,431 | 173,099 | 177,666 | 154,884 |
| Education | 6,666 | 4,886 | 5,222 | 4,446 | 4,529 |
| General government | 2,177,712 | 2,195,738 | 1,891,921 | 2,109,969 | 2,100,042 |
| Employment and economic development | 17,107 | 22,681 | 29,567 | 20,208 | 19,714 |
| Transportation | 38,595 | 45,553 | 117,720 | 53,885 | 78,574 |
| Public protection and justice | 131,729 | 121,456 | 107,568 | 57,543 | 97,923 |
| Environment and business regulation | 446,925 | 316,821 | 436,716 | 346,929 | 344,794 |
| Operating grants and contributions | 18,378,500 | 19,734,925 | 20,733,921 | 18,041,268 | 14,287,548 |
| Capital grants and contributions | 1,555,210 | 1,586,140 | 964,434 | 1,495,709 | 1,274,394 |
| Total governmental activities program revenues | 22,927,662 | 24,256,631 | 24,460,168 | 22,307,623 | 18,362,402 |
| Total governmental activities net program expense | (40,769,368) | (37,954,145) | (34,645,762) | (34,462,183) | (36,002,931) |
| General revenues and other changes in net assets | | | | | |
| Taxes | | | | | |
| Income taxes | 19,585,251 | 14,407,585 | 10,186,345 | 11,845,194 | 13,413,993 |
| Sales taxes | 9,800,153 | 9,619,503 | 8,840,841 | 9,157,404 | 10,147,458 |
| Motor fuel taxes | 1,269,484 | 1,302,295 | 1,295,473 | 1,349,275 | 1,405,713 |
| Public utility taxes | 1,487,570 | 1,572,930 | 1,558,036 | 1,678,023 | 1,691,688 |
| Riverboat taxes | 495,055 | 457,865 | 483,091 | 533,271 | 696,835 |
| Hospital assessment taxes | 964,307 | 942,557 | 969,933 | 978,248 | 804,168 |
| Other taxes | 2,341,243 | 1,800,980 | 1,715,169 | 2,181,647 | 2,134,966 |
| Interest and investment income | 53,597 | 62,254 | 52,233 | 139,553 | 325,057 |
| Other revenues | 1,029,051 | 1,019,165 | 803,293 | 1,006,261 | 1,013,148 |
| Gain on capital assets traded-in | - | - | 19 | 4,814 | - |
| Transfers | 778,423 | 695,390 | 667,986 | 673,354 | 668,089 |
| Total general revenues and other changes in net assets | 37,804,134 | 31,880,524 | 26,572,419 | 29,547,044 | 32,301,115 |
| Total governmental activities change in net assets | (2,965,234) | (6,073,621) | (8,073,343) | (4,915,139) | (3,701,816) |

Note: Balances have been restated for prior period adjustments, corrections, and reclassifications when practical.

Revenue from income taxes increased significantly during fiscal year 2012 and 2011 as the State legislatures voted to raise the individual income tax rate from 3% to 5% and the corporate income tax rate from 4.8% to 7.0%.

Revenue from hospital assessment taxes increased significantly during fiscal year 2007 as the State retroactively assessed taxes for fiscal year 2006 revenues upon approval in November 2006 by the federal government of the State's Hospital Assessment plan.

Schedule 3

| Ended June 30, | | | | |
|---------------------|---------------------|---------------------|---------------------|---------------------|
| 2007 | 2006 | 2005 | 2004 | 2003 |
| \$ 21,417,224 | \$ 18,591,748 | \$ 19,553,743 | \$ 17,746,164 | \$ 16,495,962 |
| 14,433,190 | 13,544,450 | 13,623,467 | 13,514,779 | 12,962,131 |
| 1,668,454 | 1,502,362 | 492,374 | 535,511 | 846,163 |
| 988,866 | 1,091,298 | 968,262 | 1,217,263 | 1,342,665 |
| 3,818,291 | 3,484,409 | 3,615,977 | 3,530,420 | 3,807,907 |
| 2,730,219 | 2,560,566 | 2,851,184 | 2,573,918 | 2,498,208 |
| 835,328 | 733,128 | 899,723 | 778,161 | 867,002 |
| 5,036,015 | 4,565,480 | 4,197,679 | 3,696,687 | 3,473,281 |
| 1,200,754 | 1,222,382 | 1,218,077 | 1,149,157 | 672,707 |
| <u>52,128,341</u> | <u>47,295,823</u> | <u>47,420,486</u> | <u>44,742,060</u> | <u>42,966,026</u> |
| 137,591 | 119,559 | 110,330 | 102,745 | 96,670 |
| 14,650 | 4,381 | 6,685 | 10,630 | 2,306 |
| 2,046,175 | 1,968,930 | 1,986,302 | 1,855,274 | 1,614,665 |
| 22,075 | 22,933 | 20,351 | 19,992 | 24,983 |
| 44,292 | 30,483 | 28,829 | 21,632 | 20,685 |
| 89,335 | 92,988 | 87,934 | 79,504 | 81,633 |
| 361,174 | 365,324 | 377,194 | 390,085 | 232,659 |
| 14,537,244 | 13,498,279 | 13,897,415 | 13,060,543 | 11,824,638 |
| 1,025,947 | 1,040,220 | 866,924 | 862,165 | 719,759 |
| <u>18,278,483</u> | <u>17,143,097</u> | <u>17,381,964</u> | <u>16,402,570</u> | <u>14,617,998</u> |
| <u>(33,849,858)</u> | <u>(30,152,726)</u> | <u>(30,038,522)</u> | <u>(28,339,490)</u> | <u>(28,348,028)</u> |
| 12,337,762 | 11,224,605 | 10,391,204 | 9,059,096 | 8,509,857 |
| 9,846,437 | 9,603,316 | 9,150,521 | 8,941,852 | 8,227,295 |
| 1,443,544 | 1,426,605 | 1,425,794 | 1,402,081 | 1,325,748 |
| 1,605,502 | 1,523,795 | 1,521,187 | 1,510,606 | 1,605,144 |
| 817,590 | 813,489 | 664,569 | 642,370 | 670,478 |
| 1,538,512 | 75,515 | 707,619 | 76,077 | 83,276 |
| 1,973,612 | 1,986,155 | 2,112,874 | 1,933,620 | 1,827,859 |
| 358,191 | 271,291 | 144,455 | 90,573 | 124,407 |
| 1,173,423 | 1,404,974 | 1,108,333 | 1,547,298 | 1,344,446 |
| - | - | - | - | - |
| 653,519 | 661,109 | 641,422 | 568,802 | 528,711 |
| <u>31,748,092</u> | <u>28,990,854</u> | <u>27,867,978</u> | <u>25,772,375</u> | <u>24,247,221</u> |
| <u>(2,101,766)</u> | <u>(1,161,872)</u> | <u>(2,170,544)</u> | <u>(2,567,115)</u> | <u>(4,100,807)</u> |

(continued)

State of Illinois

Changes in Net Assets

Last Ten Fiscal Years

(Accrual Basis of Accounting, Amounts in Thousands)

(continued)

| | For the Fiscal Year | | | | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2012 | 2011 | 2010 | 2009 | 2008 |
| Business-Type Activities: | | | | | |
| Expenses | | | | | |
| Unemployment compensation trust | 5,087,631 | 6,424,471 | 8,259,960 | 5,086,053 | 1,991,147 |
| Water revolving | 85,366 | 84,114 | 113,383 | 18,085 | 17,689 |
| Prepaid tuition program | 193,523 | 94,405 | 86,447 | 74,718 | 73,559 |
| Insurance programs | - | - | - | - | - |
| Lottery | 1,941,324 | 1,601,387 | 1,544,196 | 1,443,717 | 1,411,951 |
| Designated account purchase program | 41,617 | 58,376 | 57,250 | 62,622 | 101,174 |
| Federal student loans | 189,251 | 238,507 | 214,905 | 199,964 | 192,771 |
| Other | 176,034 | 169,082 | 140,331 | 122,312 | 148,273 |
| Total business-type activities expenses | <u>7,714,746</u> | <u>8,670,342</u> | <u>10,416,472</u> | <u>7,007,471</u> | <u>3,936,564</u> |
| Program revenues | | | | | |
| Charges for services: | | | | | |
| Unemployment compensation trust | 3,216,031 | 2,626,928 | 1,849,486 | 1,600,817 | 1,998,139 |
| Water revolving | 42,958 | 44,393 | 44,940 | 46,007 | 44,163 |
| Prepaid tuition program | 35,294 | 170,250 | 90,249 | (153,932) | (75,740) |
| Insurance programs | - | - | - | - | - |
| Lottery | 2,682,379 | 2,269,675 | 2,196,315 | 2,082,039 | 2,062,048 |
| Designated account purchase program | 36,110 | 45,434 | 55,073 | 50,809 | 74,913 |
| Federal student loans | 23,688 | 31,179 | 22,451 | 19,756 | 25,629 |
| Other | 122,779 | 214,655 | 119,132 | 130,858 | 136,975 |
| Operating grants and contributions | 2,891,670 | 4,196,904 | 5,086,516 | 1,866,986 | 246,854 |
| Total business-type activities program revenues | <u>9,050,909</u> | <u>9,599,418</u> | <u>9,464,162</u> | <u>5,643,340</u> | <u>4,512,981</u> |
| Total business-type activities net program revenue (expense) | <u>1,336,163</u> | <u>929,076</u> | <u>(952,310)</u> | <u>(1,364,131)</u> | <u>576,417</u> |
| General revenues and other changes in net assets | | | | | |
| Interest and investment income | 39,750 | 41,959 | 4,785 | 76,006 | 115,694 |
| Other revenues | - | 3,314 | - | - | 145 |
| Special items | - | - | - | - | (10,855) |
| Transfers | (778,423) | (695,390) | (667,986) | (673,354) | (668,089) |
| Total business-type activities general revenues and other changes in net assets | <u>(738,673)</u> | <u>(650,117)</u> | <u>(663,201)</u> | <u>(597,348)</u> | <u>(563,105)</u> |
| Total business-type activities change in net assets | <u>597,490</u> | <u>278,959</u> | <u>(1,615,511)</u> | <u>(1,961,479)</u> | <u>13,312</u> |
| Total primary government change in net assets | <u>\$ (2,367,744)</u> | <u>\$ (5,794,662)</u> | <u>\$ (9,688,854)</u> | <u>\$ (6,876,618)</u> | <u>\$ (3,688,504)</u> |

Note: Balances have been restated for prior period adjustments, corrections, and reclassifications when practical.

Effective for the year ended June 30, 2007, the Teachers Health Insurance Security Fund and the Community College Health Insurance Security Fund are reported as pension (and other employment benefit) funds. They were reported as enterprise funds in previous years.

Schedule 3

| Ended June 30, | | | | |
|-----------------------|---------------------|-----------------------|-----------------------|-----------------------|
| 2007 | 2006 | 2005 | 2004 | 2003 |
| 1,795,169 | 1,731,262 | 1,982,556 | 2,672,436 | 3,054,290 |
| 22,820 | 22,620 | 23,988 | 18,519 | 15,828 |
| 61,641 | 50,730 | 41,148 | 35,771 | 25,825 |
| - | 409,726 | 379,752 | 335,476 | 294,569 |
| 1,370,559 | 1,334,373 | 1,196,982 | 1,144,936 | 1,054,094 |
| 303,817 | 267,707 | 167,074 | 110,961 | 112,153 |
| 180,554 | 146,053 | 123,694 | 102,715 | 117,718 |
| 212,217 | 93,633 | 95,892 | 93,990 | 134,251 |
| <u>3,946,777</u> | <u>4,056,104</u> | <u>4,011,086</u> | <u>4,514,804</u> | <u>4,808,728</u> |
| 2,391,445 | 2,678,643 | 2,602,747 | 2,336,187 | 2,009,704 |
| 62,818 | 55,557 | 49,833 | 38,018 | 38,169 |
| 127,123 | 52,090 | 49,979 | 50,263 | 13,615 |
| - | 421,950 | 376,730 | 326,380 | 320,299 |
| 2,003,739 | 1,968,755 | 1,818,422 | 1,712,831 | 1,589,846 |
| 192,214 | 163,023 | 107,734 | 89,077 | 91,748 |
| 172,003 | 134,277 | 117,980 | 98,698 | 115,540 |
| 166,230 | 96,398 | 120,799 | 136,067 | 144,080 |
| 178,263 | 140,578 | 120,347 | 140,484 | 155,607 |
| <u>5,293,835</u> | <u>5,711,271</u> | <u>5,364,571</u> | <u>4,928,005</u> | <u>4,478,608</u> |
| <u>1,347,058</u> | <u>1,655,167</u> | <u>1,353,485</u> | <u>413,201</u> | <u>(330,120)</u> |
| 86,036 | 48,698 | 27,679 | 8,057 | 33,647 |
| 1,900 | 364 | 1,465 | 135 | 114 |
| - | - | - | - | - |
| <u>(653,519)</u> | <u>(661,109)</u> | <u>(641,422)</u> | <u>(568,802)</u> | <u>(528,711)</u> |
| <u>(565,583)</u> | <u>(612,047)</u> | <u>(612,278)</u> | <u>(560,610)</u> | <u>(494,950)</u> |
| <u>781,475</u> | <u>1,043,120</u> | <u>741,207</u> | <u>(147,409)</u> | <u>(825,070)</u> |
| <u>\$ (1,320,291)</u> | <u>\$ (118,752)</u> | <u>\$ (1,429,337)</u> | <u>\$ (2,714,524)</u> | <u>\$ (4,925,877)</u> |

State of Illinois

Changes in Fund Balances, Governmental Funds

Last Ten Fiscal Years

(Modified Accrual Basis of Accounting, Amounts in Thousands)

| | For the Fiscal Year | | | | |
|---|---------------------|--------------------|--------------------|-----------------------|-------------------|
| | 2012 | 2011 | 2010 | 2009 | 2008 |
| Revenues | | | | | |
| Income taxes | \$ 19,597,757 | \$ 14,410,452 | \$ 10,132,945 | \$ 11,860,233 | \$ 13,546,025 |
| Sales taxes | 9,794,571 | 9,627,310 | 8,820,201 | 9,156,235 | 10,142,098 |
| Motor fuel taxes | 1,275,042 | 1,299,397 | 1,302,000 | 1,350,032 | 1,410,656 |
| Public utility taxes | 1,495,251 | 1,578,941 | 1,564,966 | 1,667,389 | 1,695,635 |
| Riverboat taxes | 495,055 | 457,865 | 483,091 | 533,271 | 696,835 |
| Hospital assessment taxes | 961,546 | 944,635 | 970,164 | 975,086 | 1,538,237 |
| Other taxes | 2,168,203 | 1,815,470 | 1,923,107 | 1,902,400 | 2,100,913 |
| Federal government | 18,213,961 | 20,389,879 | 21,084,394 | 18,148,428 | 15,123,364 |
| Licenses and fees | 2,587,031 | 2,406,475 | 2,294,068 | 2,051,258 | 2,138,772 |
| Interest and other investment income | 52,495 | 51,462 | 52,094 | 136,596 | 318,787 |
| Other revenues | 2,106,663 | 2,175,221 | 1,975,536 | 2,317,811 | 2,186,591 |
| Total revenues | 58,747,575 | 55,157,107 | 50,602,566 | 50,098,739 | 50,897,913 |
| Expenditures | | | | | |
| Health and social services | 25,643,420 | 24,571,136 | 24,130,047 | 23,171,985 | 21,212,437 |
| Education | 15,064,753 | 15,681,944 | 15,525,027 | 14,319,907 | 13,281,734 |
| General government | 2,214,383 | 1,383,859 | 1,316,201 | 1,360,562 | 1,304,174 |
| Employment and economic development | 1,298,303 | 1,534,519 | 1,193,374 | 802,053 | 814,898 |
| Transportation | 3,272,768 | 3,617,622 | 3,698,028 | 3,200,491 | 3,029,674 |
| Public protection and justice | 3,180,977 | 3,043,677 | 3,003,370 | 2,817,374 | 2,723,434 |
| Environment and business regulation | 930,414 | 945,980 | 944,869 | 802,942 | 797,785 |
| Debt service: | | | | | |
| Principal | 1,819,303 | 1,975,685 | 925,276 | 928,339 | 937,114 |
| Interest | 1,576,539 | 1,353,275 | 1,073,432 | 1,102,787 | 1,100,439 |
| Capital outlay | 1,916,674 | 2,024,842 | 1,882,840 | 1,456,465 | 1,238,397 |
| Intergovernmental | 5,329,498 | 5,191,373 | 4,205,934 | 4,631,525 | 5,139,754 |
| Total expenditures | 62,247,032 | 61,323,912 | 57,898,398 | 54,594,430 | 51,579,840 |
| Deficiency of revenues (under) expenditures | (3,499,457) | (6,166,805) | (7,295,832) | (4,495,691) | (681,927) |
| Other Financing Sources (Uses) | | | | | |
| General and special obligation and revenue bonds issued | 2,100,040 | 6,403,460 | 6,698,015 | 150,000 | 175,000 |
| Premiums on general and special obligation and revenue bonds issued | 80,268 | 6,607 | 42,840 | 2,290 | 6,724 |
| Discounts on general obligation bonds issued | - | (90) | - | - | - |
| General and special obligation refunding bonds issued | 1,797,740 | - | 1,956,380 | - | - |
| Premiums on general and special obligation refunding bonds issued | 165,789 | - | 157,131 | - | - |
| Transfers-in | 6,099,132 | 9,764,160 | 11,375,512 | 9,554,492 | 11,883,985 |
| Transfers-out | (5,334,744) | (9,068,773) | (10,691,690) | (8,864,876) | (11,214,684) |
| Payment to refunded bond escrow agent | (1,934,435) | - | (2,090,772) | - | - |
| Capital lease financing | 2,788 | 1,282 | 1,001 | 1,364 | 1,625 |
| Proceeds from disposition of capital assets | - | - | - | - | - |
| Total other financing sources (uses) | 2,976,578 | 7,106,646 | 7,448,417 | 843,270 | 852,650 |
| Net change in fund balances | \$ (522,879) | \$ 939,841 | \$ 152,585 | \$ (3,652,421) | \$ 170,723 |
| Debt service as a percentage of noncapital expenditures | 5.63% | 5.61% | 3.57% | 3.82% | 4.05% |

Note: Balances have been reclassified for prior period adjustments, corrections, and reclassifications when practical.

The dramatic increase in net change in fund balances reported in fiscal year 2003 was the result of the \$10 billion general obligation bond issued for funding and reimbursing a portion of the State's contributions to the State's retirement systems. The majority of the bond issue was shown as expenditures in fiscal year 2004 causing a corresponding decrease in net change in fund balance.

Revenue from hospital assessment taxes increased significantly during fiscal year 2008 as the State recognized assessed taxes from the previous fiscal year which were unavailable at June 30, 2007.

Schedule 4

| Ended June 30, | | | | |
|-----------------------|---------------------|---------------------|-----------------------|---------------------|
| 2007 | 2006 | 2005 | 2004 | 2003 |
| \$ 12,244,124 | \$ 11,253,161 | \$ 10,382,711 | \$ 9,029,052 | \$ 8,504,873 |
| 9,864,637 | 9,590,006 | 9,148,752 | 8,937,628 | 8,227,102 |
| 1,436,518 | 1,426,963 | 1,425,776 | 1,408,961 | 1,377,995 |
| 1,615,402 | 1,531,206 | 1,523,083 | 1,489,459 | 1,612,941 |
| 817,590 | 813,489 | 664,569 | 642,370 | 670,478 |
| 804,797 | 75,515 | 707,619 | 76,077 | 83,276 |
| 1,973,752 | 1,990,265 | 2,118,860 | 1,908,260 | 1,827,394 |
| 14,343,656 | 13,568,161 | 13,345,290 | 13,087,499 | 11,756,201 |
| 2,126,360 | 2,133,112 | 2,153,560 | 2,098,169 | 1,675,796 |
| 349,817 | 265,999 | 142,798 | 90,085 | 123,758 |
| <u>2,401,881</u> | <u>2,668,622</u> | <u>2,407,546</u> | <u>2,374,839</u> | <u>2,162,727</u> |
| <u>47,978,534</u> | <u>45,316,499</u> | <u>44,020,564</u> | <u>41,142,399</u> | <u>38,022,541</u> |
| 21,231,376 | 18,438,775 | 19,492,899 | 18,014,003 | 16,477,116 |
| 12,357,592 | 11,593,903 | 12,218,024 | 18,136,163 | 11,693,002 |
| 1,316,223 | 1,183,333 | 228,730 | 443,041 | 613,779 |
| 960,102 | 1,062,001 | 963,293 | 1,246,758 | 1,344,047 |
| 2,800,738 | 2,468,345 | 2,702,364 | 2,736,531 | 2,942,719 |
| 2,488,988 | 2,338,618 | 2,700,104 | 2,887,584 | 2,434,904 |
| 770,455 | 669,501 | 858,386 | 828,729 | 899,288 |
| 864,533 | 820,486 | 775,756 | 662,936 | 735,430 |
| 1,116,514 | 1,117,167 | 1,083,680 | 1,026,546 | 490,854 |
| 1,607,162 | 1,544,912 | 1,397,108 | 1,628,632 | 1,754,708 |
| <u>5,036,015</u> | <u>4,565,480</u> | <u>4,197,679</u> | <u>3,696,687</u> | <u>3,473,281</u> |
| <u>50,549,698</u> | <u>45,802,521</u> | <u>46,618,023</u> | <u>51,307,610</u> | <u>42,859,128</u> |
| <u>(2,571,164)</u> | <u>(486,022)</u> | <u>(2,597,459)</u> | <u>(10,165,211)</u> | <u>(4,836,587)</u> |
| 258,000 | 1,140,000 | 1,075,000 | 1,525,000 | 11,894,304 |
| 12,085 | 63,780 | 73,513 | 76,773 | 116,805 |
| - | - | - | - | (2,869) |
| 329,000 | 274,950 | - | 617,175 | 695,025 |
| 14,014 | 11,824 | - | 63,171 | 65,573 |
| 9,088,399 | 8,779,739 | 10,017,074 | 10,485,498 | 7,488,813 |
| (8,402,727) | (8,073,119) | (9,331,080) | (9,889,388) | (6,960,102) |
| (341,849) | (285,778) | - | (678,668) | (757,330) |
| 8,288 | 1,366 | 3,232 | 2,512 | 4,415 |
| - | 5,500 | - | - | - |
| <u>965,210</u> | <u>1,918,262</u> | <u>1,837,739</u> | <u>2,202,073</u> | <u>12,544,634</u> |
| <u>\$ (1,605,954)</u> | <u>\$ 1,432,240</u> | <u>\$ (759,720)</u> | <u>\$ (7,963,138)</u> | <u>\$ 7,708,047</u> |
| <u>4.05%</u> | <u>4.38%</u> | <u>4.11%</u> | <u>3.40%</u> | <u>2.98%</u> |

State of Illinois**Personal Income by Industry
Last Ten Calendar Years
(Amounts in Thousands)**

| | For the Calendar Year | | | | |
|--|------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2011 | 2010 | 2009 | 2008 | 2007 |
| Farm earnings | \$ 6,047,992 | \$ 3,697,446 | \$ 4,078,836 | \$ 5,651,082 | \$ 3,189,921 |
| Agricultural/forestry, fishing, and other | 436,279 | 418,545 | 345,063 | 323,142 | 353,138 |
| Mining | 1,034,648 | 972,150 | 952,507 | 1,558,116 | 2,380,656 |
| Construction/utilities | 23,237,365 | 22,886,641 | 23,826,874 | 27,547,981 | 27,690,823 |
| Manufacturing | 49,033,122 | 46,199,378 | 44,219,914 | 51,284,621 | 49,625,389 |
| Transportation and public utilities | 17,281,467 | 16,414,487 | 15,684,250 | 16,580,644 | 16,598,805 |
| Wholesale trade | 26,974,403 | 25,231,367 | 24,699,454 | 26,850,101 | 26,280,719 |
| Retail trade | 22,099,844 | 21,187,630 | 20,663,831 | 21,791,175 | 23,039,406 |
| Finance, insurance, and real estate | 45,781,202 | 44,101,855 | 42,085,141 | 43,714,915 | 44,827,372 |
| Services | 171,282,968 | 164,176,623 | 158,989,478 | 164,901,866 | 159,925,967 |
| Federal, civilian | 9,388,414 | 9,474,668 | 8,816,545 | 8,631,399 | 8,429,172 |
| Military | 3,333,832 | 3,623,287 | 3,581,057 | 3,342,994 | 3,107,053 |
| State and local government | 49,896,098 | 49,321,552 | 47,895,065 | 45,275,097 | 42,813,098 |
| Other | 136,834,846 | 131,974,389 | 127,107,582 | 137,068,361 | 124,325,490 |
| Total personal income | \$ 562,662,480 | \$ 539,680,018 | \$ 522,945,597 | \$ 554,521,494 | \$ 532,587,009 |
| Tax liability | \$ 12,855,244 | \$ 8,131,062 | \$ 7,812,307 | \$ 8,402,169 | \$ 8,762,122 |
| Average effective rate | 2.28% | 1.51% | 1.49% | 1.52% | 1.65% |

Note: The total direct rate for personal income is not available.
Average effective rate equals tax collections divided by income.

Source: U.S. Bureau of Economic Analysis

State of Illinois**Taxable Sales by Industry
Last Ten Fiscal Years
(Amounts in Thousands)**

| | For the Fiscal Year | | | | |
|---------------------------------|----------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2012 | 2011 | 2010 | 2009 | 2008 |
| General merchandise | \$ 21,379,802 | \$ 12,406,368 | \$ 12,014,343 | \$ 17,198,339 | \$ 20,795,910 |
| Food | 20,602,149 | 19,700,141 | 18,932,808 | 19,434,980 | 20,055,709 |
| Drinking and eating places | 19,377,805 | 18,408,341 | 16,857,284 | 17,362,456 | 17,839,212 |
| Apparel | 6,601,677 | 14,736,097 | 13,560,264 | 9,192,958 | 6,360,979 |
| Furniture, household, and radio | 9,201,686 | 8,833,159 | 8,249,837 | 8,797,308 | 10,466,904 |
| Lumber, building, and hardware | 8,593,170 | 8,332,430 | 8,040,005 | 8,678,872 | 12,620,346 |
| Automotive and filling stations | 35,771,184 | 33,575,575 | 29,714,908 | 30,055,943 | 37,943,597 |
| Drugs and other retail | 27,458,332 | 25,180,327 | 23,792,285 | 24,366,956 | 25,329,145 |
| Agriculture and extractives | 24,608,599 | 24,720,332 | 21,475,741 | 23,809,122 | 27,059,367 |
| Manufacturing | 4,308,079 | 4,294,155 | 3,980,846 | 4,445,506 | 4,990,610 |
| Total | \$ 177,902,483 | \$ 170,186,925 | \$ 156,618,321 | \$ 163,342,440 | \$ 183,461,779 |

| | | | | | |
|---|-------|-------|-------|-------|-------|
| Direct sales tax rate: | | | | | |
| Qualifying food, drugs, and medical appliances | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% |
| General merchandise | 6.25% | 6.25% | 6.25% | 6.25% | 6.25% |

Source: Department of Revenue

Schedule 5

| Ended December 31, | | | | |
|---------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| 2006 | 2005 | 2004 | 2003 | 2002 |
| \$ 2,078,022 | \$ 1,830,007 | \$ 3,740,372 | \$ 1,949,195 | \$ 955,707 |
| 344,059 | 335,074 | 317,432 | 287,288 | 265,160 |
| 2,765,061 | 2,317,874 | 2,055,374 | 1,873,786 | 1,732,984 |
| 28,794,477 | 26,932,201 | 25,869,656 | 24,894,523 | 24,320,875 |
| 48,647,548 | 47,039,206 | 45,944,451 | 45,053,128 | 44,956,505 |
| 16,486,056 | 15,541,871 | 14,768,596 | 13,961,448 | 13,697,947 |
| 24,612,794 | 23,160,257 | 21,925,351 | 20,752,693 | 20,655,643 |
| 22,162,856 | 21,515,885 | 20,897,006 | 20,436,243 | 19,765,409 |
| 44,379,687 | 41,569,224 | 40,520,637 | 37,983,889 | 37,148,809 |
| 151,644,458 | 142,590,569 | 134,818,796 | 126,321,834 | 122,806,308 |
| 8,172,661 | 7,975,398 | 7,678,762 | 7,106,845 | 6,968,280 |
| 2,911,719 | 2,834,733 | 2,741,011 | 2,590,243 | 2,379,260 |
| 40,860,095 | 39,567,981 | 41,849,193 | 42,570,966 | 36,101,800 |
| 110,633,528 | 98,862,396 | 92,163,935 | 90,118,759 | 91,523,398 |
| <u>\$ 504,493,021</u> | <u>\$ 472,072,676</u> | <u>\$ 455,290,572</u> | <u>\$ 435,900,840</u> | <u>\$ 423,278,085</u> |
| <u>\$ 8,388,536</u> | <u>\$ 7,729,649</u> | <u>\$ 7,394,901</u> | <u>\$ 6,797,980</u> | <u>\$ 6,500,463</u> |
| <u>1.66%</u> | <u>1.64%</u> | <u>1.62%</u> | <u>1.56%</u> | <u>1.54%</u> |

Schedule 6

| Ended June 30, | | | | |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| 2007 | 2006 | 2005 | 2004 | 2003 |
| \$ 20,309,083 | \$ 19,600,033 | \$ 19,088,864 | \$ 18,626,322 | \$ 17,988,962 |
| 18,894,356 | 18,832,493 | 18,362,003 | 18,741,796 | 18,433,453 |
| 17,116,672 | 16,627,151 | 15,652,501 | 14,968,004 | 14,036,937 |
| 6,141,805 | 5,827,022 | 5,528,017 | 5,159,596 | 4,806,953 |
| 10,280,540 | 10,441,898 | 9,897,051 | 9,224,073 | 8,529,475 |
| 12,626,543 | 10,879,756 | 10,414,709 | 9,593,743 | 8,582,184 |
| 32,772,319 | 35,803,644 | 32,207,314 | 31,613,327 | 30,962,662 |
| 24,817,828 | 22,775,595 | 21,351,837 | 20,414,099 | 25,348,617 |
| 25,952,233 | 25,522,299 | 31,350,034 | 20,922,639 | 21,010,315 |
| 5,068,327 | 4,927,891 | 4,639,168 | 3,896,955 | 4,059,975 |
| <u>\$ 173,979,706</u> | <u>\$ 171,237,782</u> | <u>\$ 168,491,498</u> | <u>\$ 153,160,554</u> | <u>\$ 153,759,533</u> |
| 1.00% | 1.00% | 1.00% | 1.00% | 1.00% |
| 6.25% | 6.25% | 6.25% | 6.25% | 6.25% |

Personal Income Tax Filers and Liability by Income Level
Calendar Years 2011 and 2002
(Amounts in Thousands)

For the Calendar Year Ended December 31, 2011

| Income Level | Number of Filers | Percentage of Total | Personal Income Tax Liability | Percentage of Total |
|-----------------------|-------------------------|----------------------------|--------------------------------------|----------------------------|
| \$500,001 and higher | 34,154 | 0.63% | \$ 1,779,034 | 13.84% |
| \$100,001 - \$500,000 | 812,315 | 14.91% | 5,366,045 | 41.74% |
| \$50,001 - \$100,000 | 1,274,370 | 23.39% | 3,327,240 | 25.88% |
| \$25,001 - \$50,000 | 1,240,896 | 22.77% | 1,619,296 | 12.60% |
| \$25,000 and less | 2,086,884 | 38.30% | 763,629 | 5.94% |
| Total | 5,448,619 | 100.00% | \$ 12,855,244 | 100.00% |

For the Calendar Year Ended December 31, 2002

| Income Level | Number of Filers | Percentage of Total | Personal Income Tax Liability | Percentage of Total |
|-----------------------|-------------------------|----------------------------|--------------------------------------|----------------------------|
| \$500,001 and higher | 25,591 | 0.49% | \$ 1,058,639 | 16.29% |
| \$100,001 - \$500,000 | 491,056 | 9.41% | 2,002,175 | 30.80% |
| \$50,001 - \$100,000 | 1,206,013 | 23.12% | 1,941,785 | 29.87% |
| \$25,001 - \$50,000 | 1,308,453 | 25.08% | 1,046,065 | 16.09% |
| \$25,000 and less | 2,185,994 | 41.90% | 451,799 | 6.95% |
| Total | 5,217,107 | 100.00% | \$ 6,500,463 | 100.00% |

Note: Generally, the tax liability for a filer (an individual or married couple) is calculated by taking the filer(s)'s federal adjusted gross income and subtracting the number of exemptions and multiplying the result by the State's income tax rate of 3%. The State exemption amount was \$2,000 for calendar year 2002 and \$2,000 for calendar year 2011. An exemption is allowed on a return for each filer(s) and dependent(s). Additional exemptions are allowed for each filer(s) who is 65 or older and for each filer(s) who is legally blind.

Source: Department of Revenue

Sales Tax Revenue Payers by Industry
Fiscal Years 2012 and 2003
(Amounts in Thousands)

| | For the Fiscal Year Ended June 30, 2012 | | | |
|---------------------------------|---|------------------------|----------------------|------------------------|
| | Number of Filers | Percentage of Total | Tax Liability | Percentage of Total |
| General merchandise | 2,069 | 0.17% | \$ 1,376,317 | 11.23% |
| Food | 7,489 | 0.61% | 870,276 | 7.10% |
| Drinking and eating places | 25,865 | 2.09% | 1,616,394 | 13.19% |
| Apparel | 7,900 | 0.64% | 554,988 | 4.53% |
| Furniture, household, and radio | 13,315 | 1.08% | 734,222 | 5.99% |
| Lumber, building, and hardware | 12,218 | 0.99% | 710,003 | 5.79% |
| Automotive and filling stations | 1,032,114 | 83.42% | 2,541,039 | 20.73% |
| Drugs and other retail | 55,838 | 4.51% | 1,602,041 | 13.07% |
| Agriculture and extractives | 67,476 | 5.44% | 1,850,792 | 15.10% |
| Manufacturing | 12,992 | 1.05% | 400,817 | 3.27% |
| Total | 1,237,276 | 100.00% | \$ 12,256,889 | 100.00% |

| | For the Fiscal Year Ended June 30, 2003 | | | |
|---------------------------------|---|------------------------|---------------------|------------------------|
| | Number of Filers | Percentage of Total | Tax Liability | Percentage of Total |
| General merchandise | 1,816 | 0.64% | \$ 1,153,728 | 12.08% |
| Food | 9,889 | 3.50% | 643,347 | 6.73% |
| Drinking and eating places | 26,614 | 9.43% | 1,049,812 | 10.99% |
| Apparel | 7,432 | 2.63% | 370,615 | 3.88% |
| Furniture, household, and radio | 18,305 | 6.48% | 636,159 | 6.66% |
| Lumber, building, and hardware | 13,742 | 4.87% | 650,308 | 6.81% |
| Automotive and filling stations | 52,414 | 18.57% | 2,101,066 | 21.99% |
| Drugs and other retail | 64,762 | 22.94% | 1,067,590 | 11.17% |
| Agriculture and extractives | 74,124 | 26.27% | 1,543,124 | 16.14% |
| Manufacturing | 13,192 | 4.67% | 338,869 | 3.55% |
| Total | 282,290 | 100.00% | \$ 9,554,618 | 100.00% |

Note: Due to confidentiality issues, the names of the ten largest sales tax revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the State's sales tax revenue.

Also, in fiscal year 2003, the Department of Revenue changed their system of returns for automobile sales to counting each individual sale of a vehicle as a sales tax return filed.

Source: Department of Revenue

State of Illinois

**Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(Amounts in Thousands)**

| | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>For the Fiscal 2008</u> |
|---|----------------------|----------------------|----------------------|----------------------|--------------------------------|
| Governmental activities | | | | | |
| General obligation bonds | \$ 28,141,980 | \$ 28,256,367 | \$ 25,136,941 | \$ 19,669,908 | \$ 20,253,876 |
| Special obligation bonds | 2,934,527 | 2,394,597 | 2,591,591 | 2,204,110 | 2,365,323 |
| Revenue bonds | 1,450,094 | 1,509,846 | - | - | - |
| Capital leases | 7,648 | 6,632 | 6,477 | 8,736 | 9,727 |
| Installment purchases | 3,412 | 8,109 | 14,158 | 19,067 | 12,302 |
| Certificates of participation | 58,190 | 66,870 | 75,095 | 82,895 | 90,300 |
| Total governmental activities | <u>32,595,851</u> | <u>32,242,421</u> | <u>27,824,262</u> | <u>21,984,716</u> | <u>22,731,528</u> |
| Business-type activities | | | | | |
| Revenue bonds | 590,704 | 704,284 | 1,019,701 | 1,027,300 | 879,441 |
| Notes payable | - | - | - | - | - |
| Capital leases | - | 4 | 7 | 3 | 5 |
| Installment purchases | - | - | - | - | - |
| Total business-type activities | <u>590,704</u> | <u>704,288</u> | <u>1,019,708</u> | <u>1,027,303</u> | <u>879,446</u> |
| Total primary government | <u>\$ 33,186,555</u> | <u>\$ 32,946,709</u> | <u>\$ 28,843,970</u> | <u>\$ 23,012,019</u> | <u>\$ 23,610,974</u> |
| Total primary government debt as a percentage of personal income | <u>5.90%</u> | <u>6.10%</u> | <u>5.52%</u> | <u>4.15%</u> | <u>4.43%</u> |
| Total amount of primary government debt per capita | <u>\$ 2.579</u> | <u>\$ 2.566</u> | <u>\$ 2.254</u> | <u>\$ 1.805</u> | <u>\$ 1.860</u> |

Note: Details regarding the State's debt can be found in Note 8 of the financial statements.

Schedule 9

| Year Ended June 30, | | | | |
|----------------------------|----------------------|----------------------|----------------------|----------------------|
| 2007 | 2006 | 2005 | 2004 | 2003 |
| \$ 20,865,798 | \$ 21,257,664 | \$ 20,909,291 | \$ 20,554,896 | \$ 19,779,249 |
| 2,467,733 | 2,614,724 | 2,515,469 | 2,409,159 | 2,130,229 |
| - | - | - | - | - |
| 10,735 | 11,392 | 11,139 | 13,895 | 19,022 |
| 16,241 | 10,574 | 16,123 | 10,217 | 19,859 |
| 97,335 | 107,580 | 114,805 | 122,965 | 130,720 |
| <u>23,457,842</u> | <u>24,001,934</u> | <u>23,566,827</u> | <u>23,111,132</u> | <u>22,079,079</u> |
| 3,709,323 | 4,454,444 | 4,675,455 | 3,785,870 | 3,260,400 |
| - | - | - | 685,469 | 100,294 |
| - | - | 24 | 50 | 75 |
| - | - | - | 4 | 29 |
| <u>3,709,323</u> | <u>4,454,444</u> | <u>4,675,479</u> | <u>4,471,393</u> | <u>3,360,798</u> |
| <u>\$ 27,167,165</u> | <u>\$ 28,456,378</u> | <u>\$ 28,242,306</u> | <u>\$ 27,582,525</u> | <u>\$ 25,439,877</u> |
| <u>5.39%</u> | <u>6.03%</u> | <u>6.20%</u> | <u>6.33%</u> | <u>6.01%</u> |
| <u>\$ 2.149</u> | <u>\$ 2.257</u> | <u>\$ 2.243</u> | <u>\$ 2.197</u> | <u>\$ 2.031</u> |

State of Illinois

Ratios of General Bonded Debt Outstanding and Debt Limitations

Last Ten Fiscal Years

(Amounts in Thousands)

| | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>For the Fiscal 2008</u> |
|---|----------------------|----------------------|----------------------|----------------------|--------------------------------|
| General bonded debt | | | | | |
| General obligation bonds | \$ 28,141,980 | \$ 28,256,367 | \$ 25,136,941 | \$ 19,669,908 | \$ 20,253,876 |
| Special obligation bonds | 2,934,527 | 2,394,597 | 2,591,591 | 2,204,110 | 2,365,323 |
| | <u>\$ 31,076,507</u> | <u>\$ 30,650,964</u> | <u>27,728,532</u> | <u>21,874,018</u> | <u>22,619,199</u> |
| Less: Amounts restricted for debt service | 1,478,072 | 1,366,885 | 1,071,220 | 848,302 | 861,152 |
| Net total general bonded debt | <u>\$ 29,598,435</u> | <u>\$ 29,284,079</u> | <u>\$ 26,657,312</u> | <u>\$ 21,025,716</u> | <u>\$ 21,758,047</u> |
| Total general bonded debt as a percentage of personal income | <u>5.26%</u> | <u>5.43%</u> | <u>5.10%</u> | <u>3.79%</u> | <u>4.09%</u> |
| Total general bonded debt as a percentage of taxable sales | <u>16.64%</u> | <u>17.21%</u> | <u>17.02%</u> | <u>12.87%</u> | <u>11.86%</u> |
| Total amount of general obligation debt per capita | <u>\$ 2.300</u> | <u>\$ 2.280</u> | <u>\$ 2.083</u> | <u>\$ 1.649</u> | <u>\$ 1.714</u> |
| Authorized general bonded debt | | | | | |
| General obligation bonds | \$ 54,014,151 | \$ 54,014,151 | \$ 45,755,802 | \$ 39,231,174 | \$ 34,196,174 |
| Special obligation bonds | 5,903,509 | 4,815,509 | 4,815,509 | 4,005,509 | 4,005,509 |
| Total authorized general bonded debt | <u>\$ 59,917,660</u> | <u>\$ 58,829,660</u> | <u>\$ 50,571,311</u> | <u>\$ 43,236,683</u> | <u>\$ 38,201,683</u> |
| Issued general bonded debt | | | | | |
| General obligation bonds | \$ 49,883,046 | \$ 46,710,306 | \$ 41,810,306 | \$ 34,140,911 | \$ 33,990,911 |
| Special obligation bonds | 4,810,193 | 4,085,153 | 4,085,153 | 3,555,233 | 3,437,968 |
| Total issued general bonded debt | <u>\$ 54,693,239</u> | <u>\$ 50,795,459</u> | <u>\$ 45,895,459</u> | <u>\$ 37,696,144</u> | <u>\$ 37,428,879</u> |
| General bonded debt margin (Authorized but unissued debt) | | | | | |
| General obligation bonds | \$ 7,852,278 | \$ 10,481,559 | \$ 6,900,602 | \$ 7,809,162 | \$ 2,765,379 |
| Special obligation bonds | 1,221,821 | 852,891 | 852,891 | 570,096 | 567,541 |
| Total general bonded debt margin | <u>\$ 9,074,099</u> | <u>\$ 11,334,450</u> | <u>\$ 7,753,493</u> | <u>\$ 8,379,258</u> | <u>\$ 3,332,920</u> |
| Issued bonded debt to authorized bonded debt ratio | | | | | |
| General obligation bonds | 92.35% | 86.48% | 91.38% | 87.02% | 99.40% |
| Special obligation bonds | 81.48% | 84.83% | 84.83% | 88.76% | 85.83% |
| Total issued bonded debt to authorized bonded debt ratio | 91.28% | 86.34% | 90.75% | 87.19% | 97.98% |

Note: Details regarding the State's general obligation bonds can be found in Note 9 of the financial statements.
 Details regarding the State's special obligation bonds can be found in Note 10 of the financial statements.

The State's authorized bonded debt limits are established by the General Obligation Bond Act (30 ILCS 330),
 the Metropolitan Civic Center Support Act (30 ILCS 355), and the Build Illinois Bond Act (30 ILCS 425).

Schedule 10

Year Ended June 30,

| 2007 | 2006 | 2005 | 2004 | 2003 |
|----------------------|----------------------|----------------------|----------------------|----------------------|
| \$ 20,865,798 | \$ 21,257,664 | \$ 20,909,291 | \$ 20,554,896 | \$ 19,779,249 |
| 2,467,733 | 2,614,724 | 2,515,469 | 2,409,159 | 2,130,229 |
| <u>23,333,531</u> | <u>23,872,388</u> | <u>23,424,760</u> | <u>22,964,055</u> | <u>21,909,478</u> |
| 846,063 | 833,273 | 848,213 | 799,825 | 745,023 |
| <u>\$ 22,487,468</u> | <u>\$ 23,039,115</u> | <u>\$ 22,576,547</u> | <u>\$ 22,164,230</u> | <u>\$ 21,164,455</u> |
| <u>4.46%</u> | <u>4.88%</u> | <u>4.96%</u> | <u>5.08%</u> | <u>5.00%</u> |
| <u>12.93%</u> | <u>13.45%</u> | <u>13.40%</u> | <u>14.47%</u> | <u>13.76%</u> |
| <u>\$ 1.779</u> | <u>\$ 1.827</u> | <u>\$ 1.793</u> | <u>\$ 1.765</u> | <u>\$ 1.690</u> |
| \$ 34,196,174 | \$ 34,196,174 | \$ 34,196,174 | \$ 34,196,174 | \$ 34,927,174 |
| 4,005,509 | 4,005,509 | 4,005,509 | 4,005,509 | 4,005,509 |
| <u>\$ 38,201,683</u> | <u>\$ 38,201,683</u> | <u>\$ 38,201,683</u> | <u>\$ 38,201,683</u> | <u>\$ 38,932,683</u> |
| \$ 33,865,911 | \$ 33,278,911 | \$ 32,078,961 | \$ 31,203,961 | \$ 29,411,786 |
| 3,387,968 | 3,387,968 | 3,172,968 | 2,972,968 | 2,622,968 |
| <u>\$ 37,253,879</u> | <u>\$ 36,666,879</u> | <u>\$ 35,251,929</u> | <u>\$ 34,176,929</u> | <u>\$ 32,034,754</u> |
| \$ 2,732,465 | \$ 3,110,369 | \$ 4,167,371 | \$ 4,915,346 | \$ 7,204,988 |
| 617,541 | 617,541 | 832,541 | 1,032,541 | 1,382,541 |
| <u>\$ 3,350,006</u> | <u>\$ 3,727,910</u> | <u>\$ 4,999,912</u> | <u>\$ 5,947,887</u> | <u>\$ 8,587,529</u> |
| 99.03% | 97.32% | 93.81% | 91.25% | 84.21% |
| 84.58% | 84.58% | 79.22% | 74.22% | 65.48% |
| 97.52% | 95.98% | 92.28% | 89.46% | 82.28% |

Pledged Revenue Coverage

Last Ten Fiscal Years

(Amounts in Thousands)

| Fiscal Year | Gross Revenues | Direct Operating Expenses | Net Revenue Available for Debt Service | Debt Service Requirements | | | Coverage |
|--|----------------|---------------------------|--|---------------------------|------------|------------|----------|
| | | | | Principal | Interest | Total | |
| PRIMARY GOVERNMENT | | | | | | | |
| Build Illinois Bond Fund - Pledged revenue of portion of sales tax collections | | | | | | | |
| 2012 | \$ 530,664 | \$ - | \$ 530,664 | \$ 180,589 | \$ 118,942 | \$ 299,531 | 1.77 |
| 2011 | 509,368 | - | 509,368 | 180,565 | 118,598 | 299,163 | 1.70 |
| 2010 | 473,452 | - | 473,452 | 157,180 | 117,552 | 274,732 | 1.72 |
| 2009 | 500,012 | - | 500,012 | 152,065 | 113,199 | 265,264 | 1.88 |
| 2008 | 560,514 | - | 560,514 | 145,505 | 120,417 | 265,922 | 2.11 |
| 2007 | 545,699 | - | 545,699 | 138,515 | 125,698 | 264,213 | 2.07 |
| 2006 | 523,584 | - | 523,584 | 116,840 | 121,566 | 238,406 | 2.20 |
| 2005 | 486,767 | - | 486,767 | 102,200 | 118,537 | 220,737 | 2.21 |
| 2004 | 451,124 | - | 451,124 | 96,029 | 108,658 | 204,687 | 2.20 |
| 2003 | 456,824 | - | 456,824 | 94,725 | 101,215 | 195,940 | 2.33 |
| Civic Center Bond Fund - Pledged revenue of portion of sales tax collections | | | | | | | |
| 2012 | \$ 19,000 | \$ - | \$ 19,000 | \$ 9,555 | \$ 4,242 | \$ 13,797 | 1.38 |
| 2011 | 19,000 | - | 19,000 | 9,085 | 4,761 | 13,846 | 1.37 |
| 2010 | 19,000 | - | 19,000 | 8,595 | 5,253 | 13,848 | 1.37 |
| 2009 | 19,000 | - | 19,000 | 8,100 | 5,750 | 13,850 | 1.37 |
| 2008 | 19,000 | - | 19,000 | 7,610 | 6,236 | 13,846 | 1.37 |
| 2007 | 19,000 | - | 19,000 | 7,175 | 6,677 | 13,852 | 1.37 |
| 2006 | 19,000 | - | 19,000 | 6,790 | 7,058 | 13,848 | 1.37 |
| 2005 | 19,000 | - | 19,000 | 6,455 | 7,383 | 13,838 | 1.37 |
| 2004 | 19,000 | - | 19,000 | 6,160 | 7,682 | 13,842 | 1.37 |
| 2003 | 19,000 | - | 19,000 | 5,875 | 7,972 | 13,847 | 1.37 |
| Illinois Student Assistance Commission - Pledged revenue of loans receivable repayments | | | | | | | |
| 2012 | \$ 36,110 | \$ 26,091 | \$ 10,019 | \$ 109,497 | \$ 8,530 | \$ 118,027 | 0.08 |
| 2011 | 45,434 | 35,211 | 10,223 | 982,105 | 11,416 | 993,521 | 0.01 |
| 2010 | 55,073 | 32,859 | 22,214 | 96,100 | 10,516 | 106,616 | 0.21 |
| 2009 | 50,809 | 28,085 | 22,724 | - | 17,988 | 17,988 | 1.26 |
| 2008 | 74,913 | 30,472 | 44,441 | 150 (a) | 57,142 | 57,292 | 0.78 |
| 2007 | 192,214 | 90,691 | 101,523 | 40,135 (b) | 154,887 | 195,022 | 0.52 |
| 2006 | 163,023 | 91,585 | 71,438 | 130,475 | 132,548 | 263,023 | 0.27 |
| 2005 | 107,734 | 76,197 | 31,537 | 97,340 | 60,100 | 157,440 | 0.20 |
| 2004 | 89,077 | 65,449 | 23,628 | 80,375 (c) | 31,478 | 111,853 | 0.21 |
| 2003 | 91,748 | 55,401 | 36,347 | 137,345 | 40,900 | 178,245 | 0.20 |
| Railsplitter Tobacco Settlement Authority - Pledged revenue of tobacco settlement funds (d) | | | | | | | |
| 2012 | \$ 275,468 | \$ 133,160 | \$ 142,308 | \$ 59,375 | \$ 79,599 | \$ 138,974 | 1.02 |
| 2011 | 402,666 | 248,429 | 154,237 | - | 38,252 | 38,252 | 4.03 |

(a) The Commission redeemed \$2.608 billion of principal by the sale of a portion of their student loan portfolio during fiscal year 2008.

(b) The Commission redeemed \$690.2 billion of principal by the sale of a portion of their student loan portfolio during fiscal year 2007.

(c) The Commission redeemed \$50.5 million of principal with bond issuance proceeds in October 2003.

(d) The Railsplitter Tobacco Settlement Authority, a blended component unit of the State, issued \$1.510 billion of Tobacco Settlement Revenue Bonds in December 2010.

Pledged Revenue Coverage

Last Ten Fiscal Years

(Amounts in Thousands)

| Fiscal Year | Gross Revenues | Direct Operating Expenses | Net Revenue Available for Debt Service | Debt Service Requirements | | | Coverage |
|--|----------------|---------------------------|--|---------------------------|------------|------------|----------|
| | | | | Principal | Interest | Total | |
| MAJOR COMPONENT UNITS | | | | | | | |
| Illinois Housing Development Authority - Pledged revenue of loans receivable repayments | | | | | | | |
| 2012 | \$ 81,132 | \$ 11,933 | \$ 69,199 | \$ 267,187 | \$ 57,897 | \$ 325,084 | 0.21 |
| 2011 | 74,874 | 6,483 | 68,391 | 243,050 | 58,716 | 301,766 | 0.23 |
| 2010 | 83,711 | 5,861 | 77,850 | 231,650 | 66,863 | 298,513 | 0.26 |
| 2009 | 88,542 | 6,604 | 81,938 | 116,119 | 75,836 | 191,955 | 0.43 |
| 2008 | 106,031 | 6,653 | 99,378 | 348,355 | 80,330 | 428,685 | 0.23 |
| 2007 | 103,846 | 6,619 | 97,227 | 355,485 | 77,406 | 432,891 | 0.22 |
| 2006 | 91,301 | 7,478 | 83,823 | 251,415 | 70,237 | 321,652 | 0.26 |
| 2005 | 91,505 | 6,892 | 84,613 | 452,138 | 79,271 | 531,409 | 0.16 |
| 2004 | 98,672 | 6,252 | 92,420 | 616,241 | 99,276 | 715,517 | 0.13 |
| 2003 | 125,738 | 8,134 | 117,604 | 392,805 | 111,058 | 503,863 | 0.23 |
| Illinois State Toll Highway Authority - Pledged revenue of toll fees (e) | | | | | | | |
| 2011 | \$ 728,578 | \$ 266,506 | \$ 462,072 | \$ 49,910 | \$ 211,493 | \$ 261,403 | 1.77 |
| 2010 | 706,445 | 277,282 | 429,163 | 1,065 | 204,881 | 205,946 | 2.08 |
| 2009 | 785,593 | 283,106 | 502,487 | 97,150 | 174,821 | 271,971 | 1.85 |
| 2008 | 836,557 | 406,169 | 430,388 | 50,030 | 145,679 | 195,709 | 2.20 |
| 2007 | 675,190 | 252,529 | 422,661 | 47,350 | 121,071 | 168,421 | 2.51 |
| 2006 | 660,874 | 219,292 | 441,582 | 45,035 | 72,012 | 117,047 | 3.77 |
| 2005 | 642,620 | 215,796 | 426,824 | 13,455 | 34,924 | 48,379 | 8.82 |
| 2004 | 427,390 | 200,525 | 226,865 | 41,235 | 36,319 | 77,554 | 2.93 |
| 2003 | 441,655 | 195,702 | 245,953 | 69,255 | 38,316 | 107,571 | 2.29 |
| 2002 | 384,861 | 165,469 | 219,392 | 37,575 | 41,195 | 78,770 | 2.79 |
| Illinois State University - Pledged revenue of usage fees and rental income | | | | | | | |
| 2012 | \$ 87,124 | \$ 71,213 | \$ 15,911 | \$ 6,190 | \$ 3,758 | \$ 9,948 | 1.60 |
| 2011 | 83,258 | 67,583 | 15,675 | 6,280 | 3,839 | 10,119 | 1.55 |
| 2010 | 82,243 | 69,838 | 12,405 | 5,380 | 3,894 | 9,274 | 1.34 |
| 2009 | 78,019 | 58,859 | 19,160 | 5,330 | 4,058 | 9,388 | 2.04 |
| 2008 | 75,181 | 57,809 | 17,372 | 5,265 | 2,647 | 7,912 | 2.20 |
| 2007 | 67,176 | 51,077 | 16,099 | 5,185 | 2,757 | 7,942 | 2.03 |
| 2006 | 61,864 | 49,947 | 11,917 | 5,095 | 1,175 | 6,270 | 1.90 |
| 2005 | 57,753 | 46,088 | 11,665 | 4,770 | 1,219 | 5,989 | 1.95 |
| 2004 | 58,448 | 45,921 | 12,527 | 4,790 | 1,302 | 6,092 | 2.06 |
| 2003 | 56,249 | 44,860 | 11,389 | 4,595 | 1,111 | 5,706 | 2.00 |
| Northern Illinois University - Pledged revenue of usage fees and rental income (f) | | | | | | | |
| 2012 | \$ 86,240 | \$ 71,704 | \$ 14,536 | \$ 6,930 | \$ 14,296 | \$ 21,226 | 0.68 |
| 2011 | 78,426 | 67,201 | 11,225 | 6,300 | 3,857 | 10,157 | 1.11 |
| 2010 | 77,446 | 58,863 | 18,583 | 6,175 | 3,977 | 10,152 | 1.83 |
| 2009 | 77,095 | 66,095 | 11,000 | 6,060 | 4,090 | 10,150 | 1.08 |
| 2008 | 76,692 | 66,080 | 10,612 | 5,945 | 4,204 | 10,149 | 1.05 |
| 2007 | 76,742 | 69,751 | 6,991 | 5,840 | 4,311 | 10,151 | 0.69 |
| 2006 | 72,426 | 53,745 | 18,681 | 5,740 | 4,406 | 10,146 | 1.84 |
| 2005 | 67,645 | 51,008 | 16,637 | 5,595 | 4,549 | 10,144 | 1.64 |
| 2004 | 66,653 | 51,240 | 15,413 | 5,295 | 4,846 | 10,141 | 1.52 |
| 2003 | 64,132 | 49,394 | 14,738 | 5,015 | 5,128 | 10,143 | 1.45 |

(e) The Illinois State Toll Highway Authority fiscal year is from January 1 to December 31.

(f) Northern Illinois University issued \$126 million of Auxiliary Facilities Revenue Bonds in December of 2010 and \$67 million of Auxiliary Facilities Revenue Bonds in January of 2011.

Pledged Revenue Coverage

Last Ten Fiscal Years

(Amounts in Thousands)

| Fiscal Year | Gross Revenues | Direct Operating Expenses | Net Revenue Available for Debt Service | Debt Service Requirements | | | Coverage |
|--|----------------|---------------------------|--|---------------------------|-----------|-----------|----------|
| | | | | Principal | Interest | Total | |
| Southern Illinois University - Pledged revenue of usage fees, rental income, and medical fees | | | | | | | |
| 2012 | \$ 153,006 | \$ 118,090 | \$ 34,916 | \$ 19,790 | \$ 10,536 | \$ 30,326 | 1.15 |
| 2011 | 146,101 | 110,760 | 35,341 | 16,120 | 10,661 | 26,781 | 1.32 |
| 2010 | 141,220 | 105,452 | 35,768 | 13,190 | 10,693 | 23,883 | 1.50 |
| 2009 | 137,463 | 106,839 | 30,624 | 12,815 | 8,437 | 21,252 | 1.44 |
| 2008 | 125,666 | 101,535 | 24,131 | 12,365 | 7,592 | 19,957 | 1.21 |
| 2007 | 116,481 | 92,345 | 24,136 | 10,920 | 7,430 | 18,350 | 1.32 |
| 2006 | 104,713 | 86,382 | 18,331 | 8,735 | 5,392 | 14,127 | 1.30 |
| 2005 | 97,859 | 79,784 | 18,075 | 8,260 | 4,478 | 12,738 | 1.42 |
| 2004 | 90,316 | 73,753 | 16,563 | 7,465 | 4,098 | 11,563 | 1.43 |
| 2003 | 81,515 | 65,836 | 15,679 | 7,465 | 4,098 | 11,563 | 1.36 |
| University of Illinois - Pledged revenue of usage fees, rental income, and medical fees | | | | | | | |
| 2012 | \$ 1,115,945 | \$ 1,023,263 | \$ 92,682 | \$ 38,895 | \$ 47,070 | \$ 85,965 | 1.08 |
| 2011 | 1,013,468 | 937,189 | 76,279 | 35,425 | 45,781 | 81,206 | 0.94 |
| 2010 | 1,021,060 | 894,862 | 126,198 | 34,200 | 44,880 | 79,080 | 1.60 |
| 2009 | 896,275 | 797,980 | 98,295 | 32,265 | 43,325 | 75,590 | 1.30 |
| 2008 | 883,813 | 784,154 | 99,659 | 30,330 | 44,631 | 74,961 | 1.33 |
| 2007 | 841,998 | 737,499 | 104,499 | 29,710 | 41,118 | 70,828 | 1.48 |
| 2006 | 793,906 | 712,608 | 81,298 | 24,080 | 34,643 | 58,723 | 1.38 |
| 2005 | 752,592 | 674,645 | 77,947 | 25,425 | 29,208 | 54,633 | 1.43 |
| 2004 | 810,251 | 609,442 | 200,809 | 22,560 | 29,179 | 51,739 | 3.88 |
| 2003 | 660,059 | 578,082 | 81,977 | 15,755 | 26,844 | 42,599 | 1.92 |

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State of Illinois**Demographic and Economic Statistics****Last Ten Calendar Years (expressed in thousands)**

| | For the | | | |
|-----------------------------------|-------------------|-------------------|-------------------|-------------------|
| | 2011 | 2010 | 2009 | 2008 |
| Population | | | | |
| State | 12,869 | 12,842 | 12,797 | 12,747 |
| Percentage change | 0.21% | 0.35% | 0.39% | 0.40% |
| National | 311,592 | 309,330 | 306,772 | 304,094 |
| Percentage change | 0.73% | 0.83% | 0.88% | 0.95% |
| Total Personal Income | | | | |
| State | \$ 562,662,480 | \$ 539,680,018 | \$ 522,945,597 | \$ 554,521,494 |
| Percentage change | 4.26% | 3.20% | -5.69% | 4.12% |
| National | \$ 12,949,905,000 | \$ 12,308,496,000 | \$ 11,852,715,000 | \$ 12,451,660,000 |
| Percentage change | 5.21% | 3.85% | -4.81% | 4.63% |
| Per Capita Personal Income | | | | |
| State | \$ 43.721 | \$ 42.025 | \$ 40.865 | \$ 43.502 |
| Percentage change | 4.04% | 2.84% | -6.06% | 3.70% |
| National | \$ 41.560 | \$ 39.791 | \$ 38.637 | \$ 40.947 |
| Percentage change | 4.45% | 2.99% | -5.64% | 3.65% |
| Labor Force | | | | |
| State labor force | 6,566 | 6,603 | 6,589 | 6,667 |
| Employed | 5,925 | 5,911 | 5,927 | 6,243 |
| Unemployed | 640 | 692 | 661 | 425 |
| Unemployment rate | 9.7% | 10.5% | 10.0% | 6.4% |

Source: U.S. Bureau of Economic Analysis and Department of Employment Security

Calendar Year Ended,

| 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
|-------------------|-------------------|-------------------|------------------|------------------|------------------|
| 12,696 | 12,644 | 12,610 | 12,590 | 12,556 | 12,526 |
| 0.41% | 0.27% | 0.16% | 0.27% | 0.24% | 0.30% |
| 301,231 | 298,380 | 295,517 | 292,805 | 290,108 | 287,625 |
| 0.96% | 0.97% | 0.93% | 0.93% | 0.86% | 0.93% |
| \$ 532,587,009 | \$ 504,493,021 | \$ 472,072,676 | \$ 455,290,572 | \$ 435,900,840 | \$ 423,278,085 |
| 5.57% | 6.87% | 3.69% | 4.45% | 2.98% | 1.99% |
| \$ 11,900,562,000 | \$ 11,256,516,000 | \$ 10,476,669,000 | \$ 9,928,790,000 | \$ 9,369,072,000 | \$ 9,054,702,000 |
| 5.72% | 7.44% | 5.52% | 5.97% | 3.47% | 1.98% |
| \$ 41.950 | \$ 39.900 | \$ 37.437 | \$ 36.164 | \$ 34.717 | \$ 33.793 |
| 5.14% | 6.58% | 3.52% | 4.17% | 2.73% | 1.69% |
| \$ 39.506 | \$ 37.725 | \$ 35.452 | \$ 33.909 | \$ 32.295 | \$ 31.481 |
| 4.72% | 6.41% | 4.55% | 5.00% | 2.59% | 1.04% |
| 6,660 | 6,527 | 6,404 | 6,366 | 6,343 | 6,387 |
| 6,322 | 6,225 | 6,033 | 5,969 | 5,917 | 5,969 |
| 338 | 302 | 371 | 397 | 426 | 418 |
| 5.1% | 4.6% | 5.8% | 6.2% | 6.7% | 6.5% |

**Principal Employers
Fiscal Years 2012 and 2003**

| Employer | 2012 | |
|------------------------|------------------|---|
| | Employees | Percentage of Total State Employment |
| State of Illinois | 64,328 | 1.09% |
| Jewel Food Stores | 55,161 | 0.93% |
| U.S. Government | 52,800 | 0.89% |
| Wal-Mart | 50,008 | 0.84% |
| Chicago School Board | 39,667 | 0.67% |
| City of Chicago | 36,448 | 0.62% |
| U.S. Postal Service | 29,500 | 0.50% |
| University of Illinois | 28,532 | 0.48% |
| Sears | 26,433 | 0.45% |
| AON PLC | 24,877 | 0.42% |
| Total | 407,754 | 6.89% |

| Employer | 2003 | |
|----------------------|------------------|---|
| | Employees | Percentage of Total State Employment |
| State of Illinois | 75,246 | 1.26% |
| U.S. Government | 50,500 | 0.85% |
| Chicago School Board | 43,299 | 0.73% |
| U.S. Postal Service | 41,500 | 0.70% |
| City of Chicago | 38,900 | 0.65% |
| Walmart | 31,460 | 0.53% |
| Caterpillar Inc. | 30,060 | 0.50% |
| Sears | 30,030 | 0.50% |
| Jewel Food Stores | 27,350 | 0.46% |
| Motorola | 25,480 | 0.43% |
| Total | 393,825 | 6.61% |

Source: Department of Commerce and Economic Opportunity and various employer websites

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State of Illinois
Employees by Function
Last Ten Fiscal Years

| | Employees | | | | |
|-------------------------------------|------------------|---------------|---------------|---------------|---------------|
| | 2012 | 2011 | 2010 | 2009 | 2008 |
| Health and social services | 19,976 | 21,519 | 21,258 | 21,912 | 22,701 |
| Education | 713 | 727 | 778 | 767 | 758 |
| General government | 11,286 | 11,905 | 11,534 | 12,205 | 12,366 |
| Employment and economic development | 2,990 | 3,119 | 3,303 | 3,287 | 3,074 |
| Transportation | 7,386 | 7,529 | 7,662 | 7,574 | 7,638 |
| Public protection and justice | 18,013 | 19,134 | 18,903 | 18,886 | 18,913 |
| Environment and business regulation | 3,964 | 4,213 | 4,304 | 4,398 | 4,694 |
| Total | 64,328 | 68,146 | 67,742 | 69,029 | 70,144 |

Schedule 14

as of June 30,

| <u>2007</u> | <u>2006</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> |
|---------------|---------------|---------------|---------------|---------------|
| 22,784 | 23,230 | 22,767 | 24,262 | 24,134 |
| 750 | 763 | 766 | 767 | 806 |
| 12,515 | 12,421 | 12,256 | 11,934 | 11,804 |
| 3,213 | 3,366 | 3,394 | 3,576 | 3,412 |
| 8,407 | 8,098 | 8,261 | 8,760 | 9,336 |
| 19,793 | 20,181 | 20,414 | 20,819 | 20,320 |
| 4,850 | 4,844 | 4,788 | 5,294 | 5,434 |
| <u>72,312</u> | <u>72,903</u> | <u>72,646</u> | <u>75,412</u> | <u>75,246</u> |

State of Illinois

Operating Indicators by Function/Program

Last Ten Fiscal Years

| Function/Program | For the Fiscal Year | | | |
|--|----------------------------|--------------|--------------|--------------|
| | 2012 | 2011 | 2010 | 2009 |
| Health and Social Services | | | | |
| Child abuse and neglect | | | | |
| Calls to abuse/neglect hotline | 253,444 | 258,999 | 256,492 | 258,237 |
| Children investigated | 106,220 | 101,508 | 109,186 | 111,574 |
| Medical programs | | | | |
| Number of children enrolled in medical programs | 1,685,822 | 1,663,260 | 1,628,782 | 1,553,227 |
| Number of parents enrolled in medical programs | 635,262 | 621,851 | 606,680 | 562,689 |
| Child support | | | | |
| Number of child support cases with orders | 404,752 | 410,433 | 404,800 | 394,123 |
| Persons with disabilities receiving in-home services to prevent institutionalization | 32,820 | 38,682 | 39,165 | 39,412 |
| Immunization rates of children under age two | 77% | 83% | 81% | 78% |
| General government | | | | |
| Taxes | | | | |
| Number of individual income tax returns processed | 5,961,003 | 5,961,385 | 5,946,127 | 6,132,529 |
| Percent of individual income tax returns filed electronically | 78% | 71% | 60% | 56% |
| Total number of payments processed through State Treasury | 15,337,111 | 16,143,902 | 16,050,005 | 15,912,093 |
| Education | | | | |
| Elementary and secondary education | | | | |
| Public school enrollment | 2,087,628 | 2,087,762 | 2,112,132 | 2,112,132 |
| Graduation rate | 82.3% | 83.8% | 87.8% | 87.1% |
| Dropout rate | 2.5% | 2.7% | 3.8% | 3.5% |
| Higher education | | | | |
| Enrollment | 881,077 | 924,749 | 914,763 | 867,090 |
| Degrees conferred | Not available | 205,757 | 195,549 | 184,272 |
| Transportation | | | | |
| Miles of pavement maintained/improved | 921 | 931 | 2,620 | 2,528 |
| Number of bridges maintained/improved | 262 | 263 | 292 | 293 |
| Employment and economic development | | | | |
| Unemployment insurance * | | | | |
| Number of claims | 763,319 | 863,328 | 1,221,195 | 872,368 |
| Average duration (weeks) | 19.01 | 21.34 | 20.63 | 16.71 |
| State Fair | | | | |
| State Fair attendees | 918,534 | 817,393 | 673,223 | 737,052 |
| DuQuoin State Fair attendees | 285,100 | 351,000 | 353,100 | 331,000 |
| Tourism | | | | |
| Historic site attendance (in thousands) | 1,990 | 1,940 | 2,200 | 2,010 |
| Public protection and justice | | | | |
| Crime Rates | | | | |
| Violent crime rates per 100,000 in population * | Not available | 435 | 509 | 540 |
| Property crime rates per 100,000 in population * | Not available | 2,681 | 2,790 | 3,010 |
| Total crime rates per 100,000 in population | | <u>3,116</u> | <u>3,299</u> | <u>3,550</u> |
| Forensic services | | | | |
| Number of original crime scenes processed | 2,775 | 2,529 | 2,594 | 3,081 |
| Number of Deoxyribonucleic Acid (DNA) cases worked | 4,982 | 5,225 | 5,284 | 4,590 |
| Total number of forensic cases worked | 101,076 | 104,043 | 111,669 | 115,044 |
| Number of DNA offender samples worked | 29,589 | 30,736 | 33,025 | 35,722 |
| Environment and business regulation | | | | |
| Professional Regulation | | | | |
| Professional complaints received | 12,466 | 10,634 | 11,159 | 13,800 |
| Licenses placed on probation | 470 | 431 | 603 | 530 |

* Statistics for unemployment insurance and crime rates are based on the previous ending calendar year.

Schedule 15

| Ended or as of June 30, | | | | | |
|-------------------------|------------|------------|------------|------------|---------------|
| 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
| 266,011 | 258,563 | 257,481 | 249,764 | 277,295 | 293,292 |
| 111,869 | 111,746 | 110,225 | 111,830 | 104,236 | 97,413 |
| 1,457,829 | 1,369,050 | 1,216,983 | 1,159,593 | 1,094,077 | 1,022,058 |
| 580,760 | 545,502 | 498,195 | 463,506 | 388,636 | Not available |
| 390,745 | 420,004 | 398,888 | 335,568 | 328,211 | 331,003 |
| 38,093 | 36,858 | 35,916 | 32,549 | 34,156 | 31,970 |
| 78% | 83% | 87% | 86% | 85% | 80% |
| 6,119,040 | 5,963,636 | 5,712,563 | 5,798,585 | 5,757,659 | 5,782,567 |
| 52% | 46% | 44% | 42% | 38% | 33% |
| 15,623,763 | 15,512,005 | 15,092,629 | 14,896,011 | 15,157,741 | 15,979,883 |
| 2,113,435 | 2,118,692 | 2,111,706 | 2,062,912 | 2,060,008 | 2,084,490 |
| 86.5% | 85.9% | 87.8% | 87.4% | 86.5% | 86.0% |
| 4.1% | 3.5% | 3.5% | 4.0% | 4.6% | 6.0% |
| 821,026 | 814,189 | 805,764 | 801,548 | 799,216 | 781,190 |
| 181,370 | 167,066 | 163,153 | 160,806 | 155,216 | 149,865 |
| 933 | 908 | 820 | 919 | 1,155 | 1,561 |
| 272 | 274 | 255 | 206 | 219 | 319 |
| 696,109 | 670,402 | 702,725 | 766,032 | 855,658 | 875,777 |
| 17.31 | 17.34 | 18.23 | 18.92 | 19.01 | 19.01 |
| 613,000 | 703,000 | 672,615 | 671,334 | 725,000 | 1,264,750 |
| 298,000 | 330,000 | 298,286 | 315,731 | 270,346 | 500,854 |
| 2,206 | 2,221 | 2,498 | 2,772 | 2,680 | 2,665 |
| 548 | 562 | 569 | 562 | 573 | 625 |
| 3,014 | 3,127 | 3,171 | 3,282 | 3,382 | 3,519 |
| 3,562 | 3,689 | 3,740 | 3,844 | 3,955 | 4,144 |
| 3,138 | 3,457 | 4,816 | 4,519 | 4,198 | 4,289 |
| 3,390 | 2,830 | 3,464 | 3,397 | 2,812 | 2,253 |
| 112,644 | 119,045 | 116,192 | 116,882 | 110,863 | 107,947 |
| 37,937 | 46,647 | 106,374 | 65,009 | 24,244 | 3,508 |
| 10,912 | 9,498 | 9,024 | 9,195 | 9,781 | 11,085 |
| 455 | 344 | 419 | 488 | 590 | 603 |

State of Illinois

**Capital Asset and Infrastructure Statistics by Function/Program
Last Ten Fiscal Years**

| | For the Fiscal Year | | | | |
|-------------------------------------|----------------------------|-------------|-------------|-------------|-------------|
| | 2012 | 2011 | 2010 | 2009 | 2008 |
| Health and social services | | | | | |
| Mental health facilities | 17 | 17 | 18 | 18 | 18 |
| Veterans homes | 4 | 4 | 4 | 4 | 4 |
| Transportation | | | | | |
| Highway miles | 16,000 | 16,018 | 16,057 | 16,075 | 16,090 |
| Bridges | 7,734 | 7,726 | 7,708 | 7,693 | 7,844 |
| Public protection and justice | | | | | |
| Adult correctional facilities | 27 | 27 | 27 | 28 | 28 |
| Juvenile correctional facilities | 8 | 8 | 10 | 8 | 8 |
| Environment and business regulation | | | | | |
| State park acreage | 473,761 | 473,500 | 470,649 | 469,244 | 373,857 |
| Protected natural area acreage | 99,866 | 96,255 | 93,662 | 89,399 | 89,764 |

Note: No capital asset indicators are available for the education, general government, and employment and economic development functions.

Schedule 16

Ended or as of June 30,

| 2007 | 2006 | 2005 | 2004 | 2003 |
|-------------------|-------------------|-------------------|-------------------|-------------------|
| 18 4 | 18 4 | 18 4 | 18 4 | 18 4 |
| 16,398 8,284 | 16,430 8,296 | 16,459 8,232 | 16,513 8,222 | 16,538 8,227 |
| 28 8 | 27 8 | 27 8 | 27 8 | 26 8 |
| 371,793 89,731 | 499,515 87,731 | 387,753 85,375 | 456,039 82,957 | 450,814 76,179 |