STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY

Financial Audit
For the Year Ended June 30, 2009

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, 2009

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

For the Year Ended June 30, 2009

AGENCY OFFICIALS

Executive Director	Mr. Christopher Meister (12/08/09 to Current)
Executive Director	Mr. John Filan (11/17/08 to 06/30/09)
Executive Director	Ms. Kym Hubbard (05/08/07 to 07/15/08)
Chairman – Board of Directors	Mr. William A. Brandt
Chief Financial Officer	Ms. Yvonne Towers (02/23/09 to Current)
Assistant Chief Financial Officer	Ms. Ximena Granda
Chief Administrative Officer/Treasurer	Mr. Stuart Boldry
General Counsel and Deputy Director	Mr. Christopher Meister (to 12/08/09)

Board Members

William Barclay	Terrance M. O'Brien
Ronald E. DeNard	Juan B. Rivera
Michael W. Goetz	April Verrett
Dr. Roger D. Herrin	Bradley A. Zeller
Edward H. Leonard Sr.	

Agency offices are located at:

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

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

Springfield Office
620 E. Adams St. 3rd Fl
Springfield, Illinois 62701

Peoria Office
100 S.W. Water Street
Peoria, Illinois 61602

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

For the Year Ended June 30, 2009

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

Summary of Findings

The auditors identified matters involving the Authority's internal control over financial reporting that they considered to be significant deficiencies. The significant deficiencies are described in the accompanying schedule of findings on page 43 of this report as finding 09-1 (Valuation of Venture Capital Investments).

Exit Conference

The findings and recommendations appearing in this report were discussed with the Authority in an exit conference on January 6, 2010. Attending were:

Illinois Finance Authority	
Christopher Meister	Executive Director
Yvonne Towers	Chief Financial Officer
Ximena Granda	Assistant Chief Financial Officer
Pamela Lenane	Acting General Counsel
Joy Kuhn	Assistant Treasurer
McGladrey & Pullen, LLP	
Joseph Evans	Partner
Sean Hickey	Manager
Office of the Auditor General	
Jon Fox	Audit Manager

The response to the recommendation was provided by Yvonne Towers in correspondence dated January 6, 2010.

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Independent Auditors' Report

Honorable William G. Holland
Auditor General
State of Illinois
and
Mr. William A. Brandt, Jr.
Honorable Chairman of the Board of Directors
Illinois Finance Authority

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, 2009, 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.

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, 2009, 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 have also issued a report dated January 22, 2010 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 as listed in the table of contents 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
January 22, 2010

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

Statement of Net Assets
June 30, 2009

Assets	General Operating Fund	Bond Fund	Nonmajor Funds	Total
Current assets:				
Cash and cash equivalents – unrestricted	$ 15,418,926	$ -	$ 16,029,915	$ 31,448,841
Investments – unrestricted	85,000	-	-	85,000
Restricted current assets				
Cash and cash equivalents	-	13,647,376	866,429	14,513,805
Accrued interest receivable	-	1,925,667	201	1,925,868
Restricted investments	-	70,274,629	-	70,274,629
Bonds and notes receivable	-	3,791,200	-	3,791,200
Bonds and notes receivable from Primary Government	-	10,028,165	-	10,028,165
Bonds and notes receivable from component units of State	-	1,388,448	-	1,388,448
Loans receivable	-	-	870,931	870,931
Allowance for doubtful accounts	-	-	(91,484)	(91,484)
Due from other funds	-	-	1,440	1,440
Current portion of deferred issuance costs	-	24,553	-	24,553
Receivables:				
Accounts	111,375	25,000	-	136,375
Allowance for doubtful accounts	(36,349)	-	-	(36,349)
Loans receivable	4,202,823	-	18,228	4,221,051
Interest and other	198,061	-	1,045	199,106
Current portion of deferred issuance costs	67,139	-	-	67,139
Due from other funds	7,158	-	12,354	19,512
Prepaid expenses and deposits	58,270	-	-	58,270
Total current assets	20,112,403	101,105,038	17,709,059	138,926,500
Noncurrent assets:				
Restricted noncurrent assets				
Cash and cash equivalents	-	-	19,964,690	19,964,690
Interest receivable	-	191,371	12,548	203,919
Guarantee payments receivable	-	-	823,552	823,552
Allowance for doubtful accounts	-	-	(823,552)	(823,552)
Deferred issuance costs, net of accumulated amortization	-	123,981	-	123,981
Investments	-	47,187,925	-	47,187,925
Bonds and notes receivable	-	42,851,874	-	42,851,874
Bonds and notes receivable from Primary Government	-	76,694,081	-	76,694,081
Bonds and notes receivable from component units of State	-	46,429,942	-	46,429,942
Loans receivable	-	-	21,930,863	21,930,863
Allowance for doubtful accounts	-	-	(37,066)	(37,066)
Investments in partnerships and companies	-	-	5,377,739	5,377,739
Loans receivable	22,949,964	-	4,314,702	27,264,666
Allowance for doubtful accounts	(3,054,830)	-	-	(3,054,830)
Property and equipment, at cost	463,615	-	-	463,615
Accumulated depreciation	(364,931)	-	-	(364,931)
Deferred issuance costs, net of accumulated amortization	356,664	-	-	356,664
Total noncurrent assets	20,350,482	213,479,174	51,563,476	285,393,132
Total assets	40,462,885	314,584,212	69,272,535	424,319,632

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

Statement of Net Assets (Continued)
June 30, 2009

Liabilities	General Operating Fund	Bond Fund	Nonmajor Funds	Total
Current liabilities:				
Accounts payable	133,120	39,987	-	173,107
Accrued expenses	307,842	7,326	-	315,168
Accrued interest payable	-	5,283,373	3,583	5,286,956
Due to employees	80,002	-	-	80,002
Due to primary government	182,064	487,373	571,177	1,240,614
Bonds payable, current	-	3,845,000	-	3,845,000
Bonds payable, primary government	-	18,940,000	-	18,940,000
Bonds payable, component units of State	-	1,385,455	-	1,385,455
Current portion of long-term debt	-	-	56,508	56,508
Deferred loss on early extinguishment of debt - current	-	(8,729)	-	(8,729)
Unamortized issuance premium, current	-	1,119,324	-	1,119,324
Due to other funds	13,794	-	7,158	20,952
Deferred revenue, net of accumulated amortiziation	92,412	-	-	92,412
Total current liabilities	809,234	31,099,109	638,426	32,546,769
Noncurrent liabilities:				
Noncurrent portion of long-term debt	-	-	660,210	660,210
Accrued expenses	-	1,032	-	1,032
Bonds payable, noncurrent	-	51,440,000	-	51,440,000
Bonds payable, primary government	-	165,830,000	-	165,830,000
Bonds payable, componets units of State	-	59,632,600	-	59,632,600
Deferred revenue net of accumulated amortization	517,584	-	-	517,584
Due to primary government	-	-	19,680,345	19,680,345
Unamortized issuance premium	-	5,022,251	-	5,022,251
Deferred loss on early extinguishment of debt	-	(84,127)	-	(84,127)
Total noncurrent liabilities	517,584	281,841,756	20,340,555	302,699,895
Total liabilities	1,326,818	312,940,865	20,978,981	335,246,664
Net Assets				
Invested in capital assets	98,684	-	-	98,684
Restricted	-	1,643,347	22,539,571	24,182,918
Unrestricted	39,037,383	-	25,753,983	64,791,366
Total net assets	$ 39,136,067	$ 1,643,347	$ 48,293,554	$ 89,072,968

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, 2009

	General Operating Fund	Bond Fund	Nonmajor funds	Total
Operating revenues:				
Interest on loans	$ 1,296,793	$ -	$ 87,319	$ 1,384,112
Interest on loans (security for revenue bonds)	-	9,557,410	-	9,557,410
Application fees	94,450	-	12,750	107,200
Annual fees	673,917	87,280	-	761,197
Administrative service fees	4,885,211	-	-	4,885,211
Bad debt recoveries	-	-	18,509	18,509
Miscellaneous	104,464	-	1,683	106,147
Total operating revenues	7,054,835	9,644,690	120,261	16,819,786
Operating expenses:				
Employee related expenses	3,275,386	-	-	3,275,386
Professional services	1,180,635	92,945	11,281	1,284,861
Depreciation	72,018	-	-	72,018
Occupancy costs	441,252	-	-	441,252
Interest expense	-	14,450,249	7,447	14,457,696
General and administrative	378,313	-	-	378,313
Loan loss provision	89,355	-	400,483	489,838
Total operating expenses	5,436,959	14,543,194	419,211	20,399,364
Operating income (loss)	1,617,876	(4,898,504)	(298,950)	(3,579,578)
Nonoperating revenues (expenses):				
Mandatory transfers to primary government	-	-	(3,000,000)	(3,000,000)
Transfer of interest in program to State of Illinois	-	-	(23,329,923)	(23,329,923)
Interest and investment income	126,990	5,008,070	742,971	5,878,031
Net appreciation in fair value of investments	-	-	286,945	286,945
Total nonoperating revenues (expenses), net	126,990	5,008,070	(25,300,007)	(20,164,947)
Transfers				
Transfers from other funds	810,160	12,850	-	823,010
Transfers to other funds	-	-	(823,010)	(823,010)
Total transfers	810,160	12,850	(823,010)	-
Change in net assets	2,555,026	122,416	(26,421,967)	(23,744,525)
Net assets – beginning of year	36,581,041	1,520,931	74,715,521	112,817,493
Net assets – end of year	$ 39,136,067	$ 1,643,347	$ 48,293,554	$ 89,072,968

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, 2009

	General Operating Fund	Bond Fund	Nonmajor funds	Total
Cash flows from operating activities:				
Cash received for fees and other	$ 5,829,862	$ 62,281	$ 14,433	$ 5,906,576
Cash payments for employee services	(3,245,854)	-	-	(3,245,854)
Cash payments to suppliers for goods and services	(1,836,264)	(39,748)	(11,281)	(1,887,293)
Net cash provided by operating activities	747,744	22,533	3,152	773,429
Cash flows from noncapital financing activities:				
Due from other funds	(7,158)	-	(13,794)	(20,952)
Due to other funds	13,794	-	7,158	20,952
Transfers from other funds	810,160	12,850	-	823,010
Transfers to other funds	-	-	(823,010)	(823,010)
Transfer of interest in program to the State of Illinois	-	-	(13,850,494)	(13,850,494)
Cash payments for mandatory transfers to primary government	-	-	(3,000,000)	(3,000,000)
Net cash provided by (used in) noncapital financing activities	816,796	12,850	(17,680,140)	(16,850,494)
Cash flows from capital and related financing activities:				
Purchase of capital assets	(11,702)	-	-	(11,702)
Net cash used in capital and related financing activities	(11,702)	-	-	(11,702)
Cash flows from investing activities:				
Purchase of investments	-	(200,421,372)	-	(200,421,372)
Maturity and sales of investments	-	213,051,374	1,148,994	214,200,368
Proceeds from State of Illinois to make loans	-	-	11,370,665	11,370,665
Proceeds from issuance of revenue bonds	-	1,800,000	-	1,800,000
Cash received on loan repayments	4,524,990	16,799,261	1,677,694	23,001,945
Cash payments for loans made	(2,900,609)	(4,325,985)	(11,985,548)	(19,212,142)
Cash received for interest on loans	1,285,554	9,673,261	100,661	11,059,476
Interest and dividends on investments	126,192	4,627,570	780,961	5,534,723
Principal paid to State	-	-	(586,671)	(586,671)
Bond and notes principal payments	-	(24,282,134)	(55,949)	(24,338,083)
Interest payments	-	(16,060,833)	(7,726)	(16,068,559)
Net cash provided by investing activities	3,036,127	861,142	2,443,081	6,340,350
Net increase (decrease) in cash and cash equivalents	4,588,965	896,525	(15,233,907)	(9,748,417)
Cash and cash equivalents at beginning of year	10,829,961	12,750,851	52,094,941	75,675,753
Cash and cash equivalents at end of year	$ 15,418,926	$ 13,647,376	$ 36,861,034	$ 65,927,336
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	$ 1,617,876	$ (4,898,504)	$ (298,950)	$ (3,579,578)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	72,018	-	-	72,018
Interest on loans	(1,296,793)	(9,557,410)	(87,319)	(10,941,522)
Interest expense	-	14,450,249	7,447	14,457,696
Amortization of bond issuance costs	75,576	26,538	-	102,114
Amortization of deferred revenue	(102,908)	-	-	(102,908)
Bad debt recoveries	-	-	(18,509)	(18,509)
Loan loss provision	89,355	-	400,483	489,838
Changes in assets and liabilities:				
Accounts receivable	174,727	(25,000)	-	149,727
Prepaid expenses and deposits	115,057	-	-	115,057
Accounts payable and accrued expenses	(26,696)	26,660	-	(36)
Due to employees	29,532	-	-	29,532
Net cash provided by operating activities	$ 747,744	$ 22,533	$ 3,152	$ 773,429

See accompanying notes to financial statements.

(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 $28,150,000,000.

(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. All agency administered funds are non-appropriated.

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 issue is comprised of several accounts as required by the bond indenture. 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 participating institutions securities and remit bond issuance costs paid for with bond proceeds. The fund also collects interest and principal payments from the participating institutions and makes payments and interest on the bonds payable.

(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 13) for additional disclosures.

(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, Issuance Premium and Deferred Revenue

The Authority is amortizing issuance costs, issuance premiums 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. Capital assets and accumulated depreciation is reported in Note 12 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

(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 earned vacation days into the next calendar year. Vacation time carried over must be used during the ensuing fiscal year or it will be paid out at a rate of 50% of the value during the fiscal year in which it was earned. 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, 2009 consisted of the following:

Accrued Leave June 30, 2008	Earned	Paid	Accrued Leave June 30, 2009	Due Within One Year
$ 50,471	$ 144,207	$ 114,676	$ 80,002	$ 80,002

(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, 2009, the Authority had restricted net assets of $24,182,918, of which $17,463,634 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.

(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, 2009, the aggregate amount of conduit debt outstanding is approximately $23.7 billion.

(3) Cash and Investments

Cash and investments as of June 30, 2009 are classified in the accompanying financial statements as follows:

Cash and cash equivalents - unrestricted	$ 31,448,841
Cash and cash equivalents - restricted current assets	14,513,805
Cash and cash equivalents - restricted noncurrent assets	19,964,690
Investments - unrestricted	85,000
Investments - restricted current assets	70,274,629
Investments - restricted noncurrent assets	47,187,925
Investments in partnership and companies	5,377,739
Total cash and investments	$ 188,852,629

Cash and investments as of June 30, 2009 consist of the following:

Deposits with financial institutions	$ 6,560,208
Deposits with State of Illinois Treasurer	17,456,635
Investments	164,835,786
	$ 188,852,629

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, 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. The allowable investments are as follows:

Credit Enhancement Funds:

Moneys in the Debt Service Reserve Fund shall be invested or reinvested by the Trustee in permitted investments, including federal securities, and any other obligations which were permitted under the Act (the Illinois Development Finance Authority Act, 20 ILCS 3505/1 et seq., as amended) and consented to by the holders of at least two-thirds in aggregate principal amount of the bonds then outstanding with a maturity of not more than one year.

Moneys in the Reserve Fund may be invested in qualified investments, including direct obligations of the United States of America; obligations, debentures, notes, or other evidences of indebtedness issued or guaranteed; New Housing Authority Bonds or Project Notes issued by public agencies or municipalities; interest-bearing demand or time deposits in banks or savings and loan associations insured by the Federal Deposit Insurance Corporation; the Public Treasurers' Investment Pool of the State of Illinois; repurchase agreements with banks which are members of the federal reserve system or with government bond dealers; and obligations issued by or on behalf of a state or political subdivision.

Federally Assisted Programs:

Federally assisted program fund reserves and other cash shall be deposited in accounts in banks or other financial institutions. Such accounts will be fully covered by Federal Deposit Insurance Corporation or fully collateralized with U.S. Government Obligations, and must be interest bearing.

Bond Funds:

Investment of bond funds shall be made in investment obligations, including federal securities; bonds, notes, debentures, or similar obligations; interest-bearing savings accounts, interest-bearing certificates of deposit or interest-bearing deposits or any other investments constituting direct obligations of any bank, as defined by the Illinois Banking Act, which is fully insured by the Federal Deposit Insurance Corporation or collateralized with federal securities; short-term obligations of corporations organized in the U.S. with assets exceeding $500,000,000; money market mutual funds registered under the Investment Company Act of 1940; short-term discount obligations of the Federal National Mortgage Association; shares or other forms of securities legally issuable by savings and loan associations; obligations the interest upon which is tax-exempt under Section 103 of the Code; repurchase agreements of government securities; and any investment which was permitted by the Rural Bond Bank Act.

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, the Authority's Investment policy limits any new investments to maturities of 5 years or less unless approved by the Executive Director.

As of June 30, 2009, the Weighted Average Maturity of the Authority's investments were:

Investment Type		Weighted Average Maturity (in years)
Federal agency securities	$ 60,556,084	3.35
State investment pool (Illinois Funds)	26,158,696	0.03
Money market funds	15,836,797	N/A
Investment contracts (Bond Fund)	8,882,470	11.42
Commercial paper	48,024,000	0.25
Investments in partnerships and companies	5,377,739	N/A
	$ 164,835,786	

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:

Investment Type		Exempt From Disclosure	Ratings as of Year-End AAA	A-1	Not Rated
Federal agency securities	$ 60,556,084	$ -	$ 60,556,084	$ -	$ -
State investment pool	26,158,696	-	26,158,696	-	-
Money market funds	2,506,742	-	2,506,742	-	-
Held by bond trustee:	-				
Money market funds	13,330,055	-	13,330,055	-	-
Investment contracts (Bond Fund)	8,882,470	-	-	-	8,882,470
Commercial paper	48,024,000	-	-	48,024,000	-
Investments in partnerships and companies	5,377,739	5,377,739	-	-	-
Total	$ 164,835,786	$ 5,377,739	$ 102,551,577	$ 48,024,000	$ 8,882,470

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:

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 Authority's Portfolio in total and 5% of the Authority's 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.

Investments held by trustees not under the control of the Authority are not subject to the Authority's Concentration policies.

As of June 30, 2009, investments in any one issuer (other than US Treasury securities, mutual funds, and external investment pools) that represent 5% or more of the total Authority investments are as follows (held by trustee):

Metlife Funding	Bond Fund	Commercial Paper	$ 48,024,000

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.

As of June 30, 2009 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. Briefly during the year, the value of the collateralized property fell and at June 30, 2009, was 106.4% of uninsured deposits.

As of June 30, 2009 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, 2016	$ 3,000,000

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, 2009. 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, 2009, 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 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, 2009, were $26,964,344.

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, 2009, 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, 2009, were $617,777.

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, 2009, 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, 2009, were $1,000,000.

Fire Truck Revolving Loan Program

This program provides zero interest rate loans for the purchase of fire trucks by a fire department, fire protection district, or a township fire department. The loans to each department, district or township may not exceed $250,000 and must be repaid within 20 years. The program was funded by a transfer of $19,000,000 from the State of Illinois, and administered by the Authority. During fiscal year 2009, the Authority transferred equity of $19,324,098 in the Fire Truck Revolving Loan Program back to the State of Illinois as the original source of funds for the program was from State resources. Total loans outstanding as of June 30, 2009, were $19,258,322.

Ambulance Revolving Loan Program

This program provides zero interest rate loans for the purchase of ambulances by fire departments, fire protection districts, township fire departments and non-profit ambulance services. The loans may not exceed $100,000 and must be repaid within 10 years. The program was funded by a transfer of $4,000,000 from the State of Illinois, and administered by the Authority. During fiscal year 2009, the Authority transferred equity of $4,005,825 in the Ambulance Revolving Loan Program back to the State of Illinois as the original source of funds for the program was from State resources. Total loans outstanding as of June 30, 2009, were $993,200.

Local Government Financing Assistance Program

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, 2009, were $332,930.

Bond Bank Lending Program

This program facilitates the financing needs of a broad array of governmental units located through out the State. The Local Government units make payments on the loans from taxes, revenues, rates, charges or assessments, in an amount sufficient to pay the principal of and interest on its Local Government Securities when due. The program is funded by issuing Moral Obligation Revenue Bonds (Footnote 9). Total loans outstanding as of June 30, 2009 were $46,643,074.

Loans with the Primary Government and Component Units of the State

The Authority has provided financing to the State of Illinois and to component units of the State of Illinois. The borrowers make payments in an amount sufficient to pay the principal of and interest on the bonds when due. Total loans outstanding as of June 30, 2009 were $134,540,636.

Renewable Energy Development Program

This program provides loans to qualified borrowers who construct community scale wind projects for use as alternative energy. This program was funded by a $2,000,000 grant received from the Illinois Clean Energy Community Foundation. Total loans outstanding as of June 30, 2009 were $1,841,011.

Allowance for Doubtful Accounts

The allowance for doubtful accounts for all loans receivable and notes receivable at June 30, 2008, is comprised of two components. Loans which are delinquent greater than 90 days are reserved for 100% of principal outstanding. In addition, the Authority provides general reserve approximately 5% for the principal balance of all other loans outstanding. Loans originated by the predecessor Illinois Rural Bond Bank, Loans to the State of Illinois and Component Units of the State of Illinois, the Fire Truck Revolving Loan Program, Renewable Energy Development Fund 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, 2009, consisted of the following:

	Illinois Farmer Agribusiness Loan Guarantee Fund	Illinois Agricultural Loan Guarantee Fund	Total
Guarantee receivables beginning of year	$ 944,696	$ 170,902	$ 1,115,598
Disbursements on guarantee claims	399,883	-	399,883
Payments received	-	-	-
Receivables written off	(691,929)	-	(691,929)
Gross guarantee receivables end of year	652,650	170,902	823,552
Allowance for doubtful accounts	(652,650)	(170,902)	(823,552)
Net receivables - end of year	$ -	$ -	$ -

Allowance for Doubtful Accounts

The allowance for doubtful accounts for all guarantee receivables at June 30, 2009, 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 fourteen (14) 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, 2009, is reflected below:

Partnership/Company	Recorded Book Value
Clearstack	$ 450,000
Firefly Energy, Inc.	975,000
Harmonic Vision	261,000
Illinois Arch Fund Partnership	165,032
Lemko Corporation	300,000
Metalconforming Controls	575,000
Moire, Inc	600,000
Nephrx	110,000
Neuronautics	300,000
Open Channel Software	250,000
Ohmx Corporation	300,000
Smart Signal	293,848
Stonewater Software	4,759
Video Home Tour	250,000
Zuchem, Inc.	543,100
Total	$ 5,377,739

The following seventeen (17) companies have zero values: Blackman & Young, Cerulean Fund, Champaign-Urbana Fund, Delivery Station, Epigraph, Evantis (Cyberloan Officer), Go Reader, Mobitrac, Neodesic, Perceptual Robotics, Preview Port, Proof Space, U. Communications, User Active Media.com, Venture Capital Online, Cobotics, Wander On.

(7) Interfund Balances and Activity

Balances due to/from other funds and transfers made for the fiscal year ended June 30, 2009, were as follows:

Fund	Other major funds	Other nonmajor funds	Description/purpose
Due to:			Due from:
General Operating Fund	$ -	$ 5,226	Title IX for a percent of interest income to be sent to EDA
General Operating Fund	-	1,932	Rural Development for legal fees
Total Major Funds	-	7,158	
Nonmajor funds	1,440	-	General Operating Fund for loan payments
Nonmajor funds	12,354	-	General Operating Fund for loan payments
Total	$ 13,794	$ 7,158	
Due from:			Due to:
General Operating Fund	$ -	$ 12,354	Special Reserve for loans payments
General Operating Fund	-	1,440	Rural Development for loan payments
Nonmajor Funds	1,932	-	General Operating Fund for legal fees
Nonmajor Funds	5,226	-	General Operating Fund for a percent of interest income to be sent to EDA
Total	$ 7,158	$ 13,794	
Transfer to:			Transfer from:
General Operating Fund	$ -	$ 773,955	Transfer from Venture Capital Fund due to sales of investments
General Operating Fund	-	7,000	Transfer from Credit Enhancement Fund since funds are no longer needed for program
General Operating Fund	-	16,455	Transfer from Illinois Housing Partnership Program for excess program fees
Bond Fund	-	12,850	Transfer from IRBB Special Reserve Fund to fund Reserve requirement
General Operating Fund	-	11,750	Transfer from the Firetruck Revolving Fund for application fees
General Operating Fund	-	1,000	Transfer from the Ambulance Revolving Fund for application fees
Total	$ -	$ 823,010	
Transfer from:			Transfer to:
Nonmajor funds			
Venture Capital Fund	$ 773,955	$ -	General Operating Fund for excess program funds
Credit Enhancement Fund	7,000	-	General Operating Fund for excess program funds
Illinois Housing Partnership Fund	16,455	-	General Operating Fund for excess program funds
Firetruck Revolving Fund	11,750	-	General Operating Fund for program fees
Ambulance Revolving Fund	1,000	-	General Operating Fund for program fees
IRBB Special Reserve Fund	12,850	-	Bond fund to fund reserve requirement
Total	$ 823,010	$ -	

(8) Long-term Obligations

The predecessor authorities (Note 1) entered into loan agreements, now a liability of the Authority, with the U.S. Department 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, 2008	$ 772,666
Less repayments	(55,948)
Balance, June 30, 2009	716,718
Less current portion	(56,508)
	$ 660,210

Principal and interest payments of long-term debt at June 30, 2009, are due as follows:

Year ending June 30:	Principal	Interest	Total
2010	$ 56,508	$ 7,167	$ 63,675
2011	57,073	6,602	63,675
2012	57,644	6,031	63,675
2013	58,220	5,455	63,675
2014	58,802	4,873	63,675
2015-2019	302,950	15,425	318,375
2020-2021	125,521	1,886	127,407
	$ 716,718	$ 47,439	$ 764,157

(9) Revenue Bonds Payable and Pledged Revenues

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 loan 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 Authority has pledged future loan revenues to repay the outstanding principal revenue bonds. Proceeds from the bonds provided financing for various loan programs. The bonds are payable solely from principal and interest revenues under the related loans and are payable through the final maturity of the bonds in 2039. Annual principal and interest payments on the bonds are expected to require approximately 100% of these loan revenues. The assets of the Bond Fund are therefore classified as restricted assets on the Statement of Net Assets.

All bonds outstanding at June 30, 2009, 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 may issue revenue bonds with the State's moral obligation pledge attached. This pledge means that in the event it is determined that money will not be available for payment of principal and interest of these obligations, the Governor is to submit the shortfall amount to the General Assembly. The 1992A Revenue Bonds through the 2008A Revenue Bonds are considered moral obligation revenue bonds. The revenue bonds of the component units and primary government were not issued with the State's moral obligation pledge attached. Bonds payable at June 30, 2009, are comprised of the following individual issues:

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.

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.

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.

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, 2012.

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, 2023.

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.

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.

2006B Revenue Bonds – original issue $1,915,000, dated August 3, 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 3.75-4.90%. Final maturity is February 2036.

2007A Revenue Bonds – original issue $6,455,000, dated August 16, 2007, provides for serial retirement of principal beginning February 1, 2008 and every February 1 thereafter, and interest payable on February 1 and August 1 of each year at rates of 3.70-4.85%. Final maturity is February 2039.

2007B Revenue Bonds – original issue $2,590,000, dated January 24, 2008, provides for serial retirement of principal beginning February 1, 2009 and every February 1 thereafter, and interest payable on February 1 and August 1 of each year at rates of 2.85-4.70%. Final maturity is February 2038.

2008A Revenue Bonds – original issue $1,800,000, dated July 22, 2008, provides for serial retirement of principal beginning February 1, 2009 and every February 1 thereafter, and interest payable on February 1 and August 1 of each year at rates of 4.125-5.125%. Final maturity is February 2039.

Northern Illinois University, Series 1999 – original issue $20,000,000, dated February 1, 1999, provides for serial retirement of principal beginning September 1, 2000 and every September 1 thereafter, and interest payable March 1 and September 1 of each year at rates of 4.50% to 5.00%. Final maturity is September 1, 2024.

State of Illinois Revolving Fund, Series 2002 (Clean Water) – original issue $150,000,000, dated June 27, 2002, provides for serial retirement of principal beginning March 1, 2003 and every September 1 and March 1, thereafter, and interest payable on March 1 and September 1 of each year at rates of 3.50% to 5.5%. Final maturity is March 1, 2020.

State of Illinois Revolving Fund, Series 2004 (Clean Water) – original issue $130,000,000, dated May 20, 2004, provides for serial retirement of principal beginning March 1, 2005 and every September 1 and March 1, thereafter, and interest payable on March 1 and September 1 of each year at rates of 3.00% to 5.25%. Final maturity is September 1, 2023.

Illinois Medical District Commission, Series 2006A – original issue $7,500,000, dated January 31, 2006, provides for serial retirement of principal beginning September 1, 2010 and every September 1 thereafter, and interest payable on March 1 and September 1 of each year at rates of 4.125% to 4.70%. Final maturity is September 1, 2031.

Illinois Medical District Commission, Series 2006B– original issue $32,500,000, dated January 31, 2006, provides for serial retirement of principal beginning September 1, 2010 and every September 1 thereafter, and interest payable on March 1 and September 1 of each year at rates of 5.14% to 5.33%. Final maturity is September 1, 2031.

Northern Illinois University Foundation, Series 2006 – original issue $9,206,100, dated August 15, 2006, provides for serial retirement of principal beginning February 15, 2007 and every February 15 and August 15 until August 15, 2012 and then every August 15 thereafter, and interest payable February 15 and August 15 of each year at rates of 4.66%. Final maturity is August 15, 2016.

The future debt service requirements for revenue bonds as of June 30, 2009, including interest payments is as follows:

Period Ending June 30	Principal	Interest	Total
2010	$ 24,170,455	$ 14,916,587	$ 39,087,042
2011	25,642,500	13,734,071	39,376,571
2012	26,659,800	12,471,509	39,131,309
2013	24,404,500	11,165,502	35,570,002
2014	22,414,000	9,959,774	32,373,774
2015-2019	102,996,800	33,078,137	136,074,937
2020-2024	44,635,000	12,758,011	57,393,011
2025-2029	17,490,000	5,473,912	22,963,912
2030-2034	11,155,000	1,355,297	12,510,297
2035-2039	1,505,000	225,946	1,730,946
	$ 301,073,055	$ 115,138,746	$ 416,211,801

The following is a summary of the revenue bond transactions of the Authority for the year ended June 30, 2009:

	Balance June 30, 2008	Additions	(Retirements)	Balance June 30, 2009	Amounts Due Within One Year
1992 A Bonds	$ 60,000	$ -	$ (15,000)	$ 45,000	$ 15,000
1992 B Bonds	210,000	-	(20,000)	190,000	20,000
1993 B Bonds	310,000	-	(45,000)	265,000	50,000
1994 A Bonds	155,000	-	(105,000)	50,000	10,000
1995 A Bonds	160,000	-	(45,000)	115,000	50,000
1996 C Bonds	190,000	-	(45,000)	145,000	45,000
1997 A Bonds	465,000	-	(70,000)	395,000	75,000
1997 B Bonds	1,460,000	-	(165,000)	1,295,000	175,000
1998 A Bonds	2,700,000	-	(355,000)	2,345,000	375,000
1998 B Bonds	2,150,000	-	(325,000)	1,825,000	115,000
1999 A Bonds	1,470,000	-	(110,000)	1,360,000	80,000
1999 B Bonds	490,000	-	(475,000)	15,000	15,000
2000 A Bonds	735,000	-	(160,000)	575,000	175,000
2000 B Bonds	575,000	-	(25,000)	550,000	30,000
2001 A Bonds	2,095,000	-	(165,000)	1,930,000	175,000
2001 B Bonds	4,280,000	-	(245,000)	4,035,000	250,000
2002 A Bonds	725,000	-	(95,000)	630,000	95,000
2003 A Bonds	8,155,000	-	(630,000)	7,525,000	630,000
2003 B Bonds	8,070,000	-	(635,000)	7,435,000	445,000
2004 A Bonds	2,090,000	-	(135,000)	1,955,000	140,000
2006 A Bonds	10,855,000	-	(370,000)	10,485,000	395,000
2006 B Bonds	1,845,000	-	(15,000)	1,830,000	55,000
2007 A Bonds	6,305,000	-	(195,000)	6,110,000	195,000
2007 B Bonds	2,590,000		(190,000)	2,400,000	195,000
2008 A Bonds	-	1,800,000	(20,000)	1,780,000	40,000
Northern Illinois Univeristy					
Series 1999	15,875,000	-	(635,000)	15,240,000	660,000
Clean Water Series 2002	100,520,000	-	(10,230,000)	90,290,000	10,795,000
Clean Water Series 2004	102,410,000	-	(7,930,000)	94,480,000	8,145,000
Illinois Medical District Commission					
Series 2006 A	7,500,000	-	-	7,500,000	-
Series 2006 B	32,500,000	-	-	32,500,000	-
Northern Illinois Univeristy					
Foundation Series 2006	6,610,189	-	(832,134)	5,778,055	725,455
Unamortized issuance premium	7,381,758	-	(1,240,183)	6,141,575	1,119,324
	$ 330,936,947	$ 1,800,000	$ (25,522,317)	$ 307,214,630	$ 25,289,779

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, 2008	Additional Fees Collected	Amortized Revenue	Deferred Revenue June 30, 2009	Due Within One Year
$ 712,903	$ -	$ 102,907	$ 609,996	$ 92,412

(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 of June 30, 2009 the amount of defeased moral obligation bonds outstanding is $4,130,000.

(11) Lease Commitments

The Authority is obligated under long-term operating leases for one (Chicago) of its four offices. The Mt. Vernon and Peoria leases are under a one year lease, ending March 31, and May 31, 2010, respectively. The Springfield Interagency Agreement with Illinois Department of Commerce and Economic Opportunity (DCEO) ends June 30, 2010. Total rent expense for the year ended June 30, 2009 was $293,355.

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 were required under the terms of the lease for the period from June 21, 2004 through June 30, 2006. Annual base rent payments, which began 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, 2009 is $107,349, which represents the current year amortization.

The Authority ended its lease agreement for the facilities at 427 E. Monroe St., Suite 202, Springfield, Illinois 62701. The term of the lease was through April 2014. The Authority then entered into an Interagency Agreement with DCEO to lease office space at 620 E. Adams St. 3rd Fl., Springfield, Illinois 62701 effective as of April 29, 2009 through June 30, 2010 free of charge.

The Authority entered into a lease agreement to lease facilities at 100 S.W. Water Street, Peoria, Illinois 61602. The term of the lease is through May 2009. Annual base rent payments are approximately $4,500.

The Authority entered into a lease agreement to lease facilities at 2929 Broadway Street, Suite 7B, Mt. Vernon, Illinois 62864. The term of the lease is through March 2010. Annual base rent payments are approximately $11,000.

The future minimum lease commitments as of June 30, 2009 are as follows:

Fiscal Year Ending June 30,	Amount
2010	$ 143,051
2011	118,202
2012	118,202
2013	118,202
2014	118,202
2015	118,202
	$ 734,061

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, 2009 no amounts have been drawn against this letter of credit.

(12) Capital Assets

	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009
Cost				
Capital Assets Being Depreciated:				
Leasehold Improvements	$ 2,000	$ -	$ -	$ 2,000
Furniture and Equipment	262,673	11,702	24,533	249,842
Computers	38,923	-	1,304	37,619
Software	174,154	-	-	174,154
Total Capital Assets Being Depreciated	477,750	11,702	25,837	463,615
Accumulated Depreciation				
Leasehold Improvements	2,000	-	-	2,000
Furniture and Equipment	173,036	26,431	24,040	175,427
Computers	31,661	3,241	1,304	33,598
Software	112,053	41,853	-	153,906
Total Accumulated Depreciation	318,750	71,525	25,344	364,931
Capital Assets, Net of Depreciation	$ 159,000	$ (59,823)	$ 493	$ 98,684

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, 2009, restricted demand deposits totaling $633,722 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

Demand deposits of $752,530 and $1,755,526 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 $580,711 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, 2009. 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 State Treasurer, custodian of the loan guarantee funds, maintains the cash and cash equivalents for the funds. The cash deposits totaled $17,456,634 at June 30, 2009, and represent assets restricted by enabling legislation as coverage for the state guarantees. 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	$ 22,473,326
Specialized Livestock Loan Guarantee Program	12,695,671
Young Farmer Loan Guarantee Program	2,429,560
Farmer and Agri-Business Loan Guarantee Program	38,092,400
Farm Purchase	495,530

(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 participants to invest a portion of their salary in a choice of 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. Employees may begin participating in the Deferred Compensation Plan after 90 days of employment have been completed.

The maximum contributions through the year 2009 are:

Year	Maximum Contribution	Age 50 Catch UP
2009	$16,500	$22,000

The contribution schedule requires the Authority to match $2 for every $1 deferred by an eligible employee up to a maximum of 5% of an employee's salary. In order to participate in this plan an employee must contribute a minimum of 1% of their salary.

Total employer and employee contributions for fiscal year 2009 were $328,869.

(16) Transactions with the Primary Government

Due to primary government – The Office of the Auditor General engaged an external audit firm to perform an audit of the Illinois Finance Authority's basic financial statements. The Operating General Fund of the IFA is indebted with the Office of the Auditor General in the amount of $182,064 for audit related fees.

Due to primary government – The Bond fund monies held are at the loan subaccount to support the debt service payment. These monies are payments received from the borrowers to cover the debt service payment. Total amount held at June 30, 2009 is $487,373.

Due to State – The Fire Truck Revolving Loan Fund is established as a special fund in the State Treasury in accordance with Section 5.595 of the Finance Act (30 ILCS 105). The Fire Prevention Fund and Build Illinois Bond Fund loaned $9 million and $10 million, respectively, to the IFA to grant interest-free loans for the purchase of fire trucks by a fire department, fire protection district, or a township fire department based on need as determined by the State Fire Marshall. Total current portion due is $571,177 and total long-term due is $18,687,145.

Due to State – The Ambulance Revolving Loan Fund is established as a special fund in the State Treasury in accordance with Section 5.663 of the Finance Act (30 ILCS 105). The Fire Prevention Fund loaned $4 million to the IFA to grant interest-free loans for the purchase of ambulances by a fire department, fire protection district, a township fire department, or a non-profit ambulance service based on need as determined by the State Fire Marshall. Total long-term due is $993,200.

(17) New Governmental Accounting Standards

The Governmental Accounting Standards Board (GASB) has issued the following Statements:

Statement No. 51, *Accounting and Financial Reporting for Intangible Assets,* establishes accounting and financial reporting requirements for intangible assets. All intangible assets not specifically excluded by the scope of this statement should be classified as capital assets. All existing authoritative guidance for capital assets should be applied to these intangible assets, as applicable. The Authority is required to implement this Statement for the year ending June 30, 2010. Management has not yet completed its assessment of the impact of this GASB Statement on the Authority's financial statements.

Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments,* addresses the recognition, measurement, and disclosure of information regarding derivative instruments. The Authority is required to implement this Statement for the year ended June 30, 2010. Management has not yet completed its assessment of the impact of this GASB Statement on the Authority's financial statements.

(18) Subsequent Events

Pursuant to Public Act 96-103 (20 ILCS 3501/825-65; 20 ILCS 3501/825-70; 20 ILCS 3501/825-75), the Authority is authorized to provide up to $3 billion in "Additional Security" (moral obligation) loan guarantees or bonds to help facilitate the development of Renewable Energy, Coal and Clean Coal projects in Illinois. The program effective date is January 1, 2010.

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

Combining Statement of Net Assets

Nonmajor Funds

June 30, 2009

Assets	Industrial Revenue Bond Insurance Fund	Venture Investment Fund	Credit Enhancement Fund	Illinois Agricultural Loan Guarantee Fund	Illinois Farmer Agribusiness Loan Guarantee Fund
Current assets:					
Cash and cash equivalents - unrestricted	$ 11,637,274	$ -	$ -	$ -	$ -
Investments - unrestricted	-	-	-	-	-
Restricted current assets					
Cash and cash equivalents	-	-	633,722	-	-
Accrued interest receivable	-	-	-	-	-
Loans receivable	-	-	-	-	-
Allowance for doubtful accounts	-	-	-	-	-
Due from other funds	-	-	-	-	-
Receivables					
Loans receivable	-	-	-	-	-
Due from other funds	-	-	-	-	-
Interest and other	-	-	-	-	-
Total current assets	11,637,274	-	633,722	-	-
Noncurrent assets:					
Restricted noncurrent assets					
Cash and cash equivalents	-	-	-	9,863,697	7,592,937
Interest receivable	-	-	-	3,000	4,000
Guarantee payments receivable	-	-	-	170,902	652,650
Allowance for doubtful accounts	-	-	-	(170,902)	(652,650)
Loans receivable	-	-	-	-	-
Allowance for doubtful accounts	-	-	-	-	-
Investments in partnerships and companies	-	5,377,739	-	-	-
Loans receivable	-	-	-	-	-
Due from other funds long-term	-	-	-	-	-
Total noncurrent assets	-	5,377,739	-	9,866,697	7,596,937
Total assets	11,637,274	5,377,739	633,722	9,866,697	7,596,937
Liabilities					
Current liabilities:					
Accrued interest payable	-	-	-	-	-
Due to primary government	-	-	-	-	-
Current portion of long-term debt	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total current liabilities	-	-	-	-	-
Noncurrent liabilities					
Noncurrent portion of long-term debt	-	-	-	-	-
Due to primary government	-	-	-	-	-
Total noncurrent liabilities	-	-	-	-	-
Total Liabilities	-	-	-	-	-
Net Assets					
Invested in capital assets	-	-	-	-	-
Restricted	-	-	633,722	9,866,697	7,596,937
Unrestricted	11,637,274	5,377,739	-	-	-
Total net assets	$ 11,637,274	$ 5,377,739	$ 633,722	$ 9,866,697	$ 7,596,937

IRBB Special Reserve Fund	E.D.A. Title IX Restricted Revolving Loan Fund	Rural Development Revolving Loan Fund	Employee Ownership Assistance Loan Fund	Illinois Housing Partnership Program	Fire Truck Revolving Loan Fund	Renewable Energy Development Fund	Ambulance Revolving Loan Fund	Total nonmajor
$ 2,568,847	$ -	$ -	$ -	$ 1,823,794	$ -	$ -	$ -	$ 16,029,915
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	232,707	-	866,429
-	-	-	-	-	-	201	-	201
-	91,484	123,018	-	-	571,177	85,252	-	870,931
-	(91,484)	-	-	-	-	-	-	(91,484)
-	-	1,440	-	-	-	-	-	1,440
18,228	-	-	-	-	-	-	-	18,228
12,354	-	-	-	-	-	-	-	12,354
1,045	-	-	-	-	-	-	-	1,045
2,600,474	-	124,458	-	1,823,794	571,177	318,160	-	17,709,059
-	752,530	1,755,526	-	-	-	-	-	19,964,690
-	-	5,548	-	-	-	-	-	12,548
-	-	-	-	-	-	-	-	823,552
-	-	-	-	-	-	-	-	(823,552)
-	-	494,759	-	-	18,687,145	1,755,759	993,200	21,930,863
-	-	(37,066)	-	-	-	-	-	(37,066)
-	-	-	-	-	-	-	-	5,377,739
314,702	-	-	1,000,000	3,000,000	-	-	-	4,314,702
-	-	-	-	-	-	-	-	-
314,702	752,530	2,218,767	1,000,000	3,000,000	18,687,145	1,755,759	993,200	51,563,476
2,915,176	752,530	2,343,225	1,000,000	4,823,794	19,258,322	2,073,919	993,200	69,272,535
-	-	3,583	-	-	-	-	-	3,583
-	-	-	-	-	571,177	-	-	571,177
-	-	56,508	-	-	-	-	-	56,508
-	5,226	1,932	-	-	-	-	-	7,158
-	5,226	62,023	-	-	571,177	-	-	638,426
-	-	660,210	-	-	-	-	-	660,210
-	-	-	-	-	18,687,145	-	993,200	19,680,345
-	-	660,210	-	-	18,687,145	-	993,200	20,340,555
-	5,226	722,233	-	-	19,258,322	-	993,200	20,978,981
-	-	-	-	-	-	-	-	-
-	747,304	1,620,992	-	-	-	2,073,919	-	22,539,571
2,915,176	-	-	1,000,000	4,823,794	-	-	-	25,753,983
$ 2,915,176	$ 747,304	$ 1,620,992	$ 1,000,000	$ 4,823,794	$ -	$ 2,073,919	$ -	$ 48,293,554

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, 2009

	Industrial Revenue Bond Insurance Fund	Venture Investment Fund	Credit Enhancement Fund	Illinois Agricultural Loan Guarantee Fund	Illinois Farmer Agribusiness Loan Guarantee Fund	IRBB Special Reserve Fund
Operating revenues						
Interest on loans	$ -	$ -	$ -	$ -	$ -	$ 10,895
Application fees	-	-	-	-	-	-
Administrative fees	-	-	-	-	-	-
Miscellaneous	-	1,683	-	-	-	-
Bad debt recoveries	-	-	-	-	18,509	-
Total operating revenues	-	1,683	-	-	18,509	10,895
Operating expenses						
Professional services	-	9,349	-	-	-	-
Depreciation	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-
Loan loss provision	-	-	-	-	399,883	-
Total operating expenses	-	9,349	-	-	399,883	-
Operating income (loss)	-	(7,666)	-	-	(381,374)	10,895
Nonoperating revenues (expenses):						
Appropriations from State of Illinois	-	-	-	-	-	-
Mandatory transfers to primary government	-	-	-	(2,000,000)	(1,000,000)	-
Transfer of interest in program to State of Illinois	-	-	-	-	-	-
Interest and investment income	130,876	119,429	-	256,635	183,018	28,058
Net appreciation (depreciation) in fair value of investments	(1,638)	288,583	-	-	-	-
Total nonoperating income	129,238	408,012	-	(1,743,365)	(816,982)	28,058
Capital contributions and transfers						
Transfers from other funds	-	-	-	-	-	-
Transfers to other funds	(13,125)	(760,830)	(7,000)	-	-	(12,850)
Total capital contributions and transfers	(13,125)	(760,830)	(7,000)	-	-	(12,850)
Increase in net assets	116,113	(360,484)	(7,000)	(1,743,365)	(1,198,356)	26,103
Net assets – beginning of year	11,521,161	5,738,223	640,722	11,610,062	8,795,293	2,889,073
Net assets – end of year	$ 11,637,274	$ 5,377,739	$ 633,722	$ 9,866,697	$ 7,596,937	$ 2,915,176

E.D.A. Title IX Restricted Revolving Loan Fund	Rural Development Revolving Loan Fund	Employee Ownership Assistance Loan Fund	Illinois Housing Partnership Program	Fire Truck Revolving Loan Fund	Renewable Energy Development Fund	Ambulance Revolving Loan Fund	Total nonmajor
$ -	$ 38,746	$ -	$ -	$ -	$ 37,678	$ -	$ 87,319
-	-	-	-	11,750	-	1,000	12,750
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	1,683
-	-	-	-	-	-	-	18,509
-	38,746	-	-	11,750	37,678	1,000	120,261
-	1,932	-	-	-	-	-	11,281
-	-	-	-	-	-	-	-
-	7,447	-	-	-	-	-	7,447
-	600	-	-	-	-	-	400,483
-	9,979	-	-	-	-	-	419,211
-	28,767	-	-	11,750	37,678	1,000	(298,950)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	(3,000,000)
-	-	-	-	(19,324,098)	-	(4,005,825)	(23,329,923)
4,182	4,318	-	16,455	-	-	-	742,971
-	-	-	-	-	-	-	286,945
4,182	4,318	-	16,455	(19,324,098)	-	(4,005,825)	(25,300,007)
-	-	-	-	-	-	-	-
-	-	-	(16,455)	(11,750)	-	(1,000)	(823,010)
-	-	-	(16,455)	(11,750)	-	(1,000)	(823,010)
4,182	33,085	-	-	(19,324,098)	37,678	(4,005,825)	(26,421,967)
743,122	1,587,907	1,000,000	4,823,794	19,324,098	2,036,241	4,005,825	74,715,521
$ 747,304	$ 1,620,992	$ 1,000,000	$ 4,823,794	$ -	$ 2,073,919	$ -	$ 48,293,554

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, 2009

	Industrial Revenue Bond Insurance Fund	Venture Investment Fund	Credit Enhancement Fund	Illinois Agricultural Loan Guarantee Fund	Illinois Farmer Agribusiness Loan Guarantee Fund
Cash flows from operating activities:					
Cash received for fees and other	$ -	$ 1,683	$ -	$ -	$ -
Cash payments to suppliers for goods and services	-	(9,349)	-	-	-
Net cash provided by (used in) operating activities	-	(7,666)	-	-	-
Cash flows from noncapital financing activities:					
Due from other funds	-	-	-	-	-
Due to other funds	-	-	-	-	-
Transfers to other funds	(13,125)	(760,830)	(7,000)	-	-
Transfer of interest in program to the State of Illinois	-	-	-	-	-
Cash payments for mandatory transfers to primary government	-	-	-	(2,000,000)	(1,000,000)
Net cash provided by (used in) noncapital financing activities	(13,125)	(760,830)	(7,000)	(2,000,000)	(1,000,000)
Cash flows from investing activities:					
Sales and maturities of investments	499,927	649,067	-	-	-
Proceeds from State of Illinois to make loans	-	-	-	-	-
Cash received on loan repayments	-	-	-	-	700,581
Cash payments for loans made	-	-	-	-	(399,883)
Cash received for interest on loans	-	-	-	-	-
Interest and dividends on investments	140,866	119,429	-	273,635	194,018
Principal paid to State					
Bonds and notes principal payments	-	-	-	-	-
Interest payments	-	-	-	-	-
Net cash provided by (used in) investing activities	640,793	768,496	-	273,635	494,716
Net increase (decrease) in cash and cash equivalents	627,668	-	(7,000)	(1,726,365)	(505,284)
Cash and cash equivalents at beginning of year	11,009,606	-	640,722	11,590,062	8,098,221
Cash and cash equivalents at end of year	$ 11,637,274	$ -	$ 633,722	$ 9,863,697	$ 7,592,937
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	$ -	$ (7,666)	$ -	$ -	$ (381,374)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Interest on loans	-	-	-	-	-
Interest expense	-	-	-	-	-
Bad debt recoveries	-	-	-	-	(18,509)
Loan loss provision	-	-	-	-	399,883
Net cash provided by (used in) operating activities	$ -	$ (7,666)	$ -	$ -	$ -

See accompanying independent auditors' report.

IRBB Special Reserve Fund	E.D.A. Title IX Restricted Revolving Loan Fund	Rural Development Revolving Loan Fund	Employee Ownership Assistance Loan Fund	Illinois Housing Partnership Program	Fire Truck Revolving Loan Fund	Renewable Energy Development Fund	Ambulance Revolving Loan Fund	Total nonmajor
$ -	$ -	$ -	$ -	$ -	$ 11,750	$ -	$ 1,000	$ 14,433
-	-	(1,932)	-	-	-	-	-	(11,281)
-	-	(1,932)	-	-	11,750	-	1,000	3,152
(12,354)	-	(1,440)	-	-	-	-	-	(13,794)
-	5,226	1,932	-	-	-	-	-	7,158
(12,850)	-	-	-	(16,455)	(11,750)	-	(1,000)	(823,010)
-	-	-	-	-	(9,847,569)	-	(4,002,925)	(13,850,494)
-	-	-	-	-	-	-	-	(3,000,000)
(25,204)	5,226	492	-	(16,455)	(9,859,319)	-	(4,003,925)	(17,680,140)
-	-	-	-	-	-	-	-	1,148,994
-	-	-	-	-	10,377,465	-	993,200	11,370,665
195,155	-	111,556	-	-	586,671	83,731	-	1,677,694
(215,000)	-	-	-	-	(10,377,465)	-	(993,200)	(11,985,548)
23,551	-	39,428	-	-	-	37,682	-	100,661
28,058	4,182	4,318	-	16,455	-	-	-	780,961
					(586,671)			(586,671)
-	-	(55,949)	-	-	-	-	-	(55,949)
-	-	(7,726)	-	-	-	-	-	(7,726)
31,764	4,182	91,627	-	16,455	-	121,413	-	2,443,081
6,560	9,408	90,187	-	-	(9,847,569)	121,413	(4,002,925)	(15,233,907)
2,562,287	743,122	1,665,339	-	1,823,794	9,847,569	111,294	4,002,925	52,094,941
$ 2,568,847	$ 752,530	$ 1,755,526	$ -	$ 1,823,794	$ -	$ 232,707	$ -	$ 36,861,034
$ 10,895	$ -	$ 28,767	$ -	$ -	$ 11,750	$ 37,678	$ 1,000	$ (298,950)
(10,895)	-	(38,746)	-	-	-	(37,678)	-	(87,319)
-	-	7,447	-	-	-	-	-	7,447
-	-	-	-	-	-	-	-	(18,509)
-	-	600	-	-	-	-	-	400,483
$ -	$ -	$ (1,932)	$ -	$ -	$ 11,750	$ -	$ 1,000	$ 3,152

McGladrey & Pullen
Certified Public Accountants

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

Honorable William G. Holland
Auditor General
State of Illinois
And
Mr. William A. Brandt, Jr.
Honorable Chairman of the Board of Directors
Illinois Finance Authority

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 (Authority), a component unit of the State of Illinois, as of and for the year ended June 30, 2009, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated January 22, 2010 We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described as finding 09-1 in the accompanying schedule of findings that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

The Authority's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit Authority's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, Authority management, the Authority's Board of Directors and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey & Pullen, LLP

Schaumburg, Illinois
January 22, 2010

Current Finding – *Government Auditing Standards*

Finding #09-01 Valuation of Venture Capital Investments

The Illinois Finance Authority (Authority) has not had an independent valuation of its venture capital investments since fiscal year 2006.

The Authority maintained a portfolio of the venture capital investments valued at $5.4 million as of June 30, 2009. Venture capital investments are not a readily marketable investment. Traditionally the Authority has hired an independent valuation professional to value these non-marketable investments. During the current year audit, we noted the last time an independent valuation of venture capital investments was performed was in fiscal year 2006.

In accordance with generally accepted accounting principles, management is responsible for making the fair value measurements and disclosures included in the financial statements. As part of fulfilling its responsibility, management should establish an accounting and financial reporting process for determining the fair value measurements and disclosures, select valuation methods, identify and adequately support any significant assumptions used and prepare the valuation.

Authority management indicated that due to budget constraints, the cost benefit analysis of engaging an independent firm's valuation was contemplated during fiscal year 2009; however, a valuation was not performed.

Without the proper valuation procedures to determine if venture capital investments are impaired, the Authority could be overstating the value of its venture capital investments. (Finding Code No. 09-01)

Recommendation

We recommend the Authority obtain an independent valuation of the venture capital investment portfolio periodically in order to support the amounts recorded and disclosed in the Authority's financial statements.

Authority Response

The Authority accepts the auditor's recommendation. The independent valuation of the venture capital investment portfolio was delayed due to budget constraints. The Authority has since begun the solicitation process to procure an independent firm's valuation services. The Authority expects the procurement and execution of the service to be finalized by June 30, 2010.

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

For the Year Ended June 30, 2009

Prior Findings Not Repeated – *Government Auditing Standards*

A. Draft Financial Statements Not Completed Timely

The Illinois Finance Authority (Authority) did not provide the auditors with complete financial statements on a timely basis. (Finding Code No. 08-01)

During our current year audit, the Authority provided a complete set of financial statements in accordance with the timeline presented at the entrance conference.

B. Failure to Provide a Listing of Laws and Regulations Applicable to the Authority

The Authority did not have a complete listing of statutory mandates that are applicable to the Authority. (Finding Code No. 08-02)

During our current year audit, the Authority provided auditors with a current listing of laws and regulations that apply to the Authority and its policies and procedures to monitor laws and regulations that are applicable to the Authority.