STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY

FINANCIAL AUDIT
For the Year Ended June 30, 2011

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, 2011

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

AGENCY OFFICIALS

Executive Director	Mr. Christopher Meister
Chairman - Board of Directors	Mr. William Brandt, Jr.
Chief Financial Officer (07/01/2010 - 08/20/2010)	Ms. Yvonne Towers
Assistant Chief Financial Officer	Ms. Ximena Granda
Chief Human Resources Officer (07/01/2010 - 07/19/2011)	Mr. Arthur Friedson
General Counsel (07/13/2010 – 12/09/2011)	Mr. Brendan Cournane
Acting General Counsel (12/10/2011 – present)	Ms. Pamela Lenane

Members of the Illinois Finance Authority Board during the period were as follows:

Dr. William Barclay	Terrence O'Brien
Ronald DeNard (07/01/2010 - 05/06/2011)	Juan Rivera (07/01/2010 - 10/12/2010)
Michael Goetz	John Durburg
Dr. Roger Herrin (07/1/2010 - 05/12/2011)	Bradley Zeller
Edward Leonard Sr.	Joseph McInerney (07/01/2010 - 03/23/2011)
James Fuentes	Roger Poole
Roderick Bashir (07/01/2010 - 07/16/2010)	Gila Bronner (10/08/2010 - present)
Heather Parish (08/25/2010 - present)	Norman Gold (09/14/2010 - present)
Barrett Pedersen (05/09/2011 - present)	

Agency offices are located at:

Chicago Office
180 North Stetson Avenue, Suite 2555
Chicago, Illinois 60601

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

Springfield Office
500 East Monroe Street 3rd Floor
Springfield, Illinois 62701

Peoria Office
100 South West Water Street
Peoria, Illinois 61602

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

SUMMARY

The audit of the accompanying basic financial statements of the State of Illinois, Illinois Finance Authority (Authority) was performed by E.C. Ortiz & Co., LLP.

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

E.C. ORTIZ & CO., LLP
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

Honorable William G. Holland
Auditor General
State of Illinois

and

Ms. Gila Bronner
Honorable Chairman of the Audit Committee
of the Board of Directors
Illinois Finance Authority

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the business-type activities, 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, 2011, 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 the business-type activities, each major fund and the aggregate remaining fund information of the State of Illinois, Illinois Finance Authority, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

333 SOUTH DES PLAINES STREET, SUITE 2-N CHICAGO, IL 60661 tel: 312.876.1900 fax: 312.876.1911

In accordance with *Government Auditing Standards*, we have also issued a report dated March 9, 2012 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 Management's Discussion and Analysis on pages 5 through 9 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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.

E.C. Ortiz & Co., LLP

March 9, 2012

STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY
(A Component Unit of the State of Illinois)
MANAGEMENT DISCUSSION ANALYSIS
JUNE 30, 2011

Basic Financial Statements

In general, the purpose of financial reporting is to provide external parties that read financial statements with information that will help them make decisions or draw conclusions about an entity. There are many external parties that read the Illinois Finance Authority's basic financial statements; however, these parties do not always have the same specific objectives.

To assure these objectives are met for different parties, GASB 34 generally requires that basic Financial Statements for governmental entities include both government-wide and fund financial statements. However, for governmental entities which are engaged only in business-type activities accounted for in enterprise funds, GASB 34 requires presentation of fund financial statements only. Governmental reporting standards require an enterprise fund be used to account for an activity if the pricing policies of the activity establish fees and charges designed to recover its costs. Accordingly, as all of the Authority's activities are business-type activities accounted for as enterprise funds, the Authority's basic financial statements present only the fund financial statements and not government-wide financial statements.

Enterprise fund financial statements are prepared using the accrual method of accounting and consist of a statement of net assets, a statement of revenues, expenses, and changes in fund net assets, and a statement of cash flows.

The Statement of Net Assets presents the financial position of the Authority as of June 30, 2011 and includes all assets and liabilities of the Authority.

The Statement of Revenues, Expenses and Changes in Fund Net Assets present the Authority's results of operations. The Authority's revenues and expenses are classified into three categories: operating; nonoperating; or Fund transfers.

The Statement of Cash Flows provides additional information about the Authority's financial results by reporting the major sources and uses of the Authority's cash.

The Authority's financial statements also include notes to basic financial statements, which provides more detailed financial data and further explains some of the information reported in the basic financial statements.

STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY
(A Component Unit of the State of Illinois)
MANAGEMENT DISCUSSION ANALYSIS
JUNE 30, 2011

Condensed Financial Information

The following tables summarize the Authority's financial position and operating results for the past two years:

STATEMENT OF NET ASSETS (IN MILLIONS)

	Business-type Activities	
	2011	2010
Current assets	$ 106.96	$ 101.71
Noncurrent assets other than capital assets	269.99	305.33
Capital assets	.11	.05
Total assets	377.06	407.09
Current liabilities	40.46	41.11
Noncurrent liabilities	245.62	277.74
Total liabilities	286.08	318.85
Invested in capital assets	.11	.05
Restricted	24.74	24.48
Unrestricted	66.13	63.71
Total net assets	$ 90.98	$ 88.24

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS (IN MILLIONS)

	Business-type Activities	
	2011	2010
Operating revenues	$ 14.55	$ 16.07
Operating expenses	17.45	19.17
Operating loss	(2.90)	(3.10)
Nonoperating revenue	5.64	2.27
Change in net assets	$ 2.74	$ (.83)

STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY
(A Component Unit of the State of Illinois)
MANAGEMENT DISCUSSION ANALYSIS
JUNE 30, 2011

Analysis of Overall Financial Position and Results of Operations

The decrease in total assets and total liabilities in fiscal year 2011 occurred because the Authority used the proceeds from maturing investments to make a portion of the principal payments due during the year on its long-term debt.

Operating revenues declined in 2011 due to reduced interest receipts from participants on their loans borrowed from the Authority and reduced service fees earned by the Authority for making loans. The variance in interest receipts was expected since the principal payments received from the borrowers have exceeded the amount of new loans over the past several years. The reduction in service fees was caused by the reduced demand for the Authority's services due to the economic downturn. Similarly the Authority's operating expenses also declined in 2011 due to a reduction in interest payments from fiscal year 2010 due to the Authority's redemption of its long-term debt, and a reduction in employee related expenses.

The increase in nonoperating income in fiscal year 2011 was primarily due to a $2.86 million decline in value reported in the Authority's Venture Capital investments in fiscal year 2010 compared to a $.87 million appreciation reported in fiscal year 2011. This valuation was conducted as part of the Authority's program assessment procedures.

Financial Analysis of the Authority's Funds

The Authority has two major enterprise funds.

<u>General Operating Fund</u> - 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. During fiscal year 2011 the net assets in this fund increased by $2.74 million to $43.63 million. The major reasons for this increase in net assets was due to better than expected results in the Authority's operations and a transfer of $1.17 million from the Authority's Venture Investment Fund.

<u>Bond Fund</u> - 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. During fiscal year 2011 the restricted fund net assets in this fund increased by $0.09 million to $1.85 million. This increase was due to the fact that the Authority received services fees of $.06 million which were retained within the bond fund.

In accordance with Generally Accepted Accounting Principles the Authority also reports the aggregate net assets, revenues, expenses and changes in fund nets assets and cash flows of its nonmajor funds. During fiscal year 2011 these funds together reported a decrease in fund net assets of $.09 million. This decrease was due to the transfer of funds from the Venture Investment Fund to the General Fund. This transfer exceeded the total of operating income and nonoperating revenue.

As of June 30, 2011 the Authority's nonmajor funds in aggregate reported unrestricted net assets of $22.62 million and restricted net assets of $22.89 million. The majority of the restricted net assets held by the Authority's nonmajor funds were restricted to secure the state loan guarantees.

Discussion of Significant Capital Assets and Long-term Debt Activity

<u>Capital Assets</u>

The Authority has established a policy of capitalizing assets as described in Note 2(j) to the basic financial statements. The Authority's investment in capital assets, net of accumulated depreciation, for business-type activities as of June 30, 2011 was $.11 million.

Additional information about capital assets can be found in Note 12 to the financial statements.

<u>Long-term Debt</u>

Long-term debt is incurred only to raise the capital necessary 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 majority of the Authority's debt is classified as conduit debt. Under Generally Accepted Accounting Principles conduit debt refers to certain limited-obligation revenue bonds issued for the express purpose of providing capital financing for a specific third party. All of the Authority's conduit debt is payable solely from revenues or funds pledged or available for their repayment as authorized by the Illinois Finance Authority 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 these bonds. In accordance with Generally Accepted Accounting Principles the Authority's conduit debt obligations are not reported as liabilities in the Authority's basic financial statements. The Authority issued 45 separate conduit debt issues in fiscal year 2011 with an aggregate principal amount of $2.58 billion. As of June 30, 2011, the aggregate amount of conduit debt outstanding is approximately $25.49 billion.

The Authority also issues revenue bonds for the purpose of providing loans to other agencies and component units of the State of Illinois. Although similar to conduit bonds, since these bonds are issued for the benefit of third parties that are part of the Authority's financial reporting entity, they do not meet the definition of conduit debt under Generally Accepted Accounting Principles and thus are reported as liabilities on the Authority's basic financial statements. As of June 30, 2011 the aggregate amount of intra-state debt outstanding is $203.10 million.

The Illinois Finance Authority Act also allows the Authority to issue revenue bonds with the State's moral obligation attached. This pledge states that in the event that money will not be available for the payment of principal and interest of these obligations, the Governor is to request the shortfall amount be appropriated by the General Assembly. The Authority did not issue any revenue bond with the State's moral obligation in fiscal year 2011. As of June 30, 2011 the aggregate amount of revenue bonds with the State's moral obligation attached is $46.90 million.
In addition to its revenue bonds the Authority also has outstanding loans with the U.S. Department of Agriculture for $.60 million and with the State of Illinois for $18.32 million. These loans were incurred to provide the funding for the Authority's Rural Development Loan Program and the Fire Truck and Ambulance Revolving Loan Programs.

Additional information about long-term debt can be found in Note 2(o), Note 9 and Note 10 to the basic financial statements.

Relevant Current Economic Factors, Decisions and Conditions

In an effort to reduce costs and build reserves available for core mission purposes, the Authority initiated efforts to appropriately divest its existing venture capital program assets.

The Authority faces a number of existential, regulatory and economic challenges on the horizon, including but not limited to the following:

- Continued national decline in volume of tax-exempt municipal bond issuances (including general obligation issuers). First quarter 2011 was the lowest volume of municipal federally tax-exempt issuance in a decade;
- Continuing discussion at the federal level regarding the reduction or elimination of the federal tax-exemption;
- Efforts by the Securities and Exchange Commission to regulate appointed board members of municipal issuers such as the Authority as "municipal advisors";
- Uncertainty over the impact of federal healthcare reform on not-for-profit hospital borrowers (67.7% of Authority issuance volume since 2004); and
- Increased potential competition from out-of-state issuers and local development authorities that avoid the full cost of accountability and transparency measures.

Although the Authority has a strong balance sheet to survive these unprecedented challenges and any major changes in tax-exempt financing, the Authority initiated a strategic planning process in July 2011 to evaluate potential additional revenue-generating opportunities that leverage the Authority's organizational strengths. The strategic planning process is proceeding.

STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY
(A Component Unit of the State of Illinois)
Statement of Net Assets
June 30, 2011

Assets	General Operating Fund	Bond Fund	Nonmajor Funds	Total
Current assets:				
Cash and cash equivalents - unrestricted	$ 30,918,208	$ -	$ 16,124,911	$ 47,043,119
Investments - unrestricted	85,000	-	-	85,000
Restricted current assets				
Cash and cash equivalents	-	12,300,824	3,213,749	15,514,573
Securities lending collateral equity with State Treasurer	-	-	6,888,608	6,888,608
Accrued interest receivable	-	1,660,410	4,914	1,665,324
Restricted investments	-	16,954,066	-	16,954,066
Bonds and notes receivable	-	3,259,700	-	3,259,700
Bonds and notes receivable from primary government	-	9,992,500	-	9,992,500
Bonds and notes receivable from component units of State	-	756,661	-	756,661
Loans receivable	-	-	1,592,704	1,592,704
Allowance for doubtful accounts	-	-	(91,484)	(91,484)
Current portion of deferred issuance costs	-	18,584	-	18,584
Receivables:				
Accounts	58,660	20,000	-	78,660
Allowance for doubtful accounts	(18,993)	-	-	(18,993)
Loans receivable	1,837,111	-	1,028,103	2,865,214
Interest and other	71,506	-	1,271	72,777
Current portion of deferred issuance costs	50,736	-	-	50,736
Prepaid expenses and deposits	228,012	-	-	228,012
Total current assets	33,230,240	44,962,745	28,762,776	106,955,761
Noncurrent assets:				
Restricted noncurrent assets				
Cash and cash equivalents	-	-	18,314,514	18,314,514
Interest receivable	-	-	7,837	7,837
Guarantee payments receivable	-	-	822,411	822,411
Allowance for doubtful accounts	-	-	(822,411)	(822,411)
Deferred issuance costs, net of accumulated amortization	-	83,247	-	83,247
Investments	-	74,249,933	-	74,249,933
Bonds and notes receivable	-	35,400,174	-	35,400,174
Bonds and notes receivable from primary government	-	54,467,191	-	54,467,191
Bonds and notes receivable from component units of State	-	51,615,718	-	51,615,718
Loans receivable	-	-	18,789,938	18,789,938
Allowance for doubtful accounts	-	-	(20,920)	(20,920)
Investments in partnerships and companies	-	-	2,247,981	2,247,981
Loans receivable	15,410,646	-	3,218,422	18,629,068
Allowance for doubtful accounts	(4,038,477)	-	-	(4,038,477)
Capital assets, at cost	503,444	-	-	503,444
Accumulated depreciation	(390,364)	-	-	(390,364)
Deferred issuance costs, net of accumulated amortization	246,607	-	-	246,607
Total noncurrent assets	11,731,856	215,816,263	42,557,772	270,105,891
Total assets	44,962,096	260,779,008	71,320,548	377,061,652

See accompanying notes to basic financial statements.

STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY
(A Component Unit of the State of Illinois)
Statement of Net Assets (continued)
June 30, 2011

	General Operating Fund	Bond Fund	Nonmajor Funds	Total
Liabilities				
Current liabilities:				
Accounts payable	360,125	37,972	-	398,097
Accrued expenses	244,032	-	-	244,032
Obligation under securities lending of State Treasurer	-	-	6,888,608	6,888,608
Accrued interest payable	-	4,411,695	3,014	4,414,709
Due to employees	95,450	-	-	95,450
Due to primary government	200,000	418,224	1,376,537	1,994,761
Bonds payable, current	-	4,210,000	-	4,210,000
Bonds payable, primary government	-	19,985,000	-	19,985,000
Bonds payable, components units of State	-	1,240,000	-	1,240,000
Current portion of long-term debt	-	-	57,644	57,644
Deferred loss on early extinguishment of debt	-	(8,801)	-	(8,801)
Unamortized issuance premium, current	-	864,583	-	864,583
Deferred revenue, net of accumulated amortization	71,394	-	-	71,394
Total current liabilities	971,001	31,158,673	8,325,803	40,455,477
Noncurrent liabilities:				
Noncurrent portion of long-term debt	-	-	545,493	545,493
Accrued expenses	-	111,299	-	111,299
Bonds payable, noncurrent	-	42,690,000	-	42,690,000
Bonds payable, primary government	-	126,325,000	-	126,325,000
Bonds payable, componets units of State	-	55,547,008	-	55,547,008
Deferred revenue, net of accumulated amortization	363,636	-	-	363,636
Due to primary government	-	-	16,942,284	16,942,284
Unamortized issuance premium	-	3,163,885	-	3,163,885
Deferred loss on early extinguishment of debt	-	(66,584)	-	(66,584)
Total noncurrent liabilities	363,636	227,770,608	17,487,777	245,622,021
Total liabilities	1,334,637	258,929,281	25,813,580	286,077,498
Net Assets				
Invested in capital assets	113,080	-	-	113,080
Restricted	-	1,849,727	22,886,280	24,736,007
Unrestricted	43,514,379	-	22,620,688	66,135,067
Total net assets	$ 43,627,459	$ 1,849,727	$ 45,506,968	$ 90,984,154

See accompanying notes to basic 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, 2011

	General Operating Fund	Bond Fund	Nonmajor Funds	Total
Operating revenues:				
Interest on loans	$ 862,432	$ -	$ 68,219	$ 930,651
Interest on loans (security for revenue bonds)	-	7,847,383	-	7,847,383
Application fees	68,100	-	-	68,100
Annual fees	582,036	54,195	-	636,231
Administrative service fees	4,736,371	-	-	4,736,371
Bad debt recoveries	203,548	-	25,676	229,224
Miscellaneous	91,781	-	8,858	100,639
Total operating revenues	6,544,268	7,901,578	102,753	14,548,599
Operating expenses:				
Employee related expenses	2,079,082	-	-	2,079,082
Professional services	1,285,797	80,646	9,804	1,376,247
Depreciation	29,446	-	-	29,446
Occupancy costs	345,249	-	-	345,249
Interest expense	-	12,312,522	6,318	12,318,840
General and administrative	325,378	-	-	325,378
Loan loss provision	942,150	-	28,402	970,552
Total operating expenses	5,007,102	12,393,168	44,524	17,444,794
Operating income (loss)	1,537,166	(4,491,590)	58,229	(2,896,195)
Nonoperating revenues:				
Interest and investment income	29,208	4,578,084	159,659	4,766,951
Gain on sale of investments	-	-	871,767	871,767
Total nonoperating revenues	29,208	4,578,084	1,031,426	5,638,718
Transfers				
Transfers from other funds	1,175,543	-	-	1,175,543
Transfers to other fund	-	-	(1,175,543)	(1,175,543)
Total transfers	1,175,543	-	(1,175,543)	-
Change in net assets	2,741,917	86,494	(85,888)	2,742,523
Net assets - beginning of year	40,885,542	1,763,233	45,592,856	88,241,631
Net assets - end of year	$ 43,627,459	$ 1,849,727	$ 45,506,968	$ 90,984,154

See accompanying notes to basic 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, 2011

	General Operating Fund	Bond Fund	Nonmajor Funds	Total
Cash flows from operating activities:				
Cash received for fees and other	$ 5,432,072	$ 59,195	$ 31	$ 5,491,298
Cash payments for employee services	(2,143,321)	-	-	(2,143,321)
Cash payments to suppliers for goods and services	(2,616,450)	(59,068)	(9,804)	(2,685,322)
Net cash provided by (used in) operating activities	672,301	127	(9,773)	662,655
Cash flows from noncapital financing activities:				
Bonds and notes principal payments	-	(29,661,242)	(57,073)	(29,718,315)
Interest payments	-	(13,859,248)	(6,602)	(13,865,850)
Principal paid to State	-	-	(2,075,740)	(2,075,740)
Due from other funds	(116,555)	-	(87,293)	(203,848)
Due to other funds	115,695	-	88,153	203,848
Transfers from other funds	1,175,543	-	-	1,175,543
Transfers to other fund	-	-	(1,175,543)	(1,175,543)
Net cash provided by (used in) noncapital financing activities	1,174,683	(43,520,490)	(3,314,098)	(45,659,905)
Cash flows from capital and related financing activity:				
Purchase of capital assets	(93,805)	-	-	(93,805)
Net cash used in capital and related financing activity	(93,805)	-	-	(93,805)
Cash flows from investing activities:				
Purchase of investments	-	(161,204,843)	-	(161,204,843)
Maturity and sales of investments	-	180,497,740	1,136,703	181,634,443
Interest and dividends on investments	30,007	2,371,589	157,820	2,559,416
Cash received for interest on loans	913,767	8,080,281	68,205	9,062,253
Cash received on loan receivables and guarantees	5,904,673	19,842,585	2,443,275	28,190,533
Cash payments for loan receivables and guarantees	-	(1,083,471)	(28,402)	(1,111,873)
Net cash provided by investing activities	6,848,447	48,503,881	3,777,601	59,129,929
Net increase in cash and cash equivalents	8,601,626	4,983,518	453,730	14,038,874
Cash and cash equivalents at beginning of year	22,316,582	7,317,306	37,199,444	66,833,332
Cash and cash equivalents at end of year	$ 30,918,208	$ 12,300,824	$ 37,653,174	$ 80,872,206
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	$ 1,537,166	$ (4,491,590)	$ 58,229	$ (2,896,195)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	29,446	-	-	29,446
Interest on loans	(862,432)	(7,847,383)	(68,219)	(8,778,034)
Interest expense	-	12,312,522	6,318	12,318,840
Amortization of bond issuance costs	59,304	22,157	-	81,461
Amortization of deferred revenue	(82,537)	-	-	(82,537)
Bad debt recoveries	(203,548)	-	(25,676)	(229,224)
Loan loss provision	942,150	-	28,402	970,552
Changes in assets and liabilities:				
Accounts receivable	51,021	5,000	(8,827)	47,194
Other liabilities	(707,455)	-	-	(707,455)
Prepaid expenses and deposits	(171,765)	-	-	(171,765)
Accounts payable and accrued expenses	147,335	(579)	-	146,756
Due to employees	(66,384)	-	-	(66,384)
Net cash provided by (used in) operating activities	$ 672,301	$ 127	$ (9,773)	$ 662,655
Noncash investing activities				
Change in fair value of investments	$ -	$ 162,108	$ -	$ 162,108

See accompanying notes to basic financial statements.

STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY
(A Component Unit of the State of Illinois)
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

(1) ORGANIZATION

The Illinois Finance Authority (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 as statutorily defined in the Illinois Finance Authority Act (20 ILCS 3501/801 et. Seq.) 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 9), revenue bonds payable (Note 10) 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 approximate 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

Employees earn vacation and sick leave pay. Earned vacation days are allowed to be carried over but 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. Earned vacation days are accrued at year-end for financial statement purposes and recorded as due to employees in the Statement of Net Assets under the General Operating Fund. Sick leave earned by employees has to be taken during the fiscal year and cannot be accumulated and carried over to the next fiscal year.

Activity related to accrued vacation leave for the year ended June 30, 2011, consisted of the following:

Balance June 30, 2010	Earned	Paid	Balance June 30, 2011	Due Within One Year
$ 78,973	$ 92,770	$ 76,293	$ 95,450	$ 95,450

(l) Net Assets

In the financial statements, net assets are 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, 2011, the Authority had restricted net assets of $24,736,007 of which $17,704,601 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 participate 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, 2011, the aggregate amount of conduit debt outstanding is approximately $25.49 billion.

(p) Adoption of New Accounting Principles

The Authority implemented the following Governmental Accounting Standards Board (GASB) Statements effective July 1, 2010: Statement No. 54, Fund Balance Reporting and Governmental Type Definitions, Statement No. 59, Financial Instruments Omnibus.

(3) CASH AND INVESTMENTS

Cash and Investments as of June 30, 2011 are classified in the accompanying basic financial statements as follows:

Cash and cash equivalents - unrestricted	$ 47,043,119
Cash and cash equivalents - restricted current assets	15,514,573
Cash and cash equivalents - restricted noncurrent assets	18,314,514
Investments - unrestricted	85,000
Investments - restricted current assets	16,954,066
Investments - restricted noncurrent assets	74,249,933
Investments in partnerships and companies	2,247,981
Total	$174,409,186

Cash and investments as of June 30, 2011 consist of the following:

Deposits with financial institutions	$ 4,154,482
Deposits with State of Illinois Treasurer	17,696,763
Investments	152,557,941
Total	$ 174,409,186

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 Federal Deposit Insurance Corporation (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 uses 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 allowable investments are as follows:

Credit Enhancement Funds

Moneys in this fund are invested or reinvested by the Trustee in permitted investments as defined in the applicable Trust Indenture. The permitted investments include 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 other investment which is permitted by the Bond Trust Indenture.

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, 2011, the Weighted Average Maturity of the Authority's investments were:

Investment Type	June 30, 2011	Weighted Average Maturity (in years)
Federal agency securities	$ 42,980,893	3.03
State investment pool (Illinois Funds)	33,643,237	0.10
Money market funds	14,763,193	N/A
Investment contracts (Bond Fund)	8,409,982	9.60
Commercial paper	39,813,125	0.17
Repurchase agreements	10,699,530	0.003
Investment in partnerships and companies	2,247,981	N/A
Total	$ 152,557,941	

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:

		Exempt	Ratings as of Year End		
Investment Type	June 30, 2011	From Disclosure	AAA	A-1	Not Rated
Federal agency securities	$ 42,980,893	$ -	$ 42,980,893	$ -	$ -
State investment pool	33,643,237	-	33,643,237	-	-
Money market funds	2,498,009	-	2,498,009	-	-
Held by bond trustee:					
Money market funds	12,265,184	-	12,265,184	-	-
Investment contracts (Bond Fund)	8,409,982	-	-	-	8,409,982
Commercial paper	39,813,125	-	-	39,813,125	-
Repurchase agreements	10,699,530	-	10,699,530	-	-
Investments in partnerships and companies	2,247,981	2,247,981	-	-	-
Total	$ 152,557,941	$ 2,247,981	$ 102,086,853	$ 39,813,125	$ 8,409,982

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:

a) 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.

b) Commercial paper purchases may not exceed 20% of the Authority's portfolio in total and 5% of Authority's portfolio in any single issuer's name.

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

As of June 30, 2011, investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of the total Authority investments are as follows:

MetLife Funding	Bond Fund	Commercial Paper	$ 16,860,046
Citigroup Funding	Bond Fund	Commercial Paper	$ 22,953,079

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 Municipal Bond Insurance Association (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, 2011 all of the Authority's deposits with financial institutions in excess of federal depository limits were collateralized. The securities pledged as collateral were held with third party safekeeping in the name of the Authority. As of June 30, 2011, the value of collateralized property was 112% of uninsured deposits.

As of June 30, 2011 all of the Authority's investments were backed by U.S. 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.

The Authority has entered into a repurchase agreement with Bank of America. Under the terms of this agreement at the end of each business day the Bank will sell the Authority government securities. The Bank promises to repurchase these same securities at the beginning of the next banking day for the amount invested plus interest. The interest rate is established each day by the Bank. If, on the maturity date, the Bank defaults on its obligation to repurchase the securities, the Bank will transfer the Securities to a custodian to hold for the benefit of the Authority. If this occurs, the Authority could incur a loss if the value of the securities declines. At June 30, 2011 the Authority had invested $10,699,530 under these agreements. The underlying securities are held by Bank of America's safekeeping department.

(4) SECURITIES LENDING TRANSACTION

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

During fiscal year 2011 and 2010, Deutsche Bank Group lent U.S. Agency Securities, U.S. Treasury Bills, and U.S. Agency Discount Notes and received as collateral U.S. dollar denominated cash. Borrowers were required to deliver collateral for each loan equal to at least 100% of the aggregate fair value of the loaned securities. Loans are marked to market daily. If the fair value of collateral falls below 100%, the borrower must provide additional collateral to raise the fair value to 100%.

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

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

In accordance with GASB Statement No. 28, paragraph 9, the Office of the State Treasurer has allocated the assets and obligations at June 30, 2011 arising from securities lending agreements to the various funds of the State. The securities lending collateral invested in repurchase agreements allocated to the Illinois Agricultural Loan Guarantee Fund and Illinois Farmer Agribusiness Loan Guarantee Fund were $3,892,147 and $2,996,461, respectively, as of June 30, 2011.

(5) 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 on August 1, 2016. Total loan outstanding as of June 30, 2011, were $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, 2011. Loans under this program carry an interest rate of 1.5% with maturity dates up to ten years. This program has been superseded by the Direct Lending Participation Program. Total loans outstanding as of June 30, 2011, 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 $500,000 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 100 basis points less than the bank's rate with maturity dates up to ten years. Total loans outstanding as of June 30, 2011, were $17,059,314.

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, 2011, 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) 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 $250,000 of fixed asset costs at a 6% interest rate with maturity dates up to 20 years. Total loans outstanding as of June 30, 2011, were $303,782.

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, 2011, 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, 2011, 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 is funded by a transfer of $19,000,000 from the State of Illinois, and administered by the Authority. Total loans outstanding as of June 30, 2011, were $17,486,608.

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 is funded by an appropriation of $4,000,000 received by the State of Illinois, and administered by the Authority. Total loans outstanding as of June 30, 2011, were $832,213.

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, 2011, were $246,525.

Bond Bank Lending Program

This program facilitates the financing needs of a broad array of governmental units located throughout 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 (Note 10). Total loans outstanding as of June 30, 2011, were $38,659,874.

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, 2011, were $116,832,070.

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, 2011, were $1,668,555.

Allowance for Doubtful Accounts

The allowance for doubtful accounts for all loans receivable and notes receivable at June 30, 2011, is comprised of two components. Loans which are delinquent greater than 90 days are reserved for at 100% of principal outstanding. In addition, the Authority provides a general reserve at approximately 5% for the principal balance of all other loans outstanding. Loans originated by the predecessor Illinois Rural Bond Bank, Loans to the State of Illinois and Component Units of the State of Illinois, the Fire Truck Revolving Loan Program, Renewable Energy Development Fund, Ambulance Revolving Loan Program and the Local Government Financing Assistance Program have not experienced a default, therefore, the allowance for doubtful accounts based on prior experience is zero.

(6) 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, 2011, consisted of the following:

	Illinois Farmer Agribusiness Loan Guarantee Fund	Illinois Agricultural Loan Guarantee Fund	Illinois Industrial Revenue Bond Insurance Fund	Total
Guarantee receivables beginning of year	$ 652,650	$ 170,902	$ -	$ 823,552
Disbursements on guarantee claims	-	-	28,402	28,402
Payments received	(25,676)	-	-	(25,676)
Receivables written off	(3,867)	-	-	(3,867)
Gross guarantee receivables end of year	623,107	170,902	28,402	822,411
Allowance for doubtful accounts	(623,107)	(170,902)	(28,402)	(822,411)
Net receivables - end of year	$ -	$ -	$ -	$ -

The allowance for doubtful accounts for all guarantee receivables at June 30, 2011, is the difference between the guarantee payments made and the Authority's estimation of the value of any collateral securing the guarantee.

(7) INVESTMENTS IN PARTNERSHIPS AND COMPANIES

The Authority currently has investments in one (1) partnership and six (6) 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, 2011, is reflected below:

Partnership/Company	Recorded Book Value
ARCH Development Fund Partnership	$ 65,431
Lemko Corporation	300,000
Moire, Inc.	600,000
Open Channel Software, Inc.	250,000
Ohmx Corporation	300,000
Video Home Tour	250,000
Zuchem, Inc.	482,550
Total	$ 2,247,981

The following eleven (11) companies have zero values: Champaign-Urbana Venture Fund LLC, Mortgage Banking Center.com (Evantis), Mobitrac, UserActive (O'Reilly Media), Venture Capital Online, Clearstack Combustion Corporation, Metalconforming Controls Corporation, Nephrx, Neuronautics, Inc., Firefly Energy, Inc. and Stonewater Software, Inc.

(8) INTERFUND BALANCES AND ACTIVITY:

Balances due to/from other funds and transfers made for the fiscal year ended June 30, 2011, were as follows:

Funds	Other Major Funds	Other Nonmajor Funds	Description / Purpose
Transfer to:			Transfer from:
General Operating	$ -	$ 1,167,543	Venture Capital Fund due to sale of investments
General Operating	-	8,000	Credit Enhancement Fund since funds are no longer needed for program
Total	$ -	$ 1,175,543	
Transfer from:			Transfer to:
Venture Capital	$ 1,167,543	$ -	General Operating Fund for payment of funds owed
General Operating	8,000	-	General Operating Fund for excess program funds
Total	$ 1,175,543	$ -	

(9) LONG-TERM OBLIGATIONS

Intermediary Relending Program

The predecessor authorities (Note 1) entered into loan agreements, now a liability of the Authority, with the U.S. Department of Agriculture/Rural Development Administration (formerly Farmers Home Administration), a federal agency, on December 14, 1990, for funding of the 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 IRP, by cash and investments recorded in the IRP 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:

	Balance June 30, 2010	Repayments	Balance June 30, 2011	Due Within One Year
Rural Development Revolving Loan	$ 660,209	$ 57,072	$ 603,137	$ 57,644

Principal and interest payments of long-term debt at June 30, 2011, are due as follows:

	Principal	Interest	Total
Year ending June 30:			
2012	$ 57,644	$ 6,031	$ 63,675
2013	58,220	5,455	63,675
2014	58,802	4,873	63,675
2015	59,390	4,285	63,675
2016	59,984	3,691	63,675
2017 - 2021	309,097	9,335	318,432
	$ 603,137	$ 33,670	$ 636,807

Fire Truck Revolving Loan and Ambulance Revolving Loan

The Fire Truck Revolving Loan program was authorized by Public Act 94-221. The loan program is jointly administered by the Authority and the Office of the State Fire Marshall. The Fire Prevention Fund and Build Illinois Bond Fund loaned $9 million and $10 million, respectively, to the Authority 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. Under the terms of the program, the loans to any fire department, fire protection district or township fire department may not exceed $250,000. Repayment period for each loan may not exceed 20 years and requires a minimum of 5% of the principal amount borrowed each year.

The Ambulance Revolving Loan program was authorized by Public Act 94-829. The loan program is jointly administered by the Authority and the Office of the State Fire Marshall. The Fire Prevention Fund loaned $4 million to the Authority 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. Under the terms of the program, the loans to any fire department, fire protection district or non-profit ambulance service may not exceed $100,000. Repayment period for each loan may not exceed 10 years and requires a minimum of 5% of the principal amount borrowed each year.

Due to primary government is summarized as follows:

	Balance June 30, 2010	Additions	Repayments	Balance June 30, 2011	Due Within One Year
Fire Truck Revolving Loans	$18,730,135	$ -	$1,243,527	$17,486,608	$1,215,550
Ambulance Revolving Loans	993,200	-	160,987	832,213	160,987
	$19,723,335	$ -	$1,404,514	$18,318,821	$1,376,537

Principal payments of due to primary government at June 30, 2011, are due as follows:

	Fire Truck Revolving Loan	Ambulance Revolving Loan	Total
Year ending June 30:			
2012	$ 1,215,550	$ 160,987	$ 1,376,537
2013	1,197,005	160,986	1,357,991
2014	1,197,005	94,320	1,291,325
2015	1,197,005	94,320	1,291,325
2016	1,138,905	74,320	1,213,225
2017 - 2021	5,532,227	247,280	5,779,507
2022 - 2026	4,329,799	-	4,329,799
2027 - 2030	1,679,112	-	1,679,112
	$ 17,486,608	$ 832,213	$ 18,318,821

(10) REVENUE BONDS PAYABLE

Each revenue bond issue is payable only out of the trust estate established for each issue. The trust estate is comprised of all rights, title and interest of the Authority in the 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 bond. 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 2040. 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, 2011, 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 2009 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, 2011, 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 3.70-6.625%. 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.

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 1, 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 3.45-5.50%. Final maturity is February 1, 2029.

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, 2031.

2000B Revenue Bonds - original issue $735,000, dated December 1, 2000, 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 4.40-5.55%. 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 2.55-5.35%. Final maturity is February 1, 2031.

2002A Revenue Bonds - original issue $1,180,000, dated June 1, 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 1.60-5.20%. 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 1, 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 1, 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 1, 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 1, 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 1, 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 1, 2039.

2009A Revenue Bonds - original issue $4,460,000, dated December 4, 2009, provides for serial retirement of principal beginning February 1, 2011 and every February 1 thereafter, and interest payable on February 1 and August 1 of each year at rates of 1.90-5.375%. Final maturity is February 1, 2040.

Revenue bonds issued for the benefit of other agencies and component units of the State of Illinois:

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 4.30% 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 3.25% 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 3.25% 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 rate of 4.66%. Final maturity is August 15, 2016.

The future debt service requirements for revenue bonds as of June 30, 2011, including interest payments are as follows:

Fiscal Period Ending June 30,	Principal	Interest	Total
2012	$ 25,435,000	$ 12,396,360	$ 37,831,360
2013	23,931,208	11,140,030	35,071,238
2014	22,099,000	9,959,682	32,058,682
2015	21,592,300	8,845,398	30,437,698
2016	21,961,800	7,741,446	29,703,246
2017-2021	82,377,700	23,461,164	105,838,864
2022-2026	28,920,000	9,423,102	38,343,102
2027-2031	17,895,000	3,932,727	21,827,727
2032-2036	4,655,000	598,204	5,253,204
2037-2040	1,130,000	118,916	1,248,916
	$ 249,997,008	$ 87,617,029	$ 337,614,037

The following is a summary of the revenue bond transactions of the Authority for the year ended June 30, 2011:

Bond Series	Balance June 30, 2010	Additions	Retirements	Balance June 30, 2011	Amount Due Within One Year
1992 A Bonds	$ 30,000	$ -	$ (15,000)	$ 15,000	$ 15,000
1992 B Bonds	170,000	-	(25,000)	145,000	25,000
1993 B Bonds	215,000	-	(55,000)	160,000	55,000
1994 A Bonds	40,000	-	(40,000)	-	-
1995 A Bonds	65,000	-	(10,000)	55,000	5,000
1996 C Bonds	100,000	-	(50,000)	50,000	50,000
1997 A Bonds	110,000	-	(10,000)	100,000	10,000
1997 B Bonds	640,000	-	(95,000)	545,000	100,000
1998 A Bonds	1,435,000	-	(380,000)	1,055,000	140,000
1998 B Bonds	1,420,000	-	(300,000)	1,120,000	80,000
1999 A Bonds	1,280,000	-	(460,000)	820,000	55,000
2000 A Bonds	400,000	-	(50,000)	350,000	50,000
2000 B Bonds	520,000	-	(30,000)	490,000	30,000
2001 A Bonds	1,755,000	-	(880,000)	875,000	135,000
2001 B Bonds	3,785,000	-	(2,290,000)	1,495,000	85,000
2002 A Bonds	535,000	-	(105,000)	430,000	105,000
2003 A Bonds	6,895,000	-	(895,000)	6,000,000	1,400,000
2003 B Bonds	6,990,000	-	(475,000)	6,515,000	495,000
2004 A Bonds	1,815,000	-	(140,000)	1,675,000	145,000
2006 A Bonds	10,090,000	-	(545,000)	9,545,000	555,000
2006 B Bonds	1,775,000	-	(60,000)	1,715,000	60,000

Bond Series	Balance June 30, 2010	Additions	Retirements	Balance June 30, 2011	Amount Due Within One Year
2007 A Bonds	$ 5,915,000	$ -	$ (210,000)	$ 5,705,000	$ 210,000
2007 B Bonds	2,205,000	-	(200,000)	2,005,000	205,000
2008 A Bonds	1,740,000	-	(40,000)	1,700,000	40,000
2009 A Bonds	4,460,000	-	(125,000)	4,335,000	160,000
Northern Illinois University Series 1999	14,580,000	-	(690,000)	13,890,000	720,000
Clean Water Series 2002	79,495,000	-	(11,295,000)	68,200,000	11,685,000
Clean Water Series 2004	86,335,000	-	(8,225,000)	78,110,000	8,300,000
Illinois Medical District Commission					
Series 2006A	7,500,000	-	(210,000)	7,290,000	220,000
Series 2006B	32,500,000	-	(150,000)	32,350,000	300,000
Northern Illinois University Foundation Series 2006	4,863,250	-	(1,606,242)	3,257,008	-
Unamortized issuance premium	5,022,252	-	(993,784)	4,028,468	864,583
Total	$ 284,680,502	$ -	$ (30,655,026)	$ 254,025,476	$ 26,299,583

The bond closing fees received from local governments are reported as deferred revenue and amortized over the term of the bond issues. The amortized revenues are included in the miscellaneous income. The following changes in deferred revenue occurred during the period:

	Balance June 30, 2010	Addition	Amortization	Balance June 30, 2011	Due Within One Year
Bond closing fees	$ 517,567	$ -	$ 82,537	$ 435,030	$ 71,394

(11) LEASE COMMITMENTS

The Authority is obligated under long-term operating leases for one (Chicago) of its four offices. Total rent expense for the year ended June 30, 2011 was $265,312.

The Authority entered into a lease agreement to lease facilities at 180 North 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, 2011 is $107,349, which represents the current year amortization. Rent expense for the year ended June 30, 2011 is $240,559.

The Authority entered into an Interagency Agreement with the Illinois Department of Commerce and Economic Opportunity to lease office space in Springfield free of charge, effective April 29, 2009 until June 20, 2013.

The Authority entered into a lease agreement to lease facilities at 100 Southwest Water Street, Peoria, Illinois 61602. The term of the lease expires in May 2013. Annual base rent payments are approximately $4,524.

The Authority entered into a lease agreement to lease facilities at 2929 Broadway, Suite 7B, Mount Vernon, Illinois 62864. The term of the lease expires in June 2012. Annual base rent payments are approximately $9,765.

The Authority entered into a lease agreement to lease two digital copiers for its Chicago and Mt. Vernon offices for 36 months. The term of the lease expires in September 2012. Annual base rental payments are approximately $10,464.

The future minimum lease commitments as of June 30, 2011 are as follows:

Fiscal Year Ending June 30,	Amount
2012	$ 166,698
2013	151,418
2014	148,090
2015	24,803
Total	$ 491,009

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, 2011 no amounts have been drawn against this letter of credit.

(12) CAPITAL ASSETS

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
Cost				
Leasehold improvements	$ 2,000	$ -	$ 2,000	$ -
Furniture and equipment	249,842	1,819	26,763	224,898
Computers	32,911	82,494	20,505	94,900
Software	174,154	9,492	-	183,646
Total capital assets being depreciated	458,907	93,805	49,268	503,444
Accumulated Depreciation				
Leasehold improvements	2,000	-	2,000	-
Furniture and equipment	201,409	22,916	26,763	197,562
Computers	32,622	5,475	20,505	17,592
Software	174,155	1,055	-	175,210
Total accumulated depreciation	410,186	29,446	49,268	390,364
Capital assets, net of depreciation	$ 48,721	$ 64,359	$ -	$ 113,080

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, 2011, restricted demand deposits totaling $617,750 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 $748,763 and $1,989,275 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 $282,862 in net loans receivable which secure the loans of the intermediary relending program.

(c) Loan Guarantees

The Authority has a contingent liability regarding the loan guarantees outstanding at June 30, 2011. 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 $17,696,764 at June 30, 2011, and are restricted by enabling legislation to secure the state guarantees. In addition to the funds held by the State Treasurer, per Public Act 96-0897 the Authority is authorized to make payments on State Guarantees from the Industrial Revenue Bond Insurance Fund. This fund has cash deposits totaling $11,647,109 at June 30, 2011. 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	$ 17,330,482
Specialized Livestock Loan Guarantee Program	5,551,691
Young Farmer Loan Guarantee Program	2,416,215
Farmer and Agri-Business Loan Guarantee Program	32,575,292
Farm Purchase	975,261

(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. The employee may begin participating in the Deferred Compensation Plan after 30 days of employment have been completed.

The maximum contributions through the year 2011 are:

YEAR	MAXIMUM CONTRIBUTION	AGE 50 CATCH UP
2011	$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 2011 were $102,569 and $101,228, respectively.

(16) TRANSACTIONS WITH THE PRIMARY GOVERNMENT

The Authority, a body corporate and politic, is a component unit of the State of Illinois. The Authority is principally engaged in issuing taxable and tax-exempt bonds, making loans, and investing capital for businesses, non-profit corporations, local government units, and primary government including component units of the State of Illinois. This includes moral obligation bonds which were inherited from the former Illinois Development Finance Authority used to finance a primary government project. The Authority also administers programs for the State and the related state appropriations for the programs.

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 Authority is indebted with the Office of the Auditor General in the amount of $200,000 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 as of June 30, 2011 is $418,224.

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 ILS 105). The Fire Prevention Fund and Build Illinois Bond Fund loaned $9 million and $10 million, respectively, to the Authority 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 $1,215,550 and total long-term due is $16,271,058.

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 Authority 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 current portion due is $160,987 and total long-term due is $671,226.

(17) NEW GOVERNMENTAL ACCOUNTING STANDARDS

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

Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, The objective of this Statement is to address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other post employment benefits (OPEB) plans (that is, agent employers). The Authority is required to implement this Statement for the year ending June 30, 2012. Management has not yet completed its assessment of the impact of this GASB Statement on the Authority's financial statements.

Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements,* The objective of this statement is to improve financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership. The Authority is required to implement this Statement for the year ending June 30, 2013. Management has not yet completed its assessment of the impact of this GASB Statement on the Authority's financial statements.

Statement No. 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34,* The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The Authority is required to implement this Statement for the year ending June 30, 2013. Management has not yet completed its assessment of the impact of this GASB Statement on the Authority's financial statements.

Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* The objective of this statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in certain FASB and AICPA pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The Authority is required to implement this Statement for the year ending June 30, 2013. Management has not yet completed its assessment of the impact of this GASB Statement on the Authority's financial statements.

Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The Authority is required to implement this Statement for the year ending June 30, 2013. Management has not yet completed its assessment of the impact of this GASB Statement on the Authority's financial statements.

Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions-an Amendment of GASB Statement No. 53,* The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. The Authority is required to implement this Statement for the year ending June 30, 2012. Management has not yet completed its assessment of the impact of this GASB Statement on the Authority's financial statements.

STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY
(A Component Unit of the State of Illinois)
Combining Statement of Net Assets - Nonmajor Funds
June 30, 2011

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	$ 11,647,109	$ -	$ -	$ -	$ -
Restricted current assets					
Cash and cash equivalents	-	-	-	-	-
Securities lending collateral equity with State Treasurer	-	-	-	3,892,147	2,996,461
Accrued interest receivable	-	-	-	-	-
Loans receivable	-	-	-	-	-
Allowance for doubtful accounts	-	-	-	-	-
Receivables					
Loans receivable	-	-	-	-	-
Interest and other	-	-	-	-	-
Total current assets	11,647,109	-	-	3,892,147	2,996,461
Noncurrent assets:					
Restricted noncurrent assets					
Cash and cash equivalents	-	-	617,750	9,985,250	7,711,514
Interest receivable	-	-	-	4,428	3,409
Guarantee payments receivable	28,402	-	-	170,902	623,107
Allowance for doubtful accounts	(28,402)	-	-	(170,902)	(623,107)
Loans receivable	-	-	-	-	-
Allowance for doubtful accounts	-	-	-	-	-
Investments in partnerships and companies	-	2,247,981	-	-	-
Loans receivable	-	-	-	-	-
Total noncurrent assets	-	2,247,981	617,750	9,989,678	7,714,923
Total assets	11,647,109	2,247,981	617,750	13,881,825	10,711,384
Liabilities					
Current liabilities:					
Obligation under securities lending of State Treasurer	-	-	-	3,892,147	2,996,461
Accrued interest payable	-	-	-	-	-
Due to primary government	-	-	-	-	-
Current portion of long-term debt	-	-	-	-	-
Total current liabilities	-	-	-	3,892,147	2,996,461
Noncurrent liabilities					
Noncurrent portion of long-term debt	-	-	-	-	-
Due to primary government	-	-	-	-	-
Total noncurrent liabilities	-	-	-	-	-
Total liabilities	-	-	-	3,892,147	2,996,461
Net Assets					
Restricted	-	-	617,750	9,989,678	7,714,923
Unrestricted	11,647,109	2,247,981	-	-	-
Total net assets	$ 11,647,109	$ 2,247,981	$ 617,750	$ 9,989,678	$ 7,714,923

STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY
(A Component Unit of the State of Illinois)
Combining Statement of Net Assets - Nonmajor Funds (continued)
June 30, 2011

Assets	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
Current assets:					
Cash and cash equivalents - unrestricted	$ 2,649,497	$ -	$ -	$ -	$ 1,828,305
Restricted current assets					
Cash and cash equivalents	-	748,763	1,989,275	-	-
Securities lending collateral equity with State Treasurer	-	-	-	-	-
Accrued interest receivable	-	-	4,723	-	-
Loans receivable	-	91,484	35,830	-	-
Allowance for doubtful accounts	-	(91,484)	-	-	-
Receivables					
Loans receivable	28,103	-	-	1,000,000	-
Interest and other	1,271	-	-	-	-
Total current assets	2,678,871	748,763	2,029,828	1,000,000	1,828,305
Noncurrent assets:					
Restricted noncurrent assets					
Cash and cash equivalents	-	-	-	-	-
Interest receivable	-	-	-	-	-
Guarantee payments receivable	-	-	-	-	-
Allowance for doubtful accounts	-	-	-	-	-
Loans receivable	-	-	267,952	-	-
Allowance for doubtful accounts	-	-	(20,920)	-	-
Investments in partnerships and companies	-	-	-	-	-
Loans receivable	218,422	-			3,000,000
Total noncurrent assets	218,422	-	247,032	-	3,000,000
Total assets	2,897,293	748,763	2,276,860	1,000,000	4,828,305
Liabilities					
Current liabilities:					
Obligation under securities lending of State Treasurer	-	-	-	-	-
Accrued interest payable	-	-	3,014	-	-
Due to primary government	-	-	-	-	-
Current portion of long-term debt	-	-	57,644	-	-
Total current liabilities	-	-	60,658	-	-
Noncurrent liabilities					
Noncurrent portion of long-term debt	-	-	545,493	-	-
Due to primary government	-	-	-	-	-
Total noncurrent liabilities	-	-	545,493	-	-
Total liabilities	-	-	606,151	-	-
Net Assets					
Restricted	-	748,763	1,670,709	-	-
Unrestricted	2,897,293	-	-	1,000,000	4,828,305
Total net assets	$ 2,897,293	$ 748,763	$ 1,670,709	$ 1,000,000	$ 4,828,305

STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY
(A Component Unit of the State of Illinois)
Combining Statement of Net Assets - Nonmajor Funds (continued)
June 30, 2011

Assets	Fire Truck Revolving Loan Fund	Renewable Energy Development Fund	Ambulance Revolving Loan Fund	Total Nonmajor
Current assets:				
Cash and cash equivalents - unrestricted	$ -	$ -	$ -	$ 16,124,911
Restricted current assets				
Cash and cash equivalents	-	475,711	-	3,213,749
Securities lending collateral equity with State Treasurer	-	-	-	6,888,608
Accrued interest receivable	-	191	-	4,914
Loans receivable	1,215,550	88,853	160,987	1,592,704
Allowance for doubtful accounts	-	-	-	(91,484)
Receivables				
Loans receivable	-	-	-	1,028,103
Interest and other	-	-	-	1,271
Total current assets	1,215,550	564,755	160,987	28,762,776
Noncurrent assets:				
Restricted noncurrent assets				
Cash and cash equivalents	-	-	-	18,314,514
Interest receivable	-	-	-	7,837
Guarantee payments receivable	-	-	-	822,411
Allowance for doubtful accounts	-	-	-	(822,411)
Loans receivable	16,271,058	1,579,702	671,226	18,789,938
Allowance for doubtful accounts	-	-	-	(20,920)
Investments in partnerships and companies	-	-	-	2,247,981
Loans receivable	-	-	-	3,218,422
Total noncurrent assets	16,271,058	1,579,702	671,226	42,557,772
Total assets	17,486,608	2,144,457	832,213	71,320,548
Liabilities				
Current liabilities:				
Obligation under securities lending of State Treasurer	-	-	-	6,888,608
Accrued interest payable	-	-	-	3,014
Due to primary government	1,215,550	-	160,987	1,376,537
Current portion of long-term debt	-	-	-	57,644
Total current liabilities	1,215,550	-	160,987	8,325,803
Noncurrent liabilities				
Noncurrent portion of long-term debt	-	-	-	545,493
Due to primary government	16,271,058	-	671,226	16,942,284
Total noncurrent liabilities	16,271,058	-	671,226	17,487,777
Total liabilities	17,486,608	-	832,213	25,813,580
Net Assets				
Restricted	-	2,144,457	-	22,886,280
Unrestricted	-	-	-	22,620,688
Total net assets	$ -	$ 2,144,457	$ -	$ 45,506,968

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, 2011

	Industrial Revenue Bond Insurance Fund	Venture Investment Fund	Credit Enhancement Fund	Illinois Agricultural Loan Guarantee Fund	Illinois Farmer Agribusiness Loan Guarantee Fund
Operating revenues					
Interest on loans	$ -	$ -	$ -	$ -	$ -
Miscellaneous	-	-	-	-	-
Bad debt recoveries	-	-	-	-	25,676
Total operating revenues	-	-	-	-	25,676
Operating expenses					
Professional services	-	-	-	-	-
Interest expense	-	-	-	-	-
Loan loss provision	28,402	-	-	-	-
Total operating expenses	28,402	-	-	-	-
Operating income (loss)	(28,402)	-	-	-	25,676
Nonoperating revenues:					
Interest and investment income	17,473	30,840	-	58,573	44,395
Gain on sale of investments	-	871,767	-	-	-
Total nonoperating income	17,473	902,607	-	58,573	44,395
Transfers					
Transfers to other fund	-	(1,167,543)	(8,000)	-	-
Total transfers	-	(1,167,543)	(8,000)	-	-
Change in net assets	(10,929)	(264,936)	(8,000)	58,573	70,071
Net assets - beginning of year	11,658,038	2,512,917	625,750	9,931,105	7,644,852
Net assets - end of year	$ 11,647,109	$ 2,247,981	$ 617,750	$ 9,989,678	$ 7,714,923

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 (continued)
For the Year Ended June 30, 2011

	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
Operating revenues					
Interest on loans	$ 12,875	$ -	$ 21,027	$ -	$ -
Miscellaneous	-	-	8,858	-	-
Bad debt recoveries	-	-	-	-	-
Total operating revenues	12,875	-	29,885	-	-
Operating expenses					
Professional services	-	24	9,780	-	-
Interest expense	-	-	6,318	-	-
Loan loss provision	-	-	-	-	-
Total operating expenses	-	24	16,098	-	-
Operating income (loss)	12,875	(24)	13,787	-	-
Nonoperating revenues:					
Interest and investment income	3,007	934	2,121	-	2,135
Gain on sale of investments	-	-	-	-	-
Total nonoperating income	3,007	934	2,121	-	2,135
Transfers					
Transfers to other fund	-	-	-	-	-
Total transfers	-	-	-	-	-
Change in net assets	15,882	910	15,908	-	2,135
Net assets - beginning of year	2,881,411	747,853	1,654,801	1,000,000	4,826,170
Net assets - end of year	$ 2,897,293	$ 748,763	$ 1,670,709	$ 1,000,000	$ 4,828,305

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 (continued)
For the Year Ended June 30, 2011

	Fire Truck Revolving Loan Fund	Renewable Energy Development Fund	Ambulance Revolving Loan Fund	Total Nonmajor
Operating revenues				
Interest on loans	$ -	$ 34,317	$ -	$ 68,219
Miscellaneous	-	-	-	8,858
Bad debt recoveries	-	-	-	25,676
Total operating revenues	-	34,317	-	102,753
Operating expenses				
Professional services	-	-	-	9,804
Interest expense	-	-	-	6,318
Loan loss provision	-	-	-	28,402
Total operating expenses	-	-	-	44,524
Operating income (loss)	-	34,317	-	58,229
Nonoperating revenues:				
Interest and investment income	-	181	-	159,659
Gain on sale of investments	-	-	-	871,767
Total nonoperating income	-	181	-	1,031,426
Transfers				
Transfers to other fund	-	-	-	(1,175,543)
Total transfers	-	-	-	(1,175,543)
Change in net assets	-	34,498	-	(85,888)
Net assets - beginning of year	-	2,109,959	-	45,592,856
Net assets - end of year	$ -	$ 2,144,457	$ -	$ 45,506,968

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, 2011

	Industrial Revenue Bond Insurance Fund	Venture Investment Fund	Credit Enhancement Fund	Illinois Agricultural Loan Guarantee Fund
Cash flows from operating activities:				
Cash received for fees and other	$ -	$ -	$ -	$ -
Cash payments to suppliers for goods and services	-	-	-	-
Net cash used in operating activities	-	-	-	-
Cash flows from noncapital financing activities:				
Principal paid to State	-	-	-	-
Bonds and notes principal payments	-	-	-	-
Interest payments	-	-	-	-
Due from other funds	-	-	-	-
Due to other funds	-	-	-	-
Transfers to other fund	-	(1,167,543)	(8,000)	-
Net cash used in noncapital financing activities	-	(1,167,543)	(8,000)	-
Cash flows from investing activities:				
Sales and maturities of investments	-	1,136,703	-	-
Cash received on loan receivables and guarantees	-	-	-	-
Cash payments for loan receivables and guarantees	(28,402)	-	-	-
Cash received for interest on loans	-	-	-	-
Interest and dividends on investments	17,473	30,840	-	57,145
Net cash provided by (used in) investing activities	(10,929)	1,167,543	-	57,145
Net increase (decrease) in cash and cash equivalents	(10,929)	-	(8,000)	57,145
Cash and cash equivalents at beginning of year	11,658,038	-	625,750	9,928,105
Cash and cash equivalents at end of year	$ 11,647,109	$ -	$ 617,750	$ 9,985,250
Reconciliation of operating income (loss) to net cash used in operating activities:				
Operating income (loss)	$ (28,402)	$ -	$ -	$ -
Adjustments to reconcile operating income (loss) to net cash used in operating activities:				
Interest on loans	-	-	-	-
Interest expense	-	-	-	-
Bad debt recoveries	-	-	-	-
Loan loss provision	28,402	-	-	-
Change in asset:	-	-	-	-
Accounts receivable	-	-	-	-
Net cash used in operating activities	$ -	$ -	$ -	$ -

STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY
(A Component Unit of the State of Illinois)
Combining Statement of Cash Flows - Nonmajor Funds (continued)
For the Year Ended June 30, 2011

	Illinois Farmer Agribusiness Loan Guarantee Fund	IRBB Special Reserve Fund	E.D.A. Title IX Restricted Revolving Loan Fund	Rural Development Revolving Loan Fund	Employee Ownership Assistance Loan Fund
Cash flows from operating activities:					
Cash received for fees and other	$ -	$ -	$ -	$ 31	$ -
Cash payments to suppliers for goods and services	-	-	(24)	(9,780)	-
Net cash used in operating activities	-	-	(24)	(9,749)	-
Cash flows from noncapital financing activities:					
Principal paid to State	-	-	-	-	-
Bonds and notes principal payments	-	-	-	(57,073)	-
Interest payments	-	-	-	(6,602)	-
Due from other funds	-	(75,356)	(2,157)	(9,780)	-
Due to other funds	-	77,099	710	10,344	-
Transfers to other fund	-	-	-	-	-
Net cash used in noncapital financing activities	-	1,743	(1,447)	(63,111)	-
Cash flows from investing activities:					
Sales and maturities of investments	-	-	-	-	-
Cash received on loan receivables and guarantees	25,676	62,778	-	191,991	-
Cash payments for loan receivables and guarantees	-	-	-	-	-
Cash received for interest on loans	-	12,579	-	21,303	-
Interest and dividends on investments	43,986	3,006	934	2,121	-
Net cash provided by (used in) investing activities	69,662	78,363	934	215,415	-
Net increase (decrease) in cash and cash equivalents	69,662	80,106	(537)	142,555	-
Cash and cash equivalents at beginning of year	7,641,852	2,569,391	749,300	1,846,720	-
Cash and cash equivalents at end of year	$ 7,711,514	$2,649,497	$ 748,763	$ 1,989,275	$ -
Reconciliation of operating income (loss) to net cash used in operating activities:					
Operating income (loss)	$ 25,676	$ 12,875	$ (24)	$ 13,787	$ -
Adjustments to reconcile operating income (loss) to net cash used in operating activities:					
Interest on loans	-	(12,875)	-	(21,027)	-
Interest expense	-	-	-	6,318	-
Bad debt recoveries	(25,676)	-	-	-	-
Loan loss provision	-	-	-	-	-
Change in asset:	-	-	-	-	-
Accounts receivable	-	-	-	(8,827)	-
Net cash used in operating activities	$ -	$ -	$ (24)	$ (9,749)	$ -

STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY
(A Component Unit of the State of Illinois)
Combining Statement of Cash Flows - Nonmajor Funds (continued)
For the Year Ended June 30, 2011

	Illinois Housing Partnership Program	Fire Truck Revolving Loan Fund	Renewable Energy Development Fund	Ambulance Revolving Loan Fund	Total Nonmajor
Cash flows from operating activities:					
Cash received for fees and other	$ -	$ -	$ -	$ -	$ 31
Cash payments to suppliers for goods and services	-	-	-	-	(9,804)
Net cash used in operating activities	-	-	-	-	(9,773)
Cash flows from noncapital financing activities:					
Principal paid to State	-	(1,243,527)	-	(832,213)	(2,075,740)
Bonds and notes principal payments	-	-	-	-	(57,073)
Interest payments	-	-	-	-	(6,602)
Due from other funds	-	-	-	-	(87,293)
Due to other funds	-	-	-	-	88,153
Transfers to other fund	-	-	-	-	(1,175,543)
Net cash used in noncapital financing activities	-	(1,243,527)	-	(832,213)	(3,314,098)
Cash flows from investing activities:					
Sales and maturities of investments	-	-	-	-	1,136,703
Cash received on loan receivables and guarantees	-	1,243,527	87,090	832,213	2,443,275
Cash payments for loan receivables and guarantees	-	-	-	-	(28,402)
Cash received for interest on loans	-	-	34,323	-	68,205
Interest and dividends on investments	2,135	-	180	-	157,820
Net cash provided by (used in) investing activities	2,135	1,243,527	121,593	832,213	3,777,601
Net increase (decrease) in cash and cash equivalents	2,135	-	121,593	-	453,730
Cash and cash equivalents at beginning of year	1,826,170	-	354,118	-	37,199,444
Cash and cash equivalents at end of year	$ 1,828,305	$ -	$ 475,711	$ -	$37,653,174
Reconciliation of operating income (loss) to net cash used in operating activities:					
Operating income (loss)	$ -	$ -	$ 34,317	$ -	$ 58,229
Adjustments to reconcile operating income (loss) to net cash used in operating activities:					
Interest on loans	-	-	(34,317)	-	(68,219)
Interest expense	-	-	-	-	6,318
Bad debt recoveries	-	-	-	-	(25,676)
Loan loss provision	-	-	-	-	28,402
Change in asset:	-	-	-	-	-
Accounts receivable	-	-	-	-	(8,827)
Net cash used in operating activities	$ -	$ -	$ -	$ -	$ (9,773)

E.C. ORTIZ & CO., LLP
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

Ms. Gila Bronner
Honorable Chairman of the Audit Committee
of the Board of Directors
Illinois Finance Authority

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the business-type activities, 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, 2011, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated March 9, 2012. 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.

<u>Internal Control Over Financial Reporting</u>

Management of the State of Illinois, Illinois Finance Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the State of Illinois, Illinois Finance 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 State of Illinois, Illinois Finance 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.

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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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Illinois, Illinois Finance 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*.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, the State of Illinois, Illinois Finance Authority's management, the State of Illinois, Illinois Finance 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.

E. C. Ortiz & Co., LLP

March 9, 2012

PRIOR FINDING NOT REPEATED - *GOVERNMENT AUDITING STANDARDS*

A. **Finding** (Noncompliance with the investment requirements of the Bond Indenture)

The Illinois Finance Authority (Authority) did not ensure that its investments of bond proceeds were in accordance with the Bond Indenture.

Monies relating to the issuance of series 2002 and 2004 bonds were invested in a short-term obligation of a corporation that exceeded the cap required per Bond Indenture.

Status: Implemented

During the current year, the bond trustee of the series 2002 and 2004 bonds cured the default that resulted from its noncompliance by investing monies relating to the issuance of these bonds in a short-term obligation of different corporations so that investment in a single corporation does not exceed the cap as required by the Bond indenture.