

McGladrey & Pullen

Certified Public Accountants

STATE OF ILLINOIS ILLINOIS FINANCE AUTHORITY

Financial Audit
For the Year Ended June 30, 2006

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

STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY
(A Component Unit of the State of Illinois)
FINANCIAL AUDIT
For the Year Ended June 30, 2006

TABLE OF CONTENTS

	<u>Page</u>
Agency Officials	1
Financial Statement Report	
Summary	2
Independent Auditors' Report	3 - 4
Basic Financial Statements	
Statement of Net Assets	5
Statement of Revenues, Expenses, and Changes in Fund Net Assets	6
Statement of Cash Flows	7
Notes to Financial Statements	8 - 30
Supplementary Information:	
Combining Statement of Net Assets – Nonmajor Funds	31 - 32
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Nonmajor Funds	33 - 34
Combining Statement of Cash Flows – Nonmajor Funds	35 - 36

STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY
(A Component Unit of the State of Illinois)

AGENCY OFFICIALS

Interim Executive Director	Ms. Jill Rendleman
Chairman – Board of Directors	Mr. David C. Gustman
Chief Financial Officer and Treasurer	Mr. Jose Garcia
Chief Administrative Officer	Mr. Stuart Boldry
Chief Credit Officer	Mr. Steven Trout

Board Members

Magda Boyles	Martin H. Nesbitt
Ronald E. DeNard	Terrance M. O'Brien
James J. Fuentes	Andrew W. Rice
Demetris A. Giannoulis	Juan B. Rivera
Michael W. Goetz	Lynn F. Talbott
Dr. Roger D. Herrin	Joseph P. Valenti
Edward H. Leonard Sr.	Bradley A. Zeller

Agency offices are located at:

Chicago Office
180 N. Stetson Avenue, Suite 2555
Chicago, Illinois 60601

Mount Vernon Office
2929 Broadway Street #7B
Mount Vernon, Illinois 62864

Springfield Office
427 E. Monroe Street, Suite 202
Springfield, Illinois 62701

Carbondale Office
150 E. Pleasant Hill Road
Carbondale, Illinois 62901

Peoria Office
124 S.W. Adams Street, Suite 300
Peoria, Illinois 61602

STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY
(A Component Unit of the State of Illinois)

For the Year Ended June 30, 2006

FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying financial statements of the State of Illinois, Illinois Finance Authority was performed by McGladrey & Pullen, LLP.

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

McGladrey & Pullen

Certified Public Accountants

Independent Auditors' Report

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the State of Illinois, Illinois Finance Authority, a component unit of the State of Illinois, as of and for the year ended June 30, 2006, which collectively comprise the State of Illinois, Illinois Finance Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of Illinois, Illinois Finance Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the financial statements of the State of Illinois, Illinois Finance Authority are intended to present the financial position and changes in financial position and cash flows, where applicable, of only that portion of each major fund and the aggregate remaining fund information of the State that is attributable to the transactions of the State of Illinois, Illinois Finance Authority. They do not purport to, and do not, present fairly the financial position of the State of Illinois as of June 30, 2006, and its changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the State of Illinois, Illinois Finance Authority, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we will also issue a report dated December 7, 2006 under separate cover on our consideration of the State of Illinois, Illinois Finance Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The State of Illinois, Illinois Finance Authority has not presented a management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Illinois, Illinois Finance Authority's basic financial statements. The accompanying supplementary information on pages 31 through 36 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

McGladrey & Pullen, LLP

Schaumburg, Illinois
December 7, 2006

STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY
(A Component Unit of the State of Illinois)
Statement of Net Assets
June 30, 2006

Assets	General Operating Fund	Bond Fund	Fire Truck Revolving Loan Fund	Nonmajor funds	Total
Current assets:					
Cash and cash equivalents – unrestricted	\$ 10,215,786	—	—	15,166,241	25,382,027
Investments – unrestricted	3,010,439	—	—	—	3,010,439
Restricted current assets					
Cash and cash equivalents	—	632,644	1,338,493	1,357,350	3,328,487
Accrued interest receivable	—	1,014,180	6,000	—	1,020,180
Restricted investments	—	61,695	—	—	61,695
Bonds and notes receivable	—	4,585,900	—	—	4,585,900
Other receivable	—	4,393	—	—	4,393
Loans receivable	—	—	481,750	91,484	573,234
Allowance for doubtful accounts	—	—	—	(91,484)	(91,484)
Current portion of deferred issuance costs	—	30,758	—	—	30,758
Receivables:					
Accounts	365,452	—	—	—	365,452
Loans receivable	86,385	—	—	1,000,000	1,086,385
Allowance for doubtful accounts	(80,636)	—	—	—	(80,636)
Interest and other	93,487	—	—	8,622	102,109
Current portion of deferred issuance costs	—	—	—	98,300	98,300
Prepaid expenses and deposits	170,659	—	—	—	170,659
Total current assets	13,861,572	6,329,570	1,826,243	17,630,513	39,647,898
Noncurrent assets:					
Restricted noncurrent assets					
Cash and cash equivalents	—	—	—	21,209,664	21,209,664
Interest receivable	—	185,679	—	70,000	255,679
Guarantee payments receivable	—	—	—	618,523	618,523
Allowance for doubtful accounts	—	—	—	(538,867)	(538,867)
Deferred issuance costs, net of accumulated amortization	—	203,679	—	—	203,679
Investments	—	8,445,473	—	—	8,445,473
Bonds and notes receivable	—	47,353,300	—	—	47,353,300
Loans receivable	—	—	8,284,687	309,210	8,593,897
Allowance for doubtful accounts	—	—	—	(15,379)	(15,379)
Investments in partnerships and companies	—	—	—	5,364,735	5,364,735
Loans receivable	18,143,902	—	—	4,076,500	22,220,402
Allowance for doubtful accounts	(2,132,960)	—	—	—	(2,132,960)
Due from other funds long-term	2,257,968	—	—	712,373	2,970,341
Property and equipment, at cost	368,490	—	—	5,500	373,990
Accumulated depreciation	(220,562)	—	—	(3,758)	(224,320)
Deferred issuance costs, net of accumulated amortization	—	—	—	608,460	608,460
Total noncurrent assets	18,416,838	56,188,131	8,284,687	32,416,961	115,306,617
Total assets	32,278,410	62,517,701	10,110,930	50,047,474	154,954,515
Liabilities					
Current liabilities:					
Accounts payable	33,960	—	—	—	33,960
Accrued expenses	697,719	—	—	—	697,719
Accrued interest payable	—	1,144,525	—	4,414	1,148,939
Due to employees	33,827	—	—	—	33,827
Due to primary government	147,490	—	—	25,000	172,490
Due to local government units	—	211	—	—	211
Bonds payable, current	—	4,630,000	—	—	4,630,000
Current portion of long-term debt	—	—	—	54,846	54,846
Deferred revenue, net of accumulated amortization	—	—	—	131,078	131,078
Total current liabilities	912,996	5,774,736	—	215,338	6,903,070
Noncurrent liabilities:					
Noncurrent portion of long-term debt	—	—	—	828,060	828,060
Bonds payable, noncurrent	—	55,465,000	—	—	55,465,000
Deferred revenue, net of accumulated amortization	—	—	—	857,204	857,204
Due to other funds long-term	—	—	—	2,970,341	2,970,341
Deferred loss on early extinguishment of debt	—	(119,042)	—	—	(119,042)
Total noncurrent liabilities	—	55,345,958	—	4,655,605	60,001,563
Total liabilities	912,996	61,120,694	—	4,870,943	66,904,633
Net Assets					
Invested in capital assets	147,928	—	—	1,742	149,670
Restricted	—	1,397,007	10,110,930	22,123,181	33,631,118
Unrestricted	31,217,486	—	—	23,051,608	54,269,094
Total net assets	\$ 31,365,414	1,397,007	10,110,930	45,176,531	88,049,882

See accompanying notes to financial statements.

STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY
(A Component Unit of the State of Illinois)
Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the Year Ended June 30, 2006

	General Operating Fund	Bond Fund	Fire Truck Revolving Loan Fund	Nonmajor funds	Total
Operating revenues:					
Interest on loans	\$ 639,487	—	140	437,673	1,077,300
Interest on loans (security for revenue bonds)	—	2,513,955	—	—	2,513,955
Application fees	104,670	—	—	—	104,670
Annual fees	1,241,212	58,229	—	—	1,299,441
Administrative service fees	4,370,470	—	—	—	4,370,470
Bad debt recoveries	10,818	—	—	118,288	129,106
Miscellaneous	75,182	—	—	—	75,182
Total operating revenues	<u>6,441,839</u>	<u>2,572,184</u>	<u>140</u>	<u>555,961</u>	<u>9,570,124</u>
Operating expenses:					
Employee related expenses	3,030,627	—	—	—	3,030,627
Professional services	1,670,299	102,500	—	9,639	1,782,438
Depreciation	32,810	—	—	1,100	33,910
Occupancy costs	416,751	—	—	—	416,751
Interest expense	—	2,843,258	—	245,158	3,088,416
General and administrative	360,577	—	—	—	360,577
Loan loss provision	374,089	—	—	—	374,089
Total operating expenses	<u>5,885,153</u>	<u>2,945,758</u>	<u>—</u>	<u>255,897</u>	<u>9,086,808</u>
Operating income (loss)	<u>556,686</u>	<u>(373,574)</u>	<u>140</u>	<u>300,064</u>	<u>483,316</u>
Nonoperating revenues (expenses):					
Appropriation from State of Illinois	—	—	3,800,000	—	3,800,000
Interest and investment income	673,484	497,292	75,315	1,354,184	2,600,275
Net appreciation (depreciation) in fair value of investments	(57,885)	—	—	138,048	80,163
Total nonoperating revenues (expenses), net	<u>615,599</u>	<u>497,292</u>	<u>3,875,315</u>	<u>1,492,232</u>	<u>6,480,438</u>
Transfers					
Transfers from other funds	1,157,511	—	—	—	1,157,511
Transfers to other funds	—	—	—	(1,157,511)	(1,157,511)
Total transfers	<u>1,157,511</u>	<u>—</u>	<u>—</u>	<u>(1,157,511)</u>	<u>—</u>
Change in net assets	<u>2,329,796</u>	<u>123,718</u>	<u>3,875,455</u>	<u>634,785</u>	<u>6,963,754</u>
Net assets – beginning of year	29,035,618	1,273,289	6,235,475	44,541,746	81,086,128
Net assets – end of year	<u>\$ 31,365,414</u>	<u>1,397,007</u>	<u>10,110,930</u>	<u>45,176,531</u>	<u>88,049,882</u>

See accompanying notes to financial statements.

STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY
(A Component Unit of the State of Illinois)

Statement of Cash Flows

For the Year Ended June 30, 2006

	General Operating Fund	Bond Fund	Fire Truck Revolving Loan Fund	Nonmajor funds	Total
Cash flows from operating activities:					
Cash received for interest on loans	\$ 584,181	2,603,715	140	142,537	3,330,573
Cash received for fees and other	6,177,695	58,229	—	104,549	6,340,473
Cash received on loan receivables and guarantees	1,890,887	13,362,000	589,333	3,279,522	19,121,742
Cash payments on loan receivables and guarantees	(9,598,061)	(9,621,200)	(4,287,824)	(108,688)	(23,615,773)
Cash payments for employee services	(3,050,339)	—	—	—	(3,050,339)
Cash payments to suppliers for goods and services	(2,525,026)	(115,220)	—	(9,639)	(2,649,885)
Cash payments for interest	—	(2,986,000)	—	(9,373)	(2,995,373)
Net cash provided by (used in) operating activities	<u>(6,520,663)</u>	<u>3,301,524</u>	<u>(3,698,351)</u>	<u>3,398,908</u>	<u>(3,518,582)</u>
Cash flows from noncapital financing activities:					
Due from other funds	117,556	—	—	—	117,556
Due to other funds	—	—	—	(117,556)	(117,556)
Transfers from other funds	1,157,511	—	—	—	1,157,511
Transfers to other funds	—	—	—	(1,157,511)	(1,157,511)
Bond and notes principal payments	—	(15,150,000)	—	(54,303)	(15,204,303)
Proceeds from issuance of revenue bonds	—	11,505,000	—	—	11,505,000
Cash received from State of Illinois	—	—	3,800,000	—	3,800,000
Net cash provided by (used in) noncapital financing activities	<u>1,275,067</u>	<u>(3,645,000)</u>	<u>3,800,000</u>	<u>(1,329,370)</u>	<u>100,697</u>
Cash flows from capital and related financing activities:					
Purchase of capital assets	(112,380)	—	—	—	(112,380)
Net cash used in capital and related financing activities	<u>(112,380)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(112,380)</u>
Cash flows from investing activities:					
Purchase of investments	—	(583)	—	(650,000)	(650,583)
Maturity and sales of investments	400,000	—	—	741,549	1,141,549
Interest and dividends on investments	660,632	495,819	72,815	1,319,392	2,548,658
Net cash provided by investing activities	<u>1,060,632</u>	<u>495,236</u>	<u>72,815</u>	<u>1,410,941</u>	<u>3,039,624</u>
Net increase (decrease) in cash and cash equivalents	(4,297,344)	151,760	174,464	3,480,479	(490,641)
Cash and cash equivalents at beginning of year	14,513,130	480,884	1,164,029	34,252,776	50,410,819
Cash and cash equivalents at end of year	<u>\$ 10,215,786</u>	<u>632,644</u>	<u>1,338,493</u>	<u>37,733,255</u>	<u>49,920,178</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ 556,686	(373,574)	140	300,064	483,316
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	32,810	—	—	1,100	33,910
Amortization of bond issuance costs	—	—	—	236,057	236,057
Amortization of deferred revenue	—	—	—	(191,397)	(191,397)
Amortization of deferred loss on early extinguishment of debt	—	(55,324)	—	—	(55,324)
Changes in assets and liabilities:					
Accrued interest	(55,306)	91,078	—	600,810	636,582
Loans receivable	(7,343,903)	3,740,800	(3,698,491)	2,452,546	(4,849,048)
Accounts receivable	356,162	—	—	—	356,162
Prepaid expenses and deposits	(88,459)	(12,555)	—	—	(101,014)
Accounts payable and accrued expenses	41,058	(87,583)	—	(272)	(46,797)
Due to local governments	—	(1,318)	—	—	(1,318)
Due to employees	(19,711)	—	—	—	(19,711)
Net cash provided by (used in) operating activities	<u>\$ (6,520,663)</u>	<u>3,301,524</u>	<u>(3,698,351)</u>	<u>3,398,908</u>	<u>(3,518,582)</u>

See accompanying notes to financial statements.

STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY
(A Component Unit of the State of Illinois)

Notes to Financial Statements
For the Year Ended June 30, 2006

(1) Organization

The Illinois Finance Authority (the Authority) is a body politic and corporate created July 17, 2003 by Public Act 93-205, effective January 1, 2004. Public Act 93-205 consolidated seven of the State's existing finance authorities into the Authority. The Authority succeeded to the rights and duties of the existing finance authorities as of January 1, 2004. Public Act 93-205 also repealed the existing finance authorities' authorizing legislation. The mission of the Authority is statutorily defined as follows in the Illinois Finance Authority Act (20 ILCS 3501/801 et. Seq.):

The mission of the Illinois Finance Authority is 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 Authority is a body corporate and politic, of the State of Illinois. The Authority is governed by a 15-member board of directors, appointed by the Governor with the advice and consent of the Senate. As specified in the Illinois Finance Authority Act the amount of bonds issued by the Authority cannot exceed \$25,200,000,000.

(2) Summary of Significant Accounting Policies

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

(a) Financial Reporting Entity

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

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

For financial reporting purposes, the Authority is a component unit of the State of Illinois. The Authority does not treat any other reporting entities as component units.

(b) Basis of Presentation

The accounts of the Authority are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenses, as appropriate. The emphasis on fund financial statements is on a major proprietary fund (enterprise); each is displayed in a separate column. All remaining proprietary funds are aggregated and reported as nonmajor funds. With the exception of the Fire Truck Revolving Loan Fund, all agency administered funds are non-appropriated.

STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY
(A Component Unit of the State of Illinois)

Notes to Financial Statements
For the Year Ended June 30, 2006

The Authority has the following major proprietary funds:

General Operating Fund – The operating fund of the Authority which receives all revenues from program applications. All administrative expenses for establishing and monitoring the Authority’s programs are paid out of this fund as set forth in Public Act 93-205.

Bond Fund – Each bond represents a moral obligation of the State of Illinois and is comprised of several accounts as required by the bond indenture. Each of the bond issues has been issued in parity with the previous issues. The accounts of all the issues have been aggregated and reported as the Bond Fund. These are non-appropriated accounts maintained by the trustee. The purpose of the fund is to collect bond proceeds, purchase local governmental securities and remit bond issuance costs paid for with bond proceeds. The fund also collects interest and principal payments from the local governmental units and makes payments and interest on the moral obligation bonds payable.

Fire Truck Revolving Loan Fund – The fund of the Authority which accounts for the activity of the Fire Truck Revolving Loan Program. The program was established in 2005 to provide zero-interest loans for the purchase of fire trucks by a fire department, a fire protection district or a township fire department based on need, as determined by the State Fire Marshal.

(c) Basis of Accounting

The Authority financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place.

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

(d) Cash and Cash Equivalents

For the purposes of the statements of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered cash equivalents.

(e) Restricted Assets

Certain resources have been classified as restricted assets on the statement of net assets because their use is limited by applicable bank and loan agreements. See notes on cash and investments (Note 3), long-term obligations (Note 8), revenue bonds payable (Note 9) and commitments and contingencies (Note 12) for additional disclosures.

STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY
(A Component Unit of the State of Illinois)

Notes to Financial Statements
For the Year Ended June 30, 2006

(f) Investments

Investments in marketable securities are reported at fair value based on quoted market prices. Investments in venture capital companies are reported at fair value based upon the lower of cost or estimated market value. Investment contracts are considered to be Guaranteed Investment Contracts. These contracts are reported at fair value based on quoted market prices.

(g) Deferred Issuance Costs and Deferred Revenue

The Authority is amortizing issuance costs and fee revenue from bond issues over the life of the bond issues using the effective interest method. Amounts are presented net of accumulated amortization in the Statement of Net Assets.

(h) Deferred Loss on Early Extinguishment

The Authority is amortizing a loss on the refunding of several of its non-asset bonds in the Bond Fund over the lesser of the term of the old debt or the new debt using the straight-line method. The unamortized loss is presented as a contra liability to the new debt.

(i) Interfund Transactions

The Authority has the following types of interfund transactions:

Loans and Advances – amounts provided with a requirement for repayment. Interfund loans are reported as interfund receivables (i.e. due from other funds) in lender funds and interfund payables (i.e. due to other funds) in borrower funds.

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 – Amounts provided to other funds which will not be repaid.

(j) Capital Assets

Capital assets, which include property and equipment, are reported at historical cost. Capital assets are depreciated using the straight-line method. Depreciation of property and equipment used by the Authority is charged as an expense against the Authority's General Operating Fund and IRBB General Fund Trust Fund, part of the Nonmajor Funds. Capital assets and accumulated depreciation is reported in Note 11 to the financial statements.

Capitalization thresholds and the estimated useful lives are as follows:

Furniture and equipment	\$500	5 years
Computer equipment	\$5,000	5 years
Software	\$10,000	3 years

STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY
(A Component Unit of the State of Illinois)

Notes to Financial Statements
For the Year Ended June 30, 2006

(k) Vacation and Sick Leave

The Authority’s employees earn vacation and sick leave pay which generally may be either taken or accumulated. Employees are allowed to carry up to one week of earned vacation days into the next calendar year. Any days over this amount will be lost. Upon termination, any unused vacation days will be paid to the employee. Vacation and sick leave pay are accrued when earned. The current liability is recorded in the General Operating Fund.

Activity related to accrued vacation and sick leave for the year ended June 30, 2006 consisted of the following:

Accrued Leave June 30, 2005	Earned	Paid	Accrued Leave June 30, 2006	Due Within One Year
\$ 53,538	\$ 98,097	\$ 117,808	\$ 33,827	\$ 33,827

(l) Net Assets

In the financial statements, net assets is displayed in three components as follows:

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

Restricted – This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the Authority’s policy to use restricted resources first, then unrestricted resources when they are needed. As of June 30, 2006, the Authority had restricted net assets of \$33,631,118, of which \$28,655,086 is restricted by enabling legislation.

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

(m) Classification of Revenues

The Authority has classified its revenues as either operating or nonoperating. Operating revenue includes activities that have the characteristics of exchange transactions including interest on loans, application fees, annual fees, and administrative service fees. Nonoperating revenue includes activities that have the characteristics of nonexchange transactions or activities that are ancillary to the operations of the Authority including interest and investment income.

(n) 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.

STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY
(A Component Unit of the State of Illinois)

Notes to Financial Statements
For the Year Ended June 30, 2006

(o) Conduit Debt Obligations

In accordance with Illinois Compiled Statutes, the Authority issues limited obligation revenue bonds and participates in lending and leasing agreements to provide low cost financing to businesses, agribusinesses, health care facilities, educational facilities, municipalities, and other organizations in order to stabilize and strengthen the Illinois economy in areas of job creation and job retention. The bonds and leases are secured by the property financed. Upon repayment of the debt, ownership of the acquired facilities transfers to the entity served by the issuance. Neither the Authority, State, nor any political subdivision thereof is obligated in any manner for repayment of the debt. Accordingly, the bonds and leases are not reported as liabilities in the Authority's basic financial statements. As of June 30, 2006, the aggregate amount of conduit debt outstanding is approximately \$20.9 billion.

(p) Adoption of New Accounting Principles

The Authority implemented the following Governmental Accounting Standards Board (GASB) Statements effective July 1, 2005: Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*; Statement No. 46 *Net Assets Restricted by Enabling Legislation*; Statement No. 47 *Accounting for Termination Benefits*.

(3) Cash and Investments

Cash and Investments as of June 30, 2006 are classified in the accompanying financial statements as follows:

Cash and cash equivalents - unrestricted	\$ 25,382,027
Cash and cash equivalents - restricted current assets	3,328,487
Cash and cash equivalents - restricted noncurrent assets	21,209,664
Investments - unrestricted	3,010,439
Investments - restricted current assets	61,695
Investments - restricted noncurrent assets	8,445,473
Investments in partnerships and companies	5,364,735
Total cash and investments	<u><u>\$ 66,802,520</u></u>

Cash and investments as of June 30, 2006 consist of the following:

Deposits with financial institutions	\$ 8,397,846
Deposits held by State of Illinois Treasurer	19,732,992
Investments	38,671,682
	<u><u>\$ 66,802,520</u></u>

STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY
(A Component Unit of the State of Illinois)

Notes to Financial Statements
For the Year Ended June 30, 2006

The Authority is permitted by Illinois Statutes and by its investment policy to invest any of its funds in:

- (a) Federal Government Securities, including securities of the federal agencies.
- (b) Securities guaranteed by the federal government.
- (c) Savings accounts, certificates of deposit, time deposits in banks or savings and loans insured by the FDIC and any deposits in excess of amounts insured by the FDIC are collateralized.
- (d) Short-term obligations of U.S. corporations with assets exceeding \$500,000,000 and rated investment grade and which mature not later than 180 days from the date of purchase, provided that such obligations do not exceed 10% of the corporation's outstanding obligations and no more than one-third of the Authority's funds are invested in such obligations.
- (e) Money market mutual funds registered under the Investment Company Act of 1940 provided the portfolio is limited to either U.S. government or government-backed securities.
- (f) Shares of other forms of securities legally issued by savings banks or savings and loan associations, if such securities are insured by the FDIC.
- (g) Dividend-bearing share accounts, share certificate accounts or class of share accounts of a credit union, if insured under applicable law.
- (h) The Illinois Public Treasurer's Investment Pool.
- (i) A fund managed, operated, and administered by a bank, subsidiary of a bank, or subsidiary of a bank holding company or use the services of such an entity to hold and invest or advise regarding the investment.
- (j) Repurchase agreements of government securities.

In addition, the Authority is authorized by its enabling legislation to invest in obligations issued by any State, unit of local government, or school district that carry investment grade ratings, and equity securities of a registered investment company.

The Authority's investment policy excludes funds committed to credit enhancement, debt service reserve, federally assisted programs and funds held by bond trustees that are governed by the provisions of bond agreements. The investment of these funds is governed by the applicable authorizing statutes.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Authority manages its exposure to interest rate risk by basing its investment decisions regarding maturity dates and rates on an analysis of the Authority's short-, mid-, and long-term cash needs and keeping the portfolio sufficiently liquid to enable the Authority to meet its operating requirements. In addition, during Fiscal Year 2006 the Authority amended its Investment policy by limiting any new investments to maturities of 5 years or less unless approved by the Executive Director.

STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY
(A Component Unit of the State of Illinois)

Notes to Financial Statements
For the Year Ended June 30, 2006

As of June 30, 2006 the Weighted Average Maturity of the Authority's investments were:

<u>Investment Type</u>		<u>Weighted Average Maturity (in years)</u>
Federal Agency Securities	\$ 1,225,439	5.14
State Investment Pool (Illinois Funds)	19,806,603	N/A
Money Market Funds	3,829,432	N/A
Investment Contracts (Bond Fund)	8,445,473	13.48
Investments in partnership and companies	<u>5,364,735</u>	N/A
	<u>\$ 38,671,682</u>	

Credit Risk

Generally, credit risk is the risk that an issuer of a debt investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Authority's Investment policy on credit risk is limiting the investments to high rated securities and diversifying the portfolio to limit exposure. Presented below is the rating as of year end for each investment type:

<u>Investment Type</u>		<u>Exempt From Disclosure</u>	<u>Rating as of Year End</u>	
			<u>AAA</u>	<u>Not Rated</u>
Federal Agency Securities	\$ 1,225,439	\$ -	\$ 1,225,439	\$ -
State investment pool (Illinois Funds)	19,806,603	-	19,806,603	-
Money Market Funds	3,153,996	-	2,542,094	611,902
Held by bond trustee:				
Money market funds	675,436	-	675,436	-
Investment contracts (Bond Fund)	8,445,473	-	-	8,445,473
Investments in partnerships and companies	<u>5,364,735</u>	<u>5,364,735</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 38,671,682</u>	<u>\$ 5,364,735</u>	<u>\$ 24,249,572</u>	<u>\$ 9,057,375</u>

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the concentration of an entity's investment in a single issuer. To reduce the risk of loss resulting in excess concentrations in a specific type, maturity, issuer or class of securities, the Authority's investment policy places the following restrictions on concentrations of investments:

STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY
(A Component Unit of the State of Illinois)

Notes to Financial Statements
For the Year Ended June 30, 2006

Certificates of Deposit from any single financial institution may not comprise more than 20% of the Authority's portfolio or 5% of the financial institution's total deposits.

Commercial Paper purchases may not exceed 20% of the IFA Portfolio in total and 5% of IFA Portfolio in any single issuer's name.

No investment category shall exceed 30% of the Authority's Portfolio, with the exception of U.S. Treasury securities and cash equivalents, including certificates of deposits.

As of June 30, 2006, investments in any one issuer (other than US Treasury securities, mutual funds, and external investment pools) did not represent 5% or more of the total Authority investments. Investments in any one issuer that represent 5% or more of total investments in any major fund or nonmajor funds in the aggregate are as follows:

<u>Issuer</u>	<u>Fund</u>	<u>Investment Type</u>	<u>Reported Amount</u>
Amcore Bank of Rockford	Bond Fund	Investment Contract	\$ 837,938
FNB Springfield	Bond Fund	Investment Contract	1,441,678
Morgan	Bond Fund	Investment Contract	1,922,077
Bayerische	Bond Fund	Investment Contract	1,327,534
Societe General	Bond Fund	Investment Contract	1,541,820
Bank of America	Bond Fund	Investment Contract	539,115

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Authority will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Authority's investment policy requires that any deposits in excess of amounts insured by the FDIC or SAIF ("Savings Association Insurance Fund") be secured by an eligible form of collateral equal to 110% of the uninsured deposit. Eligible collateral instruments are any of the following:

- 1.) Federal government securities
- 2.) Securities guaranteed by the federal government
- 3.) Obligations of the State of Illinois
- 4.) Letters of Credit issued by the Federal Home Loan Bank of Chicago or equivalent entity
- 5.) Surety bonds issued by MBIA or equivalent entity.

Third party safekeeping is required for collateral items 1, 2 and 3 above. The Authority's investment policy does not specifically address the collateralization requirements for investments.

STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY
(A Component Unit of the State of Illinois)

Notes to Financial Statements
For the Year Ended June 30, 2006

As of June 30, 2006 all of the Authority's deposits with financial institutions in excess of federal depository limits were collateralized. The securities pledged as collateral were held with third party safekeeping in the name of the Authority.

As of June 30, 2006, all of the Authority's investments were backed by US Government Treasuries held in the name of the Authority.

The Illinois Funds is an external investment pool administered by the Illinois State Treasurer. The fair value of the Authority's investment fund is the same as the value of pool shares. Although not subject to direct regulatory oversight, the fund is administered in accordance with the provisions of the Illinois Public Funds Investment Act, 30 ILCS 235.

(4) Bonds and Loans Receivable

The Authority sponsors a variety of lending programs including direct lending and direct lending participation loans. The Authority also makes loans through its two federal programs, the Economic Development Administration (E.D.A.) Title IX Revolving Loan Program and the Rural Development Loan Program. Bonds receivable from local governmental units represent amounts loaned to the units through the purchase of their securities.

Illinois Housing Partnership Program

The Authority participates in the Illinois Housing Partnership Program (IHPP) which was established by the Illinois General Assembly in 1985 in order to finance the acquisition and renovation of multi-family housing units. A predecessor Authority entered into the loan program with the City of Chicago in 1986 acting as a pass-through entity. The loan is non-interest bearing, with collections due as follows:

August 1, 2006	\$ 1,000,000
August 1, 2016	3,000,000
	<hr/>
	\$ 4,000,000
	<hr/>

Direct Lending Program

The Authority provides loans to Illinois businesses that cannot obtain sufficient financing through conventional sources, by lowering the amount of equity the borrower must contribute. Financing includes up to \$250,000 to small and mid-size businesses for land, building, machinery, and equipment purchases. The Authority did not provide any new loans under this program for the year ending June 30, 2006. Loans under this program carry an interest rate of 1.5% with maturity dates up to ten years. This program has been superceded by the Direct Lending Participation Program. Total loans outstanding as of June 30, 2006, were \$107,808.

Direct Lending Participation Program

Similar to the Direct Lending Program, the Authority allows for the purchase of land, building, construction or renovation of a building, and acquisition of machinery and equipment up to the lesser of \$1,000,000 or 50% of the project. By purchasing a participation of the bank at a lower interest rate than the borrower would receive on its own, the Authority requires the bank to pass savings directly to the borrower. The Authority participations are on a pro rata 50/50 basis with

STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY
(A Component Unit of the State of Illinois)

Notes to Financial Statements
For the Year Ended June 30, 2006

the bank. Loans under this program carry a variable interest rate that is up to 200 basis points less than the bank's rate with maturity dates up to ten years. Total loans outstanding as of June 30, 2006, were \$17,969,094.

The E.D.A. Title IX Revolving Loan Program

The E.D.A. Title IX Restricted Revolving Loan Program provides low-cost supplemental financing to manufacturing companies located in areas declared eligible for Title IX assistance by the E.D.A. Loans under this program are up to \$100,000 for small and mid-size manufacturers, and carry a fixed interest rate of 7.5% with maturity dates up to ten years. Total loans outstanding as of June 30, 2006, were \$91,484. The E.D.A Title IX Restricted Revolving loans are fully reserved.

The Rural Development Revolving Loan Program

The Rural Development Revolving Loan Program participates with the Rural Development Administration's (formerly the Farmers Home Administration's) Intermediary Relending Program to provide loans to business facilities and community development projects in rural areas for land acquisitions, facility construction and renovation, and machinery and equipment purchases. The Authority will contribute up to 75% or \$150,000 of fixed asset costs at a 6% interest rate with maturity dates up to ten years. Total loans outstanding as of June 30, 2006, were \$309,210.

SBA Microloan Demonstration Program

This program of the Authority accounts for the activity of loans received under the Small Business Administration (SBA) Microloan Demonstration Program. The purpose of this program is to assist women, low income, and minority entrepreneurs, and business owners, and other such individuals possessing the capability to operate successful business concerns and to assist small business concerns in those areas suffering from a lack of credit due to economic downturn as set forth under the loan agreement and the Small Business Act, 15 U.S.C. 636. Total loans outstanding as of June 30, 2006, were \$80,635. The SBA Microloans are fully reserved.

Employee Ownership Assistance Program

This program provides supplemental financing to help facilitate employee acquisition of industrial and manufacturing facilities about to close or relocate outside of Illinois. Loans are made to employee-owned enterprises and may be used to finance up to 50% of total acquisition costs. It is funded by an appropriation for these purposes of \$2,000,000 received by the prior Illinois Development Finance Authority during 1986 as set forth in Public Act 82-991. Total loans outstanding as of June 30, 2006, were \$1,000,000.

Fire Truck Revolving Loan Program

This program provides zero interest rate loans to fire departments and fire protection districts that may be used only to purchase fire trucks. The loans to each department or district may not exceed \$250,000 and must be repaid within 20 years. The program is funded by an appropriation of \$10,000,000 received by the State of Illinois. Total loans outstanding as of June 30, 2006, were \$8,766,437.

Local Government Financing Assistance Program

STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY
(A Component Unit of the State of Illinois)

Notes to Financial Statements
For the Year Ended June 30, 2006

This program provides financing to units of local government located in the State of Illinois by purchasing the securities of the local governments. Total loans outstanding as of June 30, 2006, were \$149,250.

Allowance for Doubtful Accounts

The allowance for doubtful accounts for all loans receivable and notes receivable at June 30, 2006, is comprised of two components. Loans which are delinquent greater than 90 days are reserved for at 100% of principal outstanding. In addition, the Authority provides a general reserve at approximately 5% for the principal balance of all other loans outstanding. Loans originated by the predecessor Illinois Rural Bond Bank, the Fire Truck Revolving Loan Program and the Local Government Financing Assistance Program have not experienced a default, therefore, the allowance for doubtful accounts based on prior experience is zero.

(5) Guarantee Receivables

Guarantee receivables result from amounts due to the Authority after it has paid a guarantee claim. Activity related to guarantee receivables for the year ended June 30, 2006, consisted of the following:

	Illinois Farmer Agribusiness Loan Guarantee Fund	Illinois Agricultural Loan Guarantee Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Guarantee receivables beginning of year	\$ 901,855	\$ 188,632	\$ 1,090,487
Disbursements on guarantee claims	-	-	-
Payments received	(193,480)	(12,000)	(205,480)
Receivables written off	<u>(260,754)</u>	<u>(5,730)</u>	<u>(266,484)</u>
Gross guarantee receivables end of year	447,621	170,902	618,523
Allowance for doubtful accounts	<u>(367,965)</u>	<u>(170,902)</u>	<u>(538,867)</u>
Net receivables - end of year	<u>\$ 79,656</u>	<u>\$ -</u>	<u>\$ 79,656</u>

STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY
(A Component Unit of the State of Illinois)

Notes to Financial Statements
For the Year Ended June 30, 2006

Allowance for Doubtful Accounts

The allowance for doubtful accounts for all guarantee receivables at June 30, 2006, is the difference between the guarantee payments made and the Authority's estimation of the value of any collateral securing the guarantee.

(6) Investments in Partnerships and Companies

The Authority currently has investments in one (1) partnership and seventeen (17) companies. These investments were made to accomplish the statutory purpose of the Venture Investment Fund. There is no established market for the purchase or sale of the partnerships and company interests or the equity securities in which the partnerships have investments.

The valuation methods and significant assumptions used by the Authority include discounted cash flows and comparable data for businesses with similar products/services and/or similar market segments. The Authority also uses financial and operational information from the last investment round which is most appropriate when the firm is not publicly traded and the current cash flows are negative.

The fair value, which is reported at the lower of cost or market, of the Authority's investment in the partnerships and companies as of June 30, 2006, is reflected below:

<u>Partnership/Company</u>	<u>Recorded Book Value</u>
Champaign-Urbana Fund	\$ 77,852
Clearstack	450,000
Firefly Energy, Inc.	975,000
Forest One	160,000
Harmonic Vision	261,000
Illinois Arch Fund Partnership	150,032
Influx, Inc. (now Protez Pharmaceuticals)	148,500
Jaros Technology Corporation	250,000
Metalconforming Controls	575,000
Mobitrac	265,644
Moire, Inc	300,000
Nephrx	110,000
Neuronautics	300,000
Open Channel Software	250,000
Smart Signal	293,848
Stonewater Software	4,759
Video Home Tour	250,000
Zuchem, Inc.	543,100
Total	<u>\$ 5,364,735</u>

The following fifteen (15) companies have zero values: Blackman & Young, Cerulean Fund, Delivery Station, Epigraph, Evantis (Cyberloan Officer), Go Reader, Neodesic, Perceptual Robotics, Preview Port, Proof Space, U. Communications, User Active Media.com, Venture Capital Online, Cobotics, Wander On.

STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY
(A Component Unit of the State of Illinois)

Notes to Financial Statements
For the Year Ended June 30, 2006

(7) Interfund Balances and Activity

Balances due to/from other funds and transfers made for the fiscal year ended June 30, 2006, were as follows:

Fund	Other major funds	Other nonmajor funds	Description/purpose
Due to:			Due from:
General Operating Fund	\$ -	\$2,257,968	Due from Venture Investment Fund for Long-Term loan
Total Major Funds	-	2,257,968	
Nonmajor funds	-	712,373	Due from Venture Investment Fund for Long-term loan
Total Nonmajor Funds	-	712,373	
Total	\$ -	\$2,970,341	
Due from:			Due to:
Nonmajor Funds	\$2,257,968	\$ -	Due to General Operating Fund for Long-Term Loan
Nonmajor Funds	-	200,000	Due to Illinois Housing Program for Long-Term Loan
Nonmajor Funds	-	512,373	Due to Industrial Revenue Bond Insurance Fund for Long-Term Loan
Total	\$2,257,968	\$ 712,373	
Transfer to:			Transfer from:
General Operating Fund	\$ 670,126	\$ -	Transfer from Credit Enhancement Fund since funds are no longer needed for program
General Operating Fund	349,283	-	Transfer from Industrial Revenue Bond Insurance Fund since these funds were no longer needed for program
General Operating Fund	104,550	-	Transfer from IRBB General Fund Trust Fund for excess funds
General Operating Fund	33,552	-	Transfer from Illinois Housing Partnership Program for excess program fees
Total	\$1,157,511	\$ -	
Transfer from:			Transfer to:
Credit Enhancement Fund	\$ -	\$ 670,126	Transfer to General Operating Fund for excess program funds
Industrial Revenue Bond Insurance Fund	-	349,283	Transfer to General Operating Fund for excess program funds
IRBB General Fund Trust Fund	-	104,550	Transfer to General Operating Fund for excess program funds
Illinois Housing Partnership Program	-	33,552	Transfer to General Operating Fund for excess program funds
Total	\$ -	\$1,157,511	

STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY
(A Component Unit of the State of Illinois)

Notes to Financial Statements
For the Year Ended June 30, 2006

(8) Long-term Obligations

The predecessor authorities (Note 1) entered into loan agreements, now a liability of the Authority, with the U.S. Authority of Agriculture/Farmers Home Administration (FmHA), a federal agency, on December 14, 1990, for funding for the FmHA Intermediary Relending Program (IRP). The funding was negotiated through a line of credit in the amount of \$1,500,000.

The loan payable is collateralized by the existing outstanding and future loans receivable of the FmHA, by cash and investments recorded in the FMHA fund derived from the proceeds of this loan award.

Principal and interest on the December 14, 1990 loan, at the fixed rate of 1% per annum, are being paid in 27 equal annual amortized installments of \$63,675, with any remaining balance due and payable 30 years from the date of the note.

Long-term debt is summarized as follows:

		Rural Development Revolving Loan Fund
Balance, June 30, 2005	\$	937,209
Less repayments		(54,303)
Balance, June 30, 2006		882,906
Less current portion		(54,846)
	\$	828,060

Principal and interest payments of long-term debt at June 30, 2006, are due as follows:

	Principal		Interest		Total
Year ending June 30:					
2007	\$ 54,846	\$	8,829	\$	63,675
2008	55,394		8,281		63,675
2009	55,948		7,727		63,675
2010	56,508		7,167		63,675
2011	57,073		6,602		63,675
2012-2016	294,040		24,335		318,375
2017-2021	309,097		9,278		318,375
	\$ 882,906	\$	72,219	\$	955,125

STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY
(A Component Unit of the State of Illinois)

Notes to Financial Statements
For the Year Ended June 30, 2006

(9) Revenue Bonds Payable

Each revenue bond issue is payable only out of the trust estate established for each issue. The trust estate is comprised of all rights, title and interest of the Authority in the local government securities, the purchase agreements, the intercept proceedings and all moneys and securities held in all funds and accounts under the indenture, except moneys and securities on deposit in the redemption fund which are for the payment of the principal and interest of bonds called for redemption prior to maturity. The assets of the Bond Fund are therefore classified as restricted assets on the Statement of Net Assets.

All bonds outstanding at June 30, 2006, are revenue bonds of the Authority and are payable solely from the revenues or funds pledged or available for their payment as authorized by the Act. Neither the faith and credit nor the taxing power of the State of Illinois is pledged to the payment of the principal or interest on the bonds. The Authority has the authority to issue \$150,000,000 of moral obligation bonds. Bonds payable at June 30, 2006, are comprised of the following individual issues:

1991B Revenue Bonds – original issue \$4,710,000, dated December 1, 1991, provides for serial retirement of principal on February 1, and interest payable on February 1 and August 1 of each year at rates of 4.70-6.75%. Final maturity is February 1, 2007.

1992A Revenue Bonds – original issue \$8,915,000, dated May 1, 1992, provides for serial retirement of principal on February 1, and interest payable on February 1 and August 1 of each year at rates of 3.70-6.45%. Final maturity is February 1, 2012

1992B Revenue Bonds – original issue \$4,975,000, dated December 1, 1992, provides for serial retirement of principal on February 1, and interest payable on February 1 and August 1 of each year at rates of 4.00-6.75%. Final maturity is February 1, 2018.

1993A Revenue Bonds – original issue \$2,750,000, dated May 1, 1993, provides for serial retirement of principal on February 1, and interest payable on February 1 and August 1 of each year at rates of 3.000-6.125%. Final maturity is February 1, 2008.

1993B Revenue Bonds – original issue \$9,450,000, dated December 1, 1993, provides for serial retirement of principal on February 1, and interest payable on February 1 and August 1 of each year at rates of 3.75-5.75%. Final maturity is February 1, 2016.

1994A Revenue Bonds – original issue \$5,005,000, dated May 1, 1994, provides for serial retirement of principal on February 1, and interest payable on February 1 and August 1 of each year at rates of 4.000-6.375%. Final maturity is February 1, 2014.

1994B Revenue Bonds – original issue \$2,440,000, dated December 1, 1994, provides for serial retirement of principal on February 1, and interest payable on February 1 and August 1 of each year at rates of 5.10-7.00%. Final maturity is February 1, 2007.

1995A Revenue Bonds – original issue \$1,700,000, dated May 1, 1995, provides for serial retirement of principal on February 1, and interest payable on February 1 and August 1 of each year at rates of 4.40-6.10%. Final maturity is February 1, 2016.

STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY
(A Component Unit of the State of Illinois)

Notes to Financial Statements
For the Year Ended June 30, 2006

1996C Revenue Bonds – original issue \$3,765,000, dated December 30, 1996, provides for serial retirement of principal beginning February 1, 1997 and every February 1 thereafter, and interest payable on February 1 and August 1 of each year at rates of 4.10-5.65%. Final maturity is February 1, 2017.

1997A Revenue Bonds – original issue \$6,285,000, dated June 1, 1997, provides for serial retirement of principal beginning February 1, 1998 and every February 1 thereafter, and interest payable on February 1 and August 1 of each year at rates of 4.40-5.80%. Final maturity is February 1, 2018.

1997B Revenue Bonds – original issue \$2,935,000, dated December 1, 1997, provides for serial retirement of principal beginning February 1, 1999 and every February 1 thereafter, and interest payable on February 1 and August 1 of each year at rates of 4.05-5.35%. Final maturity is February 1, 2018.

1998A Revenue Bonds – original issue \$9,940,000, dated June 1, 1998, provides for serial retirement of principal beginning February 1, 1999 and every February 1 thereafter, and interest payable on February 1 and August 1 of each year at rates of 3.80-5.32%. Final maturity is February 1, 2024.

1998B Revenue Bonds – original issue \$3,710,000, dated December 1, 1998, provides for serial retirement of principal beginning February 1, 2000 and every February 1 thereafter, and interest payable on February 1 and August 1 of each year at rates of 3.50-5.15%. Final maturity is February 1, 2024.

1999A Revenue Bonds – original issue \$2,520,000, dated June 1, 1999, provides for serial retirement of principal beginning February 1, 2000 and every February 1 thereafter, and interest payable on February 1 and August 1 of each year at rates of 3.45-5.40%. Final maturity is February 1, 2029.

1999B Revenue Bonds – original issue \$4,520,000, dated September 1, 1999, provides for serial retirement of principal beginning February 1, 2000 and every February 1 thereafter, and interest payable on February 1 and August 1 of each year at rates of 3.70-5.75%. Final maturity is February 1, 2010.

2000A Revenue Bonds – original issue \$5,145,000, dated June 1, 2000, provides for serial retirement of principal beginning February 1, 2001 and every February 1 thereafter, and interest payable on February 1 and August 1 of each year at rates of 4.65-6.00%. Final maturity is February 1, 2020.

2000B Revenue Bonds – original issue \$735,000, dated December 1, 2000, provides for serial retirement of principal beginning February 1, 2001 and every February 1 thereafter, and interest payable on February 1 and August 1 of each year at rates of 4.40-4.75%. Final maturity is February 1, 2025.

2001A Revenue Bonds – original issue \$3,625,000, dated July 1, 2001, provides for serial retirement of principal beginning February 1, 2002 and every February 1 thereafter, and interest payable on February 1 and August 1 of each year at rates of 3.00-5.35%. Final maturity is February 1, 2024.

2001B Revenue Bonds – original issue \$5,545,000, dated December 1, 2001, provides for serial retirement of principal beginning February 1, 2003 and every February 1 thereafter, and interest payable on February 1 and August 1 of each year at rates of 2.55-5.05%. Final maturity is February 1, 2031.

2002A Revenue Bonds – original issue \$1,180,000, dated June 27, 2002, provides for serial retirement of principal beginning February 1, 2003 and every February 1 thereafter, and interest payable on February 1 and August 1 of each year at rates of 1.60-4.25%. Final maturity is February 1, 2022.

STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY
(A Component Unit of the State of Illinois)

Notes to Financial Statements
For the Year Ended June 30, 2006

2003A Revenue Bonds – original issue \$11,740,000, dated June 1, 2003, provides for serial retirement of principal beginning February 1, 2004 and every February 1 thereafter, and interest payable on February 1 and August 1 of each year at rates of 1.00-4.15%. Final maturity is February 1, 2021.

2003B Revenue Bonds – original issue \$10,700,000, dated September 1, 2003, provides for serial retirement of principal beginning February 1, 2004 and every February 1 thereafter, and interest payable on February 1 and August 1 of each year at rates of 1.10-5.20%. Final maturity is February 1, 2024.

2004A Revenue Bonds – original issue \$2,640,000, dated August 1, 2004, provides for serial retirement of principal beginning February 1, 2005 and every February 1 thereafter, and interest payable on February 1 and August 1 of each year at rates of 1.45-5.00%. Final maturity is February 2024.

2006A Revenue Bonds – original issue \$11,505,000, dated January 1, 2006, provides for serial retirement of principal beginning February 1, 2007 and every February 1 thereafter, and interest payable on February 1 and August 1 of each year at rates of 3.30-4.85%. Final maturity is February 2031.

The future debt service requirements for revenue bonds as of June 30, 2006, including interest payments is as follows:

Total Revenue Bonds			
Fiscal Period Ending June 30	Principal	Interest	Total
2007	\$4,630,000	\$2,706,399	\$7,336,399
2008	4,595,000	2,498,832	7,093,832
2009	4,480,000	2,316,228	6,796,228
2010	3,850,000	2,131,242	5,981,242
2011	4,025,000	1,970,448	5,995,448
2012-2016	18,090,000	7,358,258	25,448,258
2017-2021	12,585,000	3,659,754	16,244,754
2022-2026	5,695,000	1,226,558	6,921,558
2027-2031	2,145,000	337,678	2,482,678
	\$60,095,000	\$24,205,397	\$84,300,397

STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY
(A Component Unit of the State of Illinois)

Notes to Financial Statements
For the Year Ended June 30, 2006

The following is a summary of the revenue bond transactions of the Authority for the year ended June 30, 2006:

	June 30, 2005	Additions	(Retirements)	June 30, 2006	Due Within One Year
1991 A Bonds	\$55,000	\$ -	(\$55,000)	\$ -	\$ -
1991 B Bonds	20,000	-	(10,000)	10,000	10,000
1992 A Bonds	115,000	-	(20,000)	95,000	20,000
1992 B Bonds	295,000	-	(25,000)	270,000	30,000
1993 A Bonds	125,000	-	(40,000)	85,000	40,000
1993 B Bonds	445,000	-	(45,000)	400,000	45,000
1994 A Bonds	715,000	-	(215,000)	500,000	110,000
1994 B Bonds	115,000	-	(55,000)	60,000	60,000
1995 A Bonds	285,000	-	(40,000)	245,000	40,000
1995 C Bonds	1,595,000	-	(1,595,000)	-	-
1996 A Bonds	625,000	-	(625,000)	-	-
1996 C Bonds	2,260,000	-	(1,335,000)	925,000	210,000
1997 A Bonds	4,515,000	-	(2,850,000)	1,665,000	195,000
1997 B Bonds	2,120,000	-	(335,000)	1,785,000	155,000
1998 A Bonds	6,540,000	-	(555,000)	5,985,000	565,000
1998 B Bonds	2,735,000	-	(185,000)	2,550,000	190,000
1999 A Bonds	2,055,000	-	(385,000)	1,670,000	95,000
1999 B Bonds	2,415,000	-	(1,040,000)	1,375,000	430,000
2000 A Bonds	4,680,000	-	(3,645,000)	1,035,000	145,000
2000 B Bonds	650,000	-	(25,000)	625,000	25,000
2001 A Bonds	2,755,000	-	(270,000)	2,485,000	230,000
2001 B Bonds	4,960,000	-	(220,000)	4,740,000	225,000
2002 A Bonds	985,000	-	(85,000)	900,000	85,000
2003 A Bonds	10,315,000	-	(775,000)	9,540,000	690,000
2003 B Bonds	9,895,000	-	(595,000)	9,300,000	610,000
2004 A Bonds	2,470,000	-	(125,000)	2,345,000	125,000
2006 A Bonds	-	11,505,000	-	11,505,000	300,000
	<u>\$63,740,000</u>	<u>\$11,505,000</u>	<u>(\$15,150,000)</u>	<u>\$60,095,000</u>	<u>\$4,630,000</u>

STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY
(A Component Unit of the State of Illinois)

Notes to Financial Statements
For the Year Ended June 30, 2006

The bond issuance fees received from local governments are deferred and amortized over the term of the bond issues. The following changes in deferred revenue occurred during the period:

Deferred Revenue June 30, 2005	Additional Fees Collected	Amortized Revenue	Deferred Revenue June 30, 2006	Amount Due Within One Year
\$ 1,179,679	\$ 103,545	\$ 294,942	\$ 988,282	\$131,078

(10) Advance Refunding of Debt

A portion of the proceeds from moral obligation bonds issued in 2006 by the Illinois Finance Authority were used to advance refund previously issued bonds. These proceeds were used to purchase escrowed securities in such amounts and maturities to meet scheduled payments of bond principal and interest when due. Since these proceeds have been placed in an irrevocable trust, the refunded bonds are considered defeased and the Authority has removed these liabilities from its accounts.

As a result of the advanced refunding, the Authority reduced its total debt service requirements by \$684,489 resulting in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$461,160. As of June 30, 2006 the amount of defeased moral obligation bonds outstanding is \$4,610,000.

(11) Lease Commitments

The Authority is obligated under long-term operating leases for 4 of its 5 offices. The fifth is leased under a one year lease. The terms of the leases vary for each location. Total rent expense for the year ended June 30, 2006 was \$298,793.

The Authority entered into a lease agreement to lease facilities at 180 N Stetson Avenue, Suite 2555, Chicago, Illinois 60601. The term of the lease is through August 2014. No payments are required under the terms of the lease for the period from June 21, 2004 through June 30, 2006. Annual base rent payments, which begin on July 1, 2006, range from approximately \$119,000 to \$149,000. In accordance with accounting principles generally accepted in the United States of America (GAAP), the total lease payments have been amortized over the term of the lease. Included in rent expense for the year ended June 30, 2006 is \$107,349, which represents the current year amortization.

The Authority entered into a lease agreement to lease facilities at 427 E. Monroe Street, Suite 202, Springfield, Illinois 62701. The term of the lease is through April 2014. Annual base rent payments range from approximately \$36,800 to \$38,300.

The Authority entered into a lease agreement to lease facilities at 124 S.W. Adams Street, Suite 300, Peoria, Illinois 61602. The term of the lease is through October 2007. Annual base rent payments are approximately \$4,000.

STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY
(A Component Unit of the State of Illinois)

Notes to Financial Statements
For the Year Ended June 30, 2006

The Authority entered into a lease agreement to lease facilities at 2929 Broadway, Suite 7B, Mt. Vernon, Illinois 62864. The term of the lease is through March 2008. Annual base rent payments are approximately \$20,900.

The future minimum lease commitments as of June 30, 2006 are as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Amount</u>
2007	\$ 166,694
2008	160,475
2009	162,094
2010	168,958
2011	173,317
2012-2015	<u>564,523</u>
	<u><u>\$ 1,396,061</u></u>

Letter of Credit

The lease at Two Prudential Plaza requires a letter of credit of \$85,000 as a security deposit. As of June 30, 2006 no amounts have been drawn against this letter of credit.

STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY
(A Component Unit of the State of Illinois)

Notes to Financial Statements
For the Year Ended June 30, 2006

(12) Capital Assets

	Balance June 30, 2005	Additions	Deletions	Balance June 30, 2006
<u>Cost</u>				
Capital Assets Being Depreciated:				
Leasehold Improvements	\$ 2,000	\$ -	\$ -	\$ 2,000
Furniture and Equipment	179,520	27,642	3,298	203,864
Computers	55,362	11,102	17,413	49,051
Software	45,439	73,636	-	119,075
Total Capital Assets Being Depreciated	282,321	112,380	20,711	373,990
<u>Accumulated Depreciation</u>				
Leasehold Improvements	2,000	-	-	2,000
Furniture and Equipment	147,673	12,058	3,298	156,433
Computers	51,762	2,450	17,413	36,799
Software	9,687	19,401	-	29,088
Total Accumulated Depreciation	211,122	33,909	20,711	224,320
<u>Capital Assets, Net of Depreciation</u>	\$ 71,199	\$ 78,471	\$ -	\$149,670

Authority's records were reconciled to the records maintained by the Comptroller of the State of Illinois.

(13) Commitments and Contingencies

(a) Debt Service Reserve

The Authority is contingently liable for any claims (maximum of amount held in the Debt Service Reserve in the non-major Credit Enhancement Fund) submitted by the respective Bond Trustees of the prior Illinois Development Finance Authority if the company liable under the bond indenture were to default on repayment of the bond. At June 30, 2006, restricted demand deposits totaling \$1,357,350 were held in the Credit Enhancement Fund for this purpose.

(b) Federally Assisted Programs

The Authority participates in the following federally assisted programs:

E.D.A. Title IX–Restricted Revolving Loan Program

FmHA–Intermediary Relending Program

STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY
(A Component Unit of the State of Illinois)

Notes to Financial Statements
For the Year Ended June 30, 2006

Demand deposits of \$742,719 and \$2,072,445 are held in the E.D.A. Title IX Restricted Revolving Loan Fund and the Rural Development Revolving Loan Fund, respectively, and are restricted due to federal program requirements. In addition, included in restricted assets is \$293,831 in net loans receivable which secure the loans of the intermediary re-lending program.

(c) Loan Guarantees

The Authority has a contingent liability regarding the loan guarantees outstanding at June 30, 2006. When a guaranteed loan defaults, the Authority is responsible for 85% of the liability, with the participating lender being responsible for the remaining 15%. Any guarantee that must be paid out by the State of Illinois, because of a claim properly filed by a bank that has a guaranteed loan that has defaulted, becomes a receivable on the books of the Authority. The Authority must liquidate the loan collateral, and absorb any loss due to uncollectible amounts. Any recoveries on the defaulted loan are first used to repay the Authority's guarantee and then used to repay the lender. These future liabilities, if any, cannot be estimated. According to certifications received by the Authority from lenders, the maximum guarantees outstanding are:

State Guarantee Program for Restructuring Agricultural Debt	\$ 46,709,817
Specialized Livestock Loan Guarantee Program	17,511,697
Young Farmer Loan Guarantee Program	2,623,461
Farmer and Agri-Business Loan Guarantee Program	8,158,412

(14) Risk Financing Activities

The Authority is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors or omissions; injuries to employees; and natural disasters which are covered through purchase of commercial insurance. The Authority accounts for its risk financing activities in the General Operating Fund. There has been no significant reduction or changes in coverage during the current year nor have settlements exceeded insurance coverage in any of the last three years.

(15) Defined Contribution Plan

The Authority's Board of Directors approved the Illinois Finance Authority Deferred Compensation Plan. The Authority's Board of Directors has the power to amend the plan. The Plan is administered through the State of Illinois Department of Central Management Services; this plan is considered a defined contribution plan. This plan allows an employee to invest a portion of their salary in a choice of various investment programs. Federal and State income taxes are deferred on the total amount through the plan as well as on investment earnings. However, the total contributions are subject to FICA taxes. The program provides a tax sheltered retirement account. An employee may begin participating in the Deferred Compensation Plan after 90 days of employment have been completed.

The maximum total annual contribution is determined yearly as shown in the schedule below. The Authority's maximum contribution is 10.5% of the gross salary earned. The maximum contributions through the year 2006 are:

STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY
(A Component Unit of the State of Illinois)

Notes to Financial Statements
For the Year Ended June 30, 2006

<u>YEAR</u>	<u>MAXIMUM CONTRIBUTION</u>	<u>AGE 50 CATCH UP</u>
2006	\$15,000	\$20,000

Contribution Schedule:

<p>a) Up to employee's 5th anniversary date: The employee defers a minimum of 4% of his/her gross annual salary earned, unless this amount would exceed the maximum annual contribution; In addition, the Authority contributes 6.5% of the employee's gross annual salary earned to the plan.</p>
<p>b) On the employee's 5th anniversary date (completion of 5 years) and up to his 6th anniversary date: The Authority contributes 6.5% of the employee's gross annual salary earned plus 20% of the employee's normal contribution up to a maximum of 10.5% of the earned salary.</p>
<p>c) On the employee's 6th anniversary date (completion of 6 years) and up to his 7th anniversary date: The Authority contributes 6.5% of the employee's gross annual salary earned plus 40% of the employee's normal contribution up to a maximum of 10.5% of the earned salary.</p>
<p>d) On the employee's 7th anniversary date (completion of 7 years) and up to his 8th anniversary date: The Authority contributes 6.5% of the employee's gross annual salary earned plus 60% of the employee's normal contribution up to a maximum of 10.5% of the earned salary.</p>
<p>e) On the employee's 8th anniversary date (completion of 8 years) and up to his 9th anniversary date: The Authority contributes 6.5% of the employee's gross annual salary earned plus 80% of the employee's normal contribution up to a maximum of 10.5% of the earned salary.</p>
<p>f) On the employee's 9th anniversary date (completion of 9 years) and thereafter: The Authority contributes 6.5% of the employee's gross annual salary earned plus 100% of the employee's normal contribution up to a maximum of 10.5% of the earned salary.</p>

Total employer and employee contributions for fiscal year 2006 were \$92,815 and \$93,991, respectively.

STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY
(A Component Unit of the State of Illinois)

Combining Statement of Net Assets

Nonmajor Funds

June 30, 2006

Assets	Industrial Revenue Bond Insurance Fund	Venture Investment Fund	Credit Enhancement Fund	Illinois Agricultural Loan Guarantee Fund
Current assets:				
Cash and cash equivalents - unrestricted	\$ 11,327,718	—	—	—
Restricted current assets				
Cash and cash equivalents	—	—	1,357,350	—
Loans receivable	—	—	—	—
Allowance for doubtful accounts	—	—	—	—
Receivables				
Loans	—	—	—	—
Interest and other	6,771	—	—	—
Current portion of deferred issuance costs	—	—	—	—
Total current assets	<u>11,334,489</u>	<u>—</u>	<u>1,357,350</u>	<u>—</u>
Noncurrent assets:				
Restricted noncurrent Assets				
Cash and cash equivalents	—	—	—	10,492,508
Interest receivable	—	—	—	40,000
Guarantee payments receivable	—	—	—	170,902
Allowance for doubtful accounts	—	—	—	(170,902)
Investments	—	—	—	—
Loans receivable	—	—	—	—
Allowance for doubtful accounts	—	—	—	—
Investments in partnerships and companies	—	5,364,735	—	—
Loans receivable	—	—	—	—
Due from other funds long-term	512,373	—	—	—
Property and equipment at cost	—	—	—	—
Accumulated depreciation	—	—	—	—
Deferred issuance costs, net of accumulated amortization	—	—	—	—
Total noncurrent assets	<u>512,373</u>	<u>5,364,735</u>	<u>—</u>	<u>10,532,508</u>
Total assets	<u>11,846,862</u>	<u>5,364,735</u>	<u>1,357,350</u>	<u>10,532,508</u>
Liabilities				
Current liabilities:				
Accrued interest payable	—	—	—	—
Due to primary government	—	—	—	—
Current portion of long-term debt	—	—	—	—
Deferred revenue, net of accumulated amortization	—	—	—	—
Total current liabilities	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Noncurrent liabilities:				
Noncurrent portion of long-term debt	—	—	—	—
Deferred revenue, net of accumulated amortization	—	—	—	—
Due to other funds long-term	—	2,970,341	—	—
Total noncurrent liabilities	<u>—</u>	<u>2,970,341</u>	<u>—</u>	<u>—</u>
Total Liabilities	<u>—</u>	<u>2,970,341</u>	<u>—</u>	<u>—</u>
Net Assets				
Invested in capital assets	—	—	—	—
Restricted	—	—	1,357,350	10,532,508
Unrestricted	11,846,862	2,394,394	—	—
Total net assets	<u>\$ 11,846,862</u>	<u>2,394,394</u>	<u>1,357,350</u>	<u>10,532,508</u>

Illinois Farmer Agribusiness Loan Guarantee Fund	IRBB Special Reserve Fund	IRBB General Fund Trust Fund	E.D.A. Title IX Restricted Revolving Loan Fund	Rural Development Revolving Loan Fund	Employee Ownership Assistance Loan Fund	Illinois Housing Partnership Program	Total nonmajor
—	2,582,068	432,661	—	—	—	823,794	15,166,241
—	—	—	—	—	—	—	1,357,350
—	—	—	91,484	—	—	—	91,484
—	—	—	(91,484)	—	—	—	(91,484)
—	—	—	—	—	—	1,000,000	1,000,000
—	1,851	—	—	—	—	—	8,622
—	—	98,300	—	—	—	—	98,300
—	2,583,919	530,961	—	—	—	1,823,794	17,630,513
7,901,992	—	—	742,719	2,072,445	—	—	21,209,664
30,000	—	—	—	—	—	—	70,000
447,621	—	—	—	—	—	—	618,523
(367,965)	—	—	—	—	—	—	(538,867)
—	—	—	—	—	—	—	—
—	—	—	—	309,210	—	—	309,210
—	—	—	—	(15,379)	—	—	(15,379)
—	—	—	—	—	—	—	5,364,735
—	76,500	—	—	—	1,000,000	3,000,000	4,076,500
—	—	—	—	—	—	200,000	712,373
—	—	5,500	—	—	—	—	5,500
—	—	(3,758)	—	—	—	—	(3,758)
—	—	608,460	—	—	—	—	608,460
8,011,648	76,500	610,202	742,719	2,366,276	1,000,000	3,200,000	32,416,961
8,011,648	2,660,419	1,141,163	742,719	2,366,276	1,000,000	5,023,794	50,047,474
—	—	—	—	4,414	—	—	4,414
—	—	25,000	—	—	—	—	25,000
—	—	—	—	54,846	—	—	54,846
—	—	131,078	—	—	—	—	131,078
—	—	156,078	—	59,260	—	—	215,338
—	—	—	—	828,060	—	—	828,060
—	—	857,204	—	—	—	—	857,204
—	—	—	—	—	—	—	2,970,341
—	—	857,204	—	828,060	—	—	4,655,605
—	—	1,013,282	—	887,320	—	—	4,870,943
—	—	1,742	—	—	—	—	1,742
8,011,648	—	—	742,719	1,478,956	—	—	22,123,181
—	2,660,419	126,139	—	—	1,000,000	5,023,794	23,051,608
8,011,648	2,660,419	127,881	742,719	1,478,956	1,000,000	5,023,794	45,176,531

STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY
(A Component Unit of the State of Illinois)

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets

Nonmajor Funds

For the Year Ended June 30, 2006

	Industrial Revenue Bond Insurance Fund	Venture Investment Fund	Credit Enhancement Fund	Illinois Agricultural Loan Guarantee Fund	Illinois Farmer Agribusiness Loan Guarantee Fund
Operating revenues:					
Interest on loans	\$ —	—	24,255	—	—
Bad debt recoveries	—	—	—	16,069	84,593
Miscellaneous	—	—	—	—	—
Total operating revenues	<u>—</u>	<u>—</u>	<u>24,255</u>	<u>16,069</u>	<u>84,593</u>
Operating expenses:					
Professional services	—	9,599	—	—	—
Depreciation	—	—	—	—	—
Interest expense	—	—	—	—	—
Total operating expenses	<u>—</u>	<u>9,599</u>	<u>—</u>	<u>—</u>	<u>—</u>
Operating income (loss)	<u>—</u>	<u>(9,599)</u>	<u>24,255</u>	<u>16,069</u>	<u>84,593</u>
Nonoperating revenues:					
Interest and investment income	416,492	35,605	1,902	410,529	300,981
Net appreciation (depreciation) in fair value of investments	—	138,048	—	—	—
Total nonoperating revenues	<u>416,492</u>	<u>173,653</u>	<u>1,902</u>	<u>410,529</u>	<u>300,981</u>
Transfers					
Transfers from other funds	—	—	—	—	—
Transfers to other funds	(349,283)	—	(670,126)	—	—
Total transfers	<u>(349,283)</u>	<u>—</u>	<u>(670,126)</u>	<u>—</u>	<u>—</u>
Change in net assets	67,209	164,054	(643,969)	426,598	385,574
Net assets – beginning of year	<u>11,779,653</u>	<u>2,230,340</u>	<u>2,001,319</u>	<u>10,105,910</u>	<u>7,626,074</u>
Net assets – end of year	<u>\$ 11,846,862</u>	<u>2,394,394</u>	<u>1,357,350</u>	<u>10,532,508</u>	<u>8,011,648</u>

IRBB Special Reserve Fund	IRBB General Fund Trust Fund	E.D.A. Title IX Restricted Revolving Loan Fund	Rural Development Revolving Loan Fund	Employee Ownership Assistance Loan Fund	Illinois Housing Partnership Program	Total nonmajor
101,648	295,946	—	15,824	—	—	437,673
—	—	—	17,626	—	—	118,288
—	—	—	—	—	—	—
101,648	295,946	—	33,450	—	—	555,961
—	35	—	5	—	—	9,639
—	1,100	—	—	—	—	1,100
—	236,057	—	9,101	—	—	245,158
—	237,192	—	9,106	—	—	255,897
101,648	58,754	—	24,344	—	—	300,064
63,504	18,058	29,700	43,861	—	33,552	1,354,184
—	—	—	—	—	—	138,048
63,504	18,058	29,700	43,861	—	33,552	1,492,232
—	—	—	—	—	—	—
—	(104,550)	—	—	—	(33,552)	(1,157,511)
—	(104,550)	—	—	—	(33,552)	(1,157,511)
165,152	(27,738)	29,700	68,205	—	—	634,785
2,495,267	155,619	713,019	1,410,751	1,000,000	5,023,794	44,541,746
2,660,419	127,881	742,719	1,478,956	1,000,000	5,023,794	45,176,531

STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY
(A Component Unit of the State of Illinois)

Combining Statement of Cash Flows

Nonmajor Funds

For the Year Ended June 30, 2006

	Industrial Revenue Bond Insurance Fund	Venture Investment Fund	Credit Enhancement Fund	Illinois Agricultural Loan Guarantee Fund
Cash flows from operating activities:				
Cash received for interest on loans	\$ —	—	24,255	—
Cash received for fees and other	—	—	—	—
Cash received on loan receivables and guarantees	—	—	600,000	20,704
Cash payments on loan receivables and guarantees	—	—	—	—
Cash payments to suppliers for goods and services	—	(9,599)	—	—
Cash payments for interest	—	—	—	—
Net cash provided by (used in) operating activities	—	(9,599)	624,255	20,704
 Cash flows from noncapital financing activities:				
Due to other funds	—	(117,556)	—	—
Transfers to other funds	(349,283)	—	(670,126)	—
Bonds and notes principal payments	—	—	—	—
Net cash provided by (used in) noncapital financing activities	(349,283)	(117,556)	(670,126)	—
 Cash flows from investing activities:				
Purchase of investments	—	(650,000)	—	—
Sales and maturities of investments	—	741,549	—	—
Interest and dividends on investments	413,699	35,606	1,902	390,529
Net cash provided by investing activities	413,699	127,155	1,902	390,529
Net increase (decrease) in cash and cash equivalents	64,416	—	(43,969)	411,233
Cash and cash equivalents at beginning of year	11,263,302	—	1,401,319	10,081,275
Cash and cash equivalents at end of year	\$ 11,327,718	—	1,357,350	10,492,508
 Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ —	(9,599)	24,255	16,069
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	—	—	—	—
Amortization of bond issuance costs	—	—	—	—
Amortization of deferred revenue	—	—	—	—
Changes in assets and liabilities:				
Accrued interest	—	—	600,000	—
Loans receivable	—	—	—	4,635
Accounts payable and accrued expenses	—	—	—	—
Net cash provided by (used in) operating activities	\$ —	(9,599)	624,255	20,704

Illinois Farmer Agribusiness Loan Guarantee Fund	IRBB Special Reserve Fund	IRBB General Fund Trust Fund	E.D.A. Title IX Restricted Revolving Loan Fund	Rural Development Revolving Loan Fund	Employee Ownership Assistance Loan Fund	Illinois Housing Partnership Program	Total nonmajor
—	99,797	—	—	18,485	—	—	142,537
—	—	104,549	—	—	—	—	104,549
193,481	2,408,500	—	—	56,837	—	—	3,279,522
—	—	—	—	(108,688)	—	—	(108,688)
—	—	(35)	—	(5)	—	—	(9,639)
—	—	—	—	(9,373)	—	—	(9,373)
<u>193,481</u>	<u>2,508,297</u>	<u>104,514</u>	<u>—</u>	<u>(42,744)</u>	<u>—</u>	<u>—</u>	<u>3,398,908</u>
—	—	—	—	—	—	—	(117,556)
—	—	(104,550)	—	—	—	(33,552)	(1,157,511)
—	—	—	—	(54,303)	—	—	(54,303)
—	—	(104,550)	—	(54,303)	—	(33,552)	(1,329,370)
—	—	—	—	—	—	—	(650,000)
—	—	—	—	—	—	—	741,549
288,981	63,504	18,058	29,700	43,861	—	33,552	1,319,392
<u>288,981</u>	<u>63,504</u>	<u>18,058</u>	<u>29,700</u>	<u>43,861</u>	<u>—</u>	<u>33,552</u>	<u>1,410,941</u>
482,462	2,571,801	18,022	29,700	(53,186)	—	—	3,480,479
7,419,530	10,267	414,639	713,019	2,125,631	—	823,794	34,252,776
<u>7,901,992</u>	<u>2,582,068</u>	<u>432,661</u>	<u>742,719</u>	<u>2,072,445</u>	<u>—</u>	<u>823,794</u>	<u>37,733,255</u>
84,593	101,648	58,754	—	24,344	—	—	300,064
—	—	1,100	—	—	—	—	1,100
—	—	236,057	—	—	—	—	236,057
—	—	(191,397)	—	—	—	—	(191,397)
—	(1,851)	—	—	2,661	—	—	600,810
108,888	2,408,500	—	—	(69,477)	—	—	2,452,546
—	—	—	—	(272)	—	—	(272)
<u>193,481</u>	<u>2,508,297</u>	<u>104,514</u>	<u>—</u>	<u>(42,744)</u>	<u>—</u>	<u>—</u>	<u>3,398,908</u>