STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY

FINANCIAL AUDIT
For the Year Ended June 30, 2015

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, 2015

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ILLINOIS FINANCE AUTHORITY
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AGENCY OFFICIALS

Chairman of the Board of Directors (04/13/15 - current)	Mr. R. Robert Funderburg, Jr.
Chairman of the Board of Directors (04/01/15 - 04/12/15)	Vacant
Chairman of the Board of Directors (07/01/14 - 03/31/15)	Mr. William A. Brandt, Jr.
Executive Director	Mr. Christopher B. Meister
Chief Financial Officer	Ms. Melinda M. Gildart
Controller	Ms. Ximena Granda
General Counsel (07/13/15 - current)	Ms. Elizabeth Fleming Weber
General Counsel (01/01/15 - 07/12/14)	Vacant
General Counsel (Acting) (07/01/14 - 12/31/14)	Ms. Pamela A. Lenane

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

Member (04/13/15 - current)	Mr. R. Robert Funderburg, Jr.
Member (04/01/15 - 04/12/15)	Vacant
Member (07/01/14 - 03/31/15)	Mr. William A. Brandt, Jr.
Member	Ms. Gila J. Bronner
Member	Mr. James J. Fuentes
Member	Mr. Michael W. Goetz
Member	Mr. Lerry Knox
Member	Mr. Terrence M. O'Brien
Member	Mr. Roger Poole
Member	Mr. Mordecai Tessler
Member	Mr. Bradley A. Zeller

AGENCY OFFICIALS (continued)

Member (08/12/15 - current)	Mr. Eric Anderberg
Member (08/01/15 - 08/11/15)	Vacant
Member (07/01/14 - 07/31/15)	Mr. Norman M. Gold
Member (08/13/15 - current)	Mr. Robert Horne
Member (08/01/15 - 08/12/15)	Vacant
Member (07/01/14 - 07/31/15)	Mr. Edward Leonard, Sr.
Member (09/09/15 - current)	Mr. Adam Israelov
Member (12/11/14 - 09/08/15)	Vacant
Member (07/01/14 - 12/10/14)	Mr. David Vaught
Member (09/09/15 - current)	Ms. Arlene Juracek
Member (04/15/15 - 09/08/15)	Vacant
Member (07/01/14 - 04/14/15)	Ms. Heather D. Parish
Member (01/05/16 - current)	Mr. Lyle McCoy
Member (07/01/14 - 01/04/16)	Mr. Barrett F. Pedersen
Member (07/09/15 - current)	Mr. John Yonover
Member (03/11/15 - 07/08/15)	Vacant
Member (07/01/14 - 03/10/15)	Ms. Carmen Lonstein

Agency offices are located at:

Chicago Office
160 North LaSalle Street, Suite S-1000
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

STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY
(A Component Unit of the State of Illinois)
FINANCIAL STATEMENT REPORT
For the Year Ended June 30, 2015

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 unmodified opinion on the Authority's basic financial statements.

SUMMARY OF FINDINGS

The auditors identified two matters involving the Authority's internal control over financial reporting that they considered to be a material weakness and a significant deficiency. The material weakness is described in the accompanying Schedule of Findings on pages 60-68 of this report as item 2015-001, *Inaccurate Financial Statements for the Industrial Project Insurance Fund, the Illinois Agricultural Loan Guarantee Fund, and the Illinois Farmer and Agribusiness Loan Guarantee Fund*. The significant deficiency is described in the accompanying Schedule of Findings on pages 69-70 of this report as item 2015-002, *Failure to Write-Off Uncollectible Balances.*

STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY
(A Component Unit of the State of Illinois)
FINANCIAL STATEMENT REPORT
For the Year Ended June 30, 2015

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Authority officials at an exit conference on December 2, 2015. Attending were:

Illinois Finance Authority

Christopher Meister, Executive Director
Melinda Gildart, Chief Financial Officer
Ximena Granda, Controller
Elizabeth Fleming Weber, General Counsel

Illinois Finance Authority's Board of Directors

Gila J. Bronner, Chairwoman of the Audit Plus Committee (via teleconference)

Office of the Auditor General

Daniel J. Nugent, CPA, Audit Manager

E.C. Ortiz & Co., LLP

Marites Sy, CPA, Partner
Emily Causon, CPA, Manager

The responses to the recommendations were provided by Mr. Christopher Meister, Executive Director, in an email dated December 22, 2015.

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

Independent Auditor's Report

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Board of Directors
Illinois Finance Authority

Report on the Financial Statements

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, 2015, and the related notes to the financial statements, which collectively comprise the State of Illinois, Illinois Finance Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control

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relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information for the State of Illinois, Illinois Finance Authority, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 8-17 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
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 Combining Statement of Net Position - Nonmajor Funds, Combining Statement of Revenues, Expenses, and Changes in Fund Net Position - Nonmajor Funds, and Combining Statement of Cash Flows - Nonmajor Funds are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining Statement of Net Position - Nonmajor Funds, Combining Statement of Revenues, Expenses, and Changes in Fund Net Position - Nonmajor Funds, and Combining Statement of Cash Flows - Nonmajor Funds are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining Statement of Net Position - Nonmajor Funds, Combining Statement of Revenues, Expenses, and Changes in Fund Net Position - Nonmajor Funds, and Combining Statement of Cash Flows - Nonmajor Funds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2016, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Illinois, Illinois Finance Authority's internal control over financial reporting and compliance.

Chicago, Illinois
January 19, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
June 30, 2015

Our discussion and analysis of the financial performance of the Illinois Finance Authority, a component unit of the State of Illinois, provides an overview of financial activities for the fiscal year ended June 30, 2015. Because the intent of this management discussion and analysis is to look at financial performance as a whole, readers should also review the financial statements, and notes to the basic financial statements, to further enhance their understanding of the Authority's financial performance.

Financial Highlights

On the basic financial statements, statement of net position, liabilities totaled $183.2 million, while assets and deferred outflows equaled $300.5 million, with decreases of $86.1 million and $85.7 million from Fiscal Year 2014, respectively. The overall decrease in total assets was driven by lower cash balances resulting from cash transfers from the Authority's locally held funds to the Illinois State Treasurer (on behalf of the Illinois Environmental Protection Agency, "IEPA"). Current assets specifically, were $65.0 million lower than last year. The decrease in total liabilities also directly resulted from no new bond issuances made in Fiscal Year 2015 on behalf of other State of Illinois component units. Current liabilities, specifically, were $58.4 million lower than Fiscal Year 2014 primarily due to the reduction in the amount currently due to the State of Illinois for the Clean Water Initiative bonds.

On the statement of revenues, expenses and net position, total revenues were $9.3 million or 75.2% lower and total expenses were $9 million, or 44.2% lower than the previous fiscal year. In effect, the overall revenues (not including nonrecurring transfers from the State of Illinois) were $2.9 million lower than the prior year. In Fiscal Year 2014, nonoperating revenues of $28.1 million included the transfer and receipt of program interest in the Locally Held Fire Truck and Locally Held Ambulance Revolving Loan funds of $8.3 million, and the release of the obligation for loan repayments to the State of Illinois, per Public Act 97-0901, of $17.5 million. In Fiscal Year 2015, current year transfers of receipts on behalf of these funds totaled only $448 thousand and neither fund met the criteria to be presented as a major fund in 2015. Operating expenses were lower than Fiscal Year 2014 by $5.6 million. This decrease was primarily driven by lower interest expense for the other State of Illinois component units, from bonds which were paid off in the prior fiscal year and the prior year loss on defeasance recorded for the Illinois Rural Bond Bank of $1.9 million. Nonoperating expenses decreased by $1.6 million in Fiscal Year 2015, driven by the nonrecurring transaction for the Fiscal Year 2014 transfer of unused Department of Commerce and Economic Opportunity (DCEO) grant funds of $2.3 million, back to the State of Illinois. Also recorded in Fiscal Year 2015 is the accrual of potential loan losses and settlements totaling $718 thousand in the nonmajor funds.

Overall net position of $117.3 million was $323 thousand or 0.3% higher than Fiscal Year 2014, due to lower overall revenues and additional expenses in regards to the Authority's agricultural loan guarantee programs.

Funds reported as major funds in Fiscal Year 2014, the Locally Held Fire Truck Revolving Loan Fund and Locally Held Ambulance Revolving Loan Fund and the Illinois Energy Fund; do not meet the criteria in Fiscal Year 2015 to be reported as major funds. As in Fiscal Year 2014, the Metro East Police District Commission continues to be presented as a fiduciary fund for Fiscal Year 2015.

The Authority did not issue any new bonds on behalf of other State of Illinois component units during Fiscal Year 2015.

Overview of the Financial Statements

The basic proprietary fund financial statements including the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, Statement of Cash Flows and Statement of Fiduciary Net Position-Agency Fund, provide both short-term and long-term information about the Authority's financial status. The accompanying notes to the financial statements provide essential information that is not disclosed on the face of the financial statements, and as such, are an integral part of the basic financial statements.

Proprietary Funds

These funds are used to show activities that operate more like those of commercial enterprises. Because these funds charge user fees for services provided to outside customers including local governments, they are known as enterprise funds. Proprietary funds use the accrual basis of accounting and provide both long and short-term financial information. The proprietary fund financial statements provide separate information for the General Operating Fund and the Other State of Illinois Debt Fund and are included on:

- The **Statement of Net Position** presents the financial position of the Authority as of June 30, 2015, and includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the Authority.
- The **Statement of Revenues, Expenses and Changes in Net Position** 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.

Fiduciary Funds

Fiduciary funds are used primarily to account for resources held for the benefit of parties outside of the primary government. The Authority is the agent, or fiduciary, for specific transactions attributable to the Metro East Police District Commission ("MEPDC"). The Authority uses a fiduciary fund to account for transactions for assets held by the Authority as agent for MEPDC.

For the transactions authorized by the Metro East Police District Act (70 ILCS 1750/15) and the Illinois Finance Authority Act (20 ILCS 3501/825-115), the Authority is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Fiduciary funds are reported in a separate statement of fiduciary net position with the fund accounting being much like that used for proprietary funds.

Component Unit

The Illinois Finance Authority Development Fund NFP is reported as a blended component unit beginning with Fiscal Year 2015. Activities for this fund are presented in the combining schedules for the nonmajor funds.

Notes to the Basic Financial Statements

The notes provide additional information that is essential for a full understanding of data provided in the Authority's financial statements. The notes to the basic proprietary fund financial statements can be found immediately following the fiduciary fund basic financial statements.

Additional Information

The combining statements, which include nonmajor funds, are presented immediately following the notes to the basic financial statements.

Condensed Statement of Net Position
(Amounts in Thousands)

	Business-type Activities			
	2015	**2014**	**Difference ($)**	**Change (%)**
Current assets	$131,171	$196,164	$(64,993)	(33.1%)
Capital assets, net	70	119	(49)	(41.2%)
Noncurrent assets	168,484	188,980	(20,496)	(10.8%)
Total assets	299,725	385,263	(85,538)	(22.2%)
Total deferred outflow of resources	767	971	(204)	(21.0%)
Current liabilities	39,200	97,632	(58,432)	(59.8%)
Noncurrent liabilities	144,023	171,656	(27,633)	(16.1%)
Total liabilities	183,223	269,288	(86,065)	(32.0%)
Net investment in capital assets	70	119	(49)	(41.2%)
Restricted	59,904	48,224	11,680	24.2%
Unrestricted	57,295	68,603	(11,308)	(16.5%)
Total net position	$117,269	$116,946	$ 323	0.3%

Current assets of $131.2 million decreased $65.0 million or 33.1%, primarily due to decreased cash on hand from the current portion of state match (Clean Water Initiative) loan funds, held on behalf of the State of Illinois, and the transfer of monies to the State of Illinois Treasurer at the request of the Illinois Environmental Protection Agency.

Capital assets, net of depreciation decreased $49 thousand or 41.2% due to the retirement of assets and a reduction in overall equipment purchases.

Non-current assets of $168.5 million decreased $20.5 million or 10.8% due to the maturation of investments across all funds.

Current liabilities of $39.2 million decreased $58.4 million or 59.8% primarily due to the reduction of the prior year's $54 million due to the Illinois Environmental Protection Agency balance being paid off.

Non-current liabilities decreased $27.7 million or 16.1%, due to the debt payments made on outstanding debt on behalf of the other State of Illinois component units and the Northern Illinois University Foundation Series 2006 and 2013 bonds.

Net position may serve, over a period of time, as a useful indicator of the Authority's financial position. As of June 30, 2015, total net position was $117.3 million, an increase of $323 thousand or 0.3% from the balance of $116.9 million in Fiscal Year 2014. Of this amount, $70 thousand represents the Authority's net investment in capital assets. Restricted net position of $59.9 million is reported separately to present legal constraints from debt covenants, grantors and/or enabling legislation. The $57.3 million of unrestricted net position represents the excess the Authority would experience if it had to liquidate all of its non-capital liabilities as of June 30, 2015.

The following table presents the changes in net position from Fiscal Year 2014 to 2015:

Changes in Net Position
(Amounts in Thousands)

	Business-type Activities			
	2015	2014	Difference ($)	Change (%)
Revenues:				
Closing fees	$ 2,356	$ 2,492	$ (136)	(5.5%)
Annual fees	365	433	(68)	(15.7%)
Administrative service fees	136	265	(129)	(48.7%)
Application fees	45	46	(1)	(2.2%)
Miscellaneous fees	20	337	(317)	(94.1%)
Interest income-loans	5,183	5,944	(761)	(12.8%)
Transfer of funds and interest in program from the State of Illinois	448	25,806	(25,358)	(98.3%)
Bad debt recoveries and other	127	52	75	144.2%
Interest and investment income	643	2,209	(1,566)	(70.9%)
Total revenues	9,323	37,584	(28,261)	(75.2%)
Expenses:				
Employee related expenses	1,702	1,712	(10)	(0.6%)
Professional services	1,540	1,658	(118)	(7.1%)
Occupancy costs	271	316	(45)	(14.2%)
General and administrative	382	325	57	17.5%
Depreciation and amortization	53	46	7	15.2%
Interest expense	4,280	7,821	(3,541)	(45.3%)
Loss on defeasance of debt	—	1,913	(1,913)	(100.0%)
Bad debt expenses and other	772	—	772	100.0%
Transfer of unused grant funds to the State of Illinois	—	2,342	(2,342)	(100.0%)
Total expenses	9,000	16,133	(7,133)	(44.2%)
Change in net position	323	21,451	(21,128)	(98.5%)
Net position-beginning	116,946	95,495	21,451	22.5%
Net position-ending	$117,269	$116,946	$ 323	0.3%

Operating revenues included closing fees from conduit bond issuances of $2.4 million, a decrease of $136 thousand or 5.5%, due to the reduced number of conduit transaction closings in Fiscal Year 2015. A transaction closing fee of $25 thousand was also received for the Illinois Finance Authority Development Fund NFP. Annual, administrative service, and miscellaneous fees showed a collective decrease of $514 thousand or 50.3%, from the reduced number of applications and the wind down of legacy loans with decreased balances, thus generating lower annual fees. The interest income on loans shows a net decrease from Fiscal Year 2014 of $761 thousand, or 12.8%, but includes new revenues received from the local governments formerly participating in the Illinois Rural Bond Bank program of $1.04 million. The other major component of the net decrease in interest income on loans is the lower amount of outstanding loans in regards to other State of Illinois component unit debt. Prior year transfers of funds and program interest from the State of Illinois were the cause of the $25.4

million decrease in this category in Fiscal Year 2015. In this area, liabilities previously carried on the Authority's financial statements for the Locally Held Fire Truck and Locally Held Ambulance Revolving Loan Funds, were removed per Public Act 97-0901. Interest and investment income of $643 thousand, was lower than Fiscal Year 2014 by 70.9%, driven mostly by the maturation of investments of bond proceeds and the transfer of monies previously held in the custody of the Authority's investment managers, but transferred, during Fiscal Year 2015, to the State Treasurer (at the request of the Illinois Environmental Protection Agency).

All expenses totaled $9 million in Fiscal Year 2015, with a decrease in interest expense (from the scheduled payoff of debt) of $3.5 million or 45.3%. The nonoperating expense variance in Fiscal Year 2015 is driven by the prior year return of unused grant funds back to the State of Illinois, Department of Commerce and Economic Opportunity. Other drivers of lower expenses from Fiscal Year 2014 include the prior year transaction recording the loss on defeasance of the Illinois Rural Bond Bank bonds.

Capital Assets

The Authority has established a policy of capitalizing assets as described in Note 1 to the financial statements. The Authority's investment in capital assets, net of accumulated depreciation, for business-type activities as of June 30, 2015 was $70 thousand.

Additional information about capital assets can be found in Note 9 to the financial statements.

	2015	2014	Difference ($)	Change (%)
Furniture and equipment	$ 198	$ 222	$(24)	(10.8%)
Computers	128	128	—	—%
Software	288	284	4	1.4%
Total capital assets	614	634	(20)	(3.2%)
Less: accumulated depreciation	(544)	(515)	(29)	5.6%
Total capital assets, net	$ 70	$ 119	$(49)	(41.2%)

Long-Term Debt Obligations

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 30 separate conduit debt transactions in Fiscal Year 2015 with an aggregate principal amount of $2.51 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, 2015, the aggregate amount of intra-state debt outstanding is $158.9 million.

The Illinois Finance Authority Act also allows the Authority to issue revenue bonds with the State's moral obligation attached (contingent taxpayer guarantee on outstanding bonds). 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 bonds with the State's moral obligation in Fiscal Year 2015. As of June 30, 2015 the aggregate amount of revenue bonds with the State's moral obligation attached is $36.3 million.

In addition to its revenue bonds, the Authority also has outstanding loans with the U.S. Department of Agriculture for $369 thousand. These loans were incurred to provide the funding for the Authority's Rural Development Loan Program.

Additional information about long-term debt can be found in Note 1 and Note 10 to the financial statements.

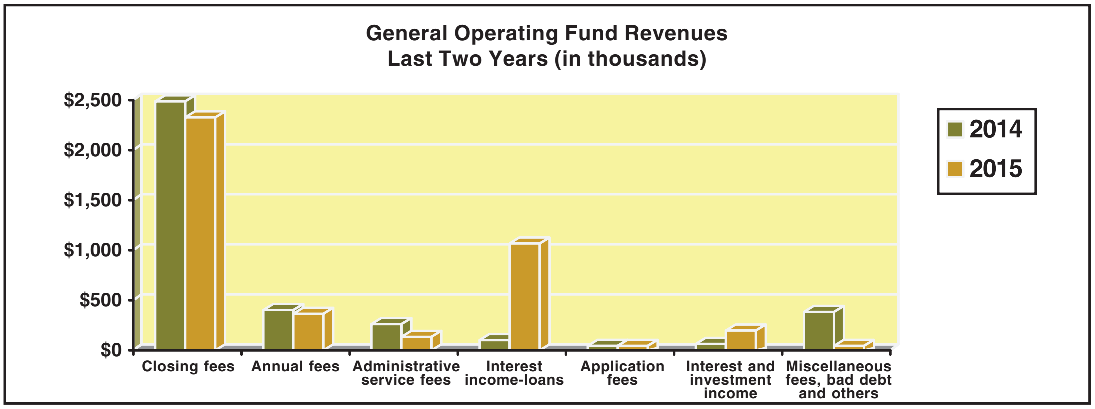
Financial Analysis of the Authority's Funds

The Authority has two major enterprise funds.

General Operating Fund — This fund is the primary operating fund of the Authority, which receives revenues from program applications and interest payments from direct loans. All administrative expenses for establishing and monitoring the Authority's programs are paid out of this fund. In Fiscal Year 2015, closing fees accounted for 54.3% of total revenues in the fund, but were lower than the prior year by $161 thousand, or 6.5%. The reason for the decrease is the reduced number of closings and/or bonds issued. Interest income on loans increased by $969 thousand, or 950.0%, as a result of interest payments received from the former Illinois Rural Bond Bank local governments. Administrative service fees total $136 thousand, which is a decrease of $129 thousand or 48.7% from prior year in this category. Interest and investment income are higher in Fiscal Year 2015 due to the Authority's updated investment strategy to invest available funds with investment managers, who, in turn, generate higher returns. Net investment income in this fund totaled $200 thousand, which is an increase of $137 thousand or 217.5% from the prior year. Various settlements and payments of prior year fees included in Fiscal Year 2014 miscellaneous fees, are the drivers for a decrease of $317 thousand or 94.1% in Fiscal Year 2015. Overall, revenues in the fund totaled $4.3 million, which was $533 thousand or 14.2% greater than Fiscal Year 2014. With spending held to just under $4 million, the General Operating Fund realized an increase in net position of $622 thousand.

Revenues
(Amounts in Thousands)

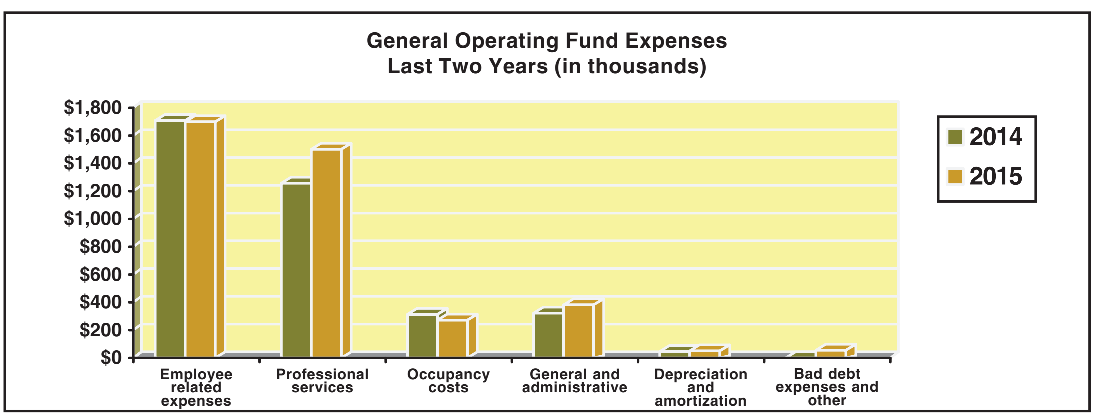
	2015	2014	2015 % of Total	Increase/ (Decrease) from 2014 ($)	Increase/ (Decrease) from 2014 (%)
Closing fees	$2,331	$2,492	54.3%	$(161)	(6.5%)
Annual fees	365	406	8.5%	(41)	(10.1%)
Administrative service fees	136	265	3.2%	(129)	(48.7%)
Application fees	45	46	1.0%	(1)	(2.2%)
Miscellaneous fees	20	337	0.5%	(317)	(94.1%)
Interest income-loans	1,071	102	24.9%	969	950.0%
Bad debt recoveries and other	127	51	3.0%	76	149.0%
Interest and investment income	200	63	4.6%	137	217.5%
Total revenues	$4,295	$3,762	100.0%	$ 533	14.2%



Employee related expenses were down $10 thousand or 0.6% from Fiscal Year 2014, due to a reduction of employee vacation accrued expenses in the prior year, offset by higher group medical costs in Fiscal Year 2015. Professional service costs increased by $245 thousand, or 19.5%, driven by increased temporary staffing fees, additional internal audit costs, bank/custodial fees, and upgrades of information technology systems and services. Occupancy costs fell by $45 thousand or 14.2%, as a result of the Chicago Office's relocation from more expensive, private-owned space, to a less expensive, State-owned facility. General and administrative expenses were higher by $57 thousand or 17.5%, due to the implementation of the Authority's electronic records management initiative, new agency subscriptions for compliance and financial reporting, and higher printing costs. Bad debt expenses were incurred for prior year receivables deemed uncollectible at year end. Overall, expenses in the general operating fund were higher than Fiscal Year 2014 by $309 thousand or 8.4%.

Expenses
(Amounts in Thousands)

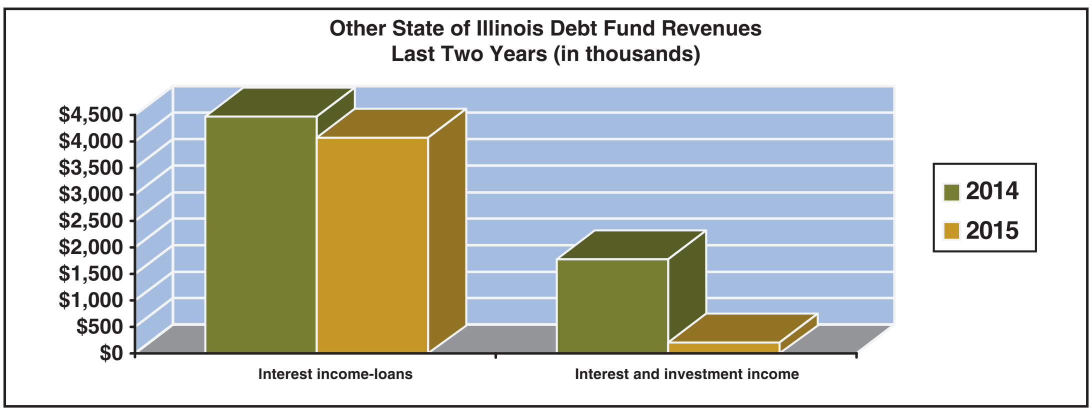
	2015	2014	2015 % of Total	Increase/ (Decrease) from 2014 ($)	Increase/ (Decrease) from 2014 (%)
Employee related expenses	$1,702	$1,712	42.9%	$ (10)	(0.6%)
Professional services	1,503	1,258	37.9%	245	19.5%
Occupancy costs	271	316	6.8%	(45)	(14.2%)
General and administrative	382	325	9.6%	57	17.5%
Depreciation and amortization	53	46	1.4%	7	15.2%
Bad debt expenses and other	55	—	1.4%	55	100.0%
Total expenses	$3,966	$3,657	100.0%	$309	8.4%



Other State of Illinois Debt Fund — The purpose of this fund is to account for bond proceeds, principal and interest payments, purchase participating institutions securities and other debt related activity for other entities within the State of Illinois' reporting entity. These agencies include the Illinois Environmental Protection Agency, Illinois Medical District Commission, and Northern Illinois University Foundation. The fund also collects interest and principal payments from the participating institutions and makes payments and interest on the bonds payable. All activity in this fund is of a conduit nature on behalf of the other State agencies and/or units. Interest income from loans totaled $4.1 million versus $4.5 million from Fiscal Year 2014, a decrease of $394 thousand or 8.8%. The reason for the reduction is due to the decreasing loan balances as the borrowers continue to make scheduled payments. Interest and investment income was also lower in this fund. The current year's balance is a direct result of the transfer of bond proceeds and other monies from the Authority's locally held funds, at the request of the Illinois Environmental Protection Agency, to the custody of the State of Illinois Treasurer. Investment revenues totaled $202 thousand, which is 88.6% or $1.6 million lower than Fiscal Year 2014. Overall, revenues in the bond fund were $2.0 million or 31.5% lower than Fiscal Year 2014. The ending net position for this fund is zero.

Revenues
(Amounts in Thousands)

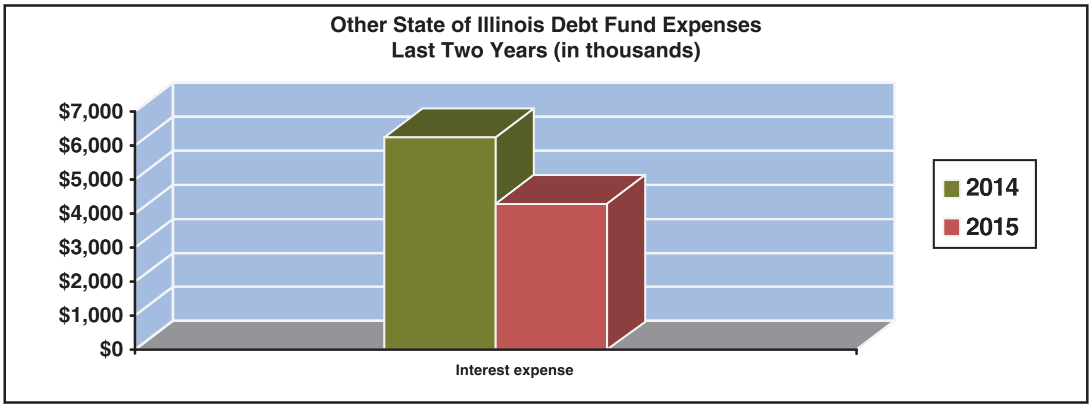
	2015	2014	2015 % of Total	Increase/ (Decrease) from 2014 ($)	Increase/ (Decrease) from 2014 (%)
Interest income-loans	$4,073	$4,467	95.3%	$ (394)	(8.8%)
Interest and investment income	202	1,773	4.7%	(1,571)	(88.6%)
Total revenues	$4,275	$6,240	100.0%	$(1,965)	(31.5%)



Interest expense in the fund totaled $4.3 million, which is a decrease of $2.0 million from Fiscal Year 2014. The decrease is due to the reduction in the interest rate after the December 2013 refunding of the Illinois Environmental Protection Agency Series 2002 and 2004 bonds. The reduction from prior year is also attributable to the decreasing loan balances as the borrowers continue to make scheduled payments. Interest expense is the only outflow shown in this fund on the Authority's financial statements. Other financial activity of these State of Illinois agencies is included on the financial statements of the primary government.

Expenses
(Amounts in Thousands)

	2015	2014	2015 % of Total	Increase/ (Decrease) from 2014 ($)	Increase/ (Decrease) from 2014 (%)
Interest expense	$4,275	$6,240	100.0%	$(1,965)	(31.5%)



Economic Factors, Decisions and Conditions

All Funds — The Authority receives revenues from the management and closing of financial bond issues and other transactions; evaluating, documenting, and closing loan applications; bond and loan application fees; annual maintenance fees for ongoing agreements; interest on loans; and, investment income. Primarily, due to the reduced spread between taxable and tax-exempt interest rates, the annual number of bond transactions closed and related closing fee revenues have declined over the last few years, but the Authority has responded with offsetting reductions in spending and new revenue streams. As a result, interest income on loans has increased in the General Operating Fund (generated from the Authority's new and ongoing agreements with local governments), as well as increased conduit local government revenue bond issuance volume (including conduit school district and community college district bond issues). In addition, the Authority's investment strategy has provided additional interest and investment income to support the Authority's operations. Overall, the Authority reported an ending Fiscal Year 2015 net position of nearly $117.3 million. Lastly, in Fiscal Year 2014, the Authority defeased all of its Illinois Rural Bond Bank bonds. This resulted in previously restricted funds of $294 thousand being used to support operations in the General Operating Fund in Fiscal Year 2015. The transfer of funds was made from the Illinois Rural Bond Bank Special Reserve Fund.

Nonmajor Funds — As of June 30, 2015, the Authority's nonmajor funds in aggregate reported unrestricted net position of $4.8 million and restricted net position of $59.9 million, for a total net position of $64.7 million. The net position restricted in the nonmajor funds is for locally held agricultural guarantees, public safety, agricultural guarantees and rural development loans, renewable energy development, credit enhancement and low income community investments.

Moral Obligation — In Fiscal Year 2016, the Illinois Finance Authority Board approved various procurements under the Illinois Procurement Code, which would allow the Authority to assist the State of Illinois, in making payments to vendors who supply critical services to the State, in the absence of an approved budget. For more information, please see Note 17.

Notes to Basic Financial Statements

The Notes to Basic Financial Statements follow the statements in the report and complement the financial statements by describing qualifying factors and changes throughout the fiscal year.

Requests for Information

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the funds it receives. Additional details may be requested by mail at the following address:

Illinois Finance Authority
Department of Finance
160 N. LaSalle Street
Suite S-1000
Chicago, Illinois, 60601

Or visit our website at: http://www.il-fa.com/public-access/financial-reports/2015 for a complete copy of this report and other financial information.

STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY
(A Component Unit of the State of Illinois)
Statement of Net Position
June 30, 2015

	GENERAL OPERATING FUND	OTHER STATE OF ILLINOIS DEBT FUND	NONMAJOR FUNDS	TOTAL
ASSETS				
Current assets:				
Current unrestricted assets:				
Cash and cash equivalents	$ 6,903,277	$ —	$ 52,200	$ 6,955,477
Investments	7,735,956	—	631,079	8,367,035
Accounts receivable, net	58,911	—	—	58,911
Loans receivables, net	816,424	—	—	816,424
Accrued interest receivable	468,198	—	5,074	473,272
Bonds and notes receivable	1,942,800	—	—	1,942,800
Due from other funds	19,661	—	—	19,661
Due from primary government	112,500	—	—	112,500
Prepaid expenses	34,231	—	—	34,231
Total current unrestricted assets	18,091,958	—	688,353	18,780,311
Current restricted assets:				
Cash and cash equivalents	—	88,386,516	6,132,250	94,518,766
Investments	—	—	5,589,856	5,589,856
Receivables from pending investment sales	—	—	1,487,485	1,487,485
Securities lending collateral equity with the State Treasurer	—	—	8,076,000	8,076,000
Accrued interest receivable	—	21,524	56,550	78,074
Bonds and notes receivable from State component units	—	1,074,042	—	1,074,042
Loans receivables, net	—	—	1,566,554	1,566,554
Total current restricted assets	—	89,482,082	22,908,695	112,390,777
Total current assets	18,091,958	89,482,082	23,597,048	131,171,088
Noncurrent assets:				
Noncurrent unrestricted assets:				
Investments	15,664,138	—	1,156,087	16,820,225
Loans receivables, net	770,633	—	—	770,633
Bonds and notes receivable	18,519,237	—	—	18,519,237
Due from other local government agencies	—	—	3,000,000	3,000,000
Capital assets, net of accumulated depreciation	70,046	—	—	70,046
Total noncurrent unrestricted assets	35,024,054	—	4,156,087	39,180,141
Noncurrent restricted assets:				
Cash and cash equivalents	—	—	18,599,445	18,599,445
Investments	—	3,350,799	11,775,709	15,126,508
Accrued interest receivable	—	—	7,000	7,000
Loans receivables, net	—	—	15,800,583	15,800,583
Bonds and notes receivable from primary government	—	47,474,398	—	47,474,398
Bonds and notes receivable from State component units	—	32,365,765	—	32,365,765
Total noncurrent restricted assets	—	83,190,962	46,182,737	129,373,699
Total noncurrent assets	35,024,054	83,190,962	50,338,824	168,553,840
Total assets	53,116,012	172,673,044	73,935,872	299,724,928
DEFERRED OUTFLOWS OF RESOURCES				
Net loss on debt refundings	—	766,953	—	766,953
Total deferred outflows of resources	—	766,953	—	766,953
Total assets and deferred outflows of resources	53,116,012	173,439,997	73,935,872	300,491,881

See accompanying notes to the basic financial statements.

STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY
(A Component Unit of the State of Illinois)
Statement of Net Position (continued)
June 30, 2015

	GENERAL OPERATING FUND	OTHER STATE OF ILLINOIS DEBT FUND	NONMAJOR FUNDS	TOTAL
LIABILITIES				
Current liabilities:				
Payable from unrestricted current assets:				
Accounts payable	$ 151,783	$ —	$ 279	$ 152,062
Accrued liabilities	102,737	—	—	102,737
Due to employees	101,017	—	—	101,017
Due to primary government	168,777	—	—	168,777
Unearned revenue, net of accumulated amortization	70,000	—	—	70,000
Total current liabilities payable from unrestricted current assets	594,314	—	279	594,593
Payable from restricted current assets:				
Accounts payable	—	—	3,299	3,299
Due to other funds	—	—	19,661	19,661
Obligation under securities lending of the State Treasurer	—	—	8,076,000	8,076,000
Accrued interest payable	—	3,445,484	2,202	3,447,686
Bonds and notes payable, primary government	—	21,475,000	—	21,475,000
Bonds and notes payable, State component units	—	2,236,018	—	2,236,018
Current portion of long term debt	—	—	59,984	59,984
Other liabilities	—	—	155,000	155,000
Unamortized bond premium	—	3,133,169	—	3,133,169
Total current liabilities payable from restricted current assets	—	30,289,671	8,316,146	38,605,817
Total current liabilities	594,314	30,289,671	8,316,425	39,200,410
Noncurrent liabilities:				
Payable from unrestricted noncurrent assets:				
Noncurrent payables	585	—	—	585
Total noncurrent liabilities payable from unrestricted noncurrent assets	585	—	—	585
Payable from restricted noncurrent assets:				
Bonds and notes payable, primary government	—	97,675,000	—	97,675,000
Bonds and notes payable, State component units	—	37,550,609	—	37,550,609
Noncurrent portion of long term debt	—	—	309,096	309,096
Noncurrent loan reserve	—	—	562,675	562,675
Unamortized bond premium	—	7,924,717	—	7,924,717
Total noncurrent liabilities payable from restricted noncurrent assets	—	143,150,326	871,771	144,022,097
Total noncurrent liabilities	585	143,150,326	871,771	144,022,682
Total liabilities	594,899	173,439,997	9,188,196	183,223,092
NET POSITION				
Net investment in capital assets	70,046	—	—	70,046
Restricted for:				
Locally held agricultural guarantees	—	—	11,762,064	11,762,064
Public safety loans	—	—	26,314,853	26,314,853
Agricultural guarantees and rural development loans	—	—	18,976,270	18,976,270
Renewable energy development	—	—	2,225,833	2,225,833
Credit enhancement	—	—	600,000	600,000
Low income community investments	—	—	24,495	24,495
Unrestricted	52,451,067	—	4,844,161	57,295,228
Total net position	$52,521,113	$ —	$64,747,676	$117,268,789

See accompanying notes to the basic financial statements.

STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY
(A Component Unit of the State of Illinois)
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2015

	GENERAL OPERATING FUND	OTHER STATE OF ILLINOIS DEBT FUND	NONMAJOR FUNDS	TOTAL
Operating revenues:				
Closing fees	$ 2,330,601	$ —	$ 25,000	$ 2,355,601
Annual fees	365,391	—	—	365,391
Administrative service fees	136,000	—	—	136,000
Application fees	44,778	—	—	44,778
Miscellaneous fees	19,792	—	31	19,823
Interest income — loans	1,070,688	4,073,041	39,323	5,183,052
Other revenue	126,581	—	—	126,581
Total operating revenue	4,093,831	4,073,041	64,354	8,231,226
Operating expenses:				
Employee related expenses	1,702,215	—	—	1,702,215
Professional services	1,503,161	—	36,361	1,539,522
Occupancy costs	271,431	—	—	271,431
General and administrative	381,828	—	—	381,828
Interest expense	—	4,275,399	4,527	4,279,926
Depreciation and amortization	52,854	—	—	52,854
Total operating expenses	3,911,489	4,275,399	40,888	8,227,776
Operating income (loss)	182,342	(202,358)	23,466	3,450
Nonoperating revenue (expenses):				
Transfer of funds and interest in program from the State of Illinois	—	—	447,531	447,531
Interest and investment income	200,381	202,358	240,146	642,885
Bad debt expenses and other	(55,121)	—	(716,512)	(771,633)
Total nonoperating revenues (expenses)	145,260	202,358	(28,835)	318,783
Net income (loss) before transfers	327,602	—	(5,369)	322,233
Transfers:				
Transfers in from other funds	293,955	—	—	293,955
Transfers out to other funds	—	—	(293,955)	(293,955)
Total transfers in (out)	293,955	—	(293,955)	—
Change in net position	621,557	—	(299,324)	322,233
Net position — beginning of year	51,899,556	—	65,047,000	116,946,556
Net position — end of year	$52,521,113	$ —	$64,747,676	$117,268,789

See accompanying notes to the 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, 2015

	GENERAL OPERATING FUND	OTHER STATE OF ILLINOIS DEBT FUND	NONMAJOR FUNDS	TOTAL
Cash flows from operating activities:				
Cash received for fees and other	$ 3,202,194	$ —	$ 25,031	$ 3,227,225
Cash payments for employee services	(1,690,650)	—	—	(1,690,650)
Cash payments to suppliers for goods and services	(2,292,250)	—	(32,784)	(2,325,034)
Net cash used in operating activities	(780,706)	—	(7,753)	(788,459)
Cash flows from noncapital financing activities:				
Bonds and notes principal payments	—	(26,561,028)	(59,866)	(26,620,894)
Interest payments	—	(8,704,370)	(4,285)	(8,708,655)
Permanent capital transfer from the State	—	—	507,531	507,531
Due from other funds	(135,915)	—	(505)	(136,420)
Due to other funds	114,531	—	21,889	136,420
Transfers from other funds	146,956	—	—	146,956
Transfers to other funds	—	—	(146,956)	(146,956)
Net cash provided by (used in) noncapital financing activities	125,572	(35,265,398)	317,808	(34,822,018)
Cash flows from capital and related financing activities:				
Purchase of capital assets	(3,528)	—	—	(3,528)
Net cash used in capital and related financing activities	(3,528)	—	—	(3,528)
Cash flows from investing activities:				
Purchase of investments	(19,023,684)	(384,996,424)	(23,178,774)	(427,198,882)
Maturity and sales of investments	13,956,258	432,561,985	15,440,223	461,958,466
Interest and dividends on investments	259,997	407,602	393,509	1,061,108
Cash received for interest on loans	1,049,367	4,093,579	40,200	5,183,146
Cash received on loan receivables and guarantees	5,977,817	21,188,200	1,723,469	28,889,486
Cash payments on loan receivables and guarantees	(756,440)	(54,343,892)	—	(55,100,332)
Net cash provided by (used in) investing activities	1,463,315	18,911,050	(5,581,373)	14,792,992
Net increase (decrease) in cash and cash equivalents	804,653	(16,354,348)	(5,271,318)	(20,821,013)
Cash and cash equivalents — beginning of year	6,098,624	104,740,864	30,055,213	140,894,701
Cash and cash equivalents — end of year	$ 6,903,277	$ 88,386,516	$ 24,783,895	$ 120,073,688
Reconciliation of operating income to net cash used in operating activities:				
Operating income (loss)	$ 182,342	$ (202,358)	$ 23,466	$ 3,450
Adjustments to reconcile operating income (loss) to net cash used in operating activities:				
Depreciation and amortization	52,854	—	—	52,854
Interest on loans	(1,070,688)	(4,073,041)	(39,323)	(5,183,052)
Interest expense	—	4,275,399	4,527	4,279,926
Changes in assets and liabilities:				
Accounts receivable	179,050	—	—	179,050
Prepaid expenses	18,989	—	—	18,989
Accounts payable and accrued liabilities	(211,095)	—	3,577	(207,518)
Due to employees	11,565	—	—	11,565
Due from primary government	(112,500)	—	—	(112,500)
Due to primary government	168,777	—	—	168,777
Net cash used in operating activities	$ (780,706)	$ —	$ (7,753)	$ (788,459)
Noncash investing, capital, and financing activities:				
As a result of the defeasance of all the outstanding bonds issued under the Illinois Rural Bond Bank Program, the Authority transferred all the remaining assets and liabilities in the Illinois Rural Bond Bank Special Reserve Fund to the Local Government Borrowing Fund. The transfer consisted of the following noncash assets and liabilities:				
Bonds and notes receivable — Short term	21,000		(21,000)	
Bonds and notes receivable — Long term	125,999		(125,999)	

See accompanying notes to the basic financial statements.

STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY
(A Component Unit of the State of Illinois)
Statement of Fiduciary Net Position-Agency Fund
June 30, 2015

	METRO EAST POLICE DISTRICT COMMISSION FUND
ASSETS	
Current assets:	
Cash and cash equivalents	$ 36,594
LIABILITIES	
Current liabilities:	
Other liabilities	$ 36,594

See accompanying notes to the basic financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Illinois Finance Authority (Authority) is a body politic and corporate created on 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 Authority is governed by the 15-member Board of Directors, appointed by the Governor with the advice and consent of the Senate.

Component units are separate legal entities for which the primary government is legally accountable. The Authority is a component unit of the State of Illinois for financial reporting purposes because its exclusion would cause the State's financial statements to be misleading. These financial statements are included in the State's Comprehensive Annual Financial Report and the State's separately issued basic financial statements. The Authority reports one blended component unit, the Illinois Finance Authority Development Fund NFP, which is presented as a nonmajor fund beginning in Fiscal Year 2015.

New Accounting Standards

During the Fiscal Year 2015, the Authority adopted the following Governmental Accounting Standards Board (GASB) standards, but has determined that they are not applicable to the Authority's financial reporting as of June 30, 2015:

- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions — An Amendment of GASB Statement No. 27;*
- GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*; and,
- GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date — An Amendment of GASB Statement No. 68.*

Other accounting standards that the Authority is currently reviewing for applicability and potential impact on the financial statements include:

- **GASB Statement No. 72*, Fair Value Measurement and Application.*** This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. If applicable, this Statement will be effective for the Authority beginning with its year ending June 30, 2016.
- **GASB Statement No. 73**, ***Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.*** The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. If applicable, this Statement will be effective for the Authority beginning with its year ending June 30, 2016.

- **GASB Statement No. 74*, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.*** The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. If applicable, this Statement will be effective for the Authority beginning with its year ending June 30, 2017.

- **GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*** The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). If applicable, this Statement will be effective for the Authority beginning with its year ending June 30, 2018.

- ***GASB Statement No. 76, Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.*** The objective of this Statement is to identify — in the context of the current governmental financial reporting environment — the hierarchy of generally accepted accounting principles (GAAP). If applicable, this Statement will be effective for the Authority beginning with its year ending June 30, 2016.

- **GASB Statement No. 77, *Tax Abatement Disclosures*.** Financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. If applicable, this Statement will be effective for the Authority beginning with its year ending June 30, 2016.

- **GASB Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*.** The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. If applicable, this Statement will be effective for the Authority beginning with its year ending June 30, 2017.

- **GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*.** The objective of this Statement is to address for certain external investment pools and their participants the accounting and financial reporting implications that result from changes in the regulatory provisions referenced by previous accounting and financial reporting standards. Those provisions were based on the Investment Company Act of 1940, Rule 2a7. Rule 2a7 contains the Securities and Exchange Commission's regulations that apply to money market funds and were significantly amended in 2014. If applicable, some provisions of this Statement will be effective for the Authority beginning with its year ending June 30, 2016, while others take effect for the year ending June 30, 2017.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, deferred outflows of resources, liabilities, net position, revenues, transfers, and expenses, as appropriate. The emphasis on fund financial statements is on a major proprietary fund (enterprise), with each fund displayed in a separate column. All remaining proprietary funds are aggregated and reported as nonmajor funds. The Authority has the following major proprietary funds:

General Operating Fund — This fund of the Authority 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 the Illinois Finance Authority Act (20 ILCS 3501/801-40(j)). It is made up of the following programs:

- General Fund — Accounts for the main operations of the Authority;
- Local Government Borrowing Fund — Accounts for monies received from local governments formerly participating in the Illinois Rural Bond Bank Program; and,
- Deferred Action for Childhood Arrivals — Accounts for monies held for the purposes of providing student loans for eligible applicants to medical and dental schools in Illinois.

Other State of Illinois Debt Fund — Each bond issue is comprised of several accounts as required by the bond indenture. The accounts of the State of Illinois agencies and component unit bond issues have been aggregated and reported as the Other State of Illinois Debt 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 on the bonds payable.

In prior years, activities for the Illinois Rural Bond Bank Program and debt related transactions for other State of Illinois component units were aggregated and reported in the Bond Fund. Beginning in Fiscal Year 2014, these activities were presented in separate funds. There was no change to reported net position due to this change in presentation.

The following funds, presented as major funds for Fiscal Year 2014, do not meet the major fund criteria in Fiscal Year 2015 and will therefore be included in the combining schedules as nonmajor funds: Locally Held Fire Truck Revolving Loan Fund and the Locally Held Ambulance Revolving Loan Fund. The Illinois Energy Fund and Bond Fund do not have balances or activities as of June 30, 2015.

Metro East Police District Fund — In accordance with the Metro East Police District Act (70 ILCS 1750/15) and the Illinois Finance Authority Act (20 ILCS 3501/825-115), the Authority established the Metro East Police District (Fund), a fiduciary agency fund of the Authority. All moneys received by the Metro East Police District Commission shall be deposited into the Fund. The Authority and the Metro East Police District Commission entered into an Intergovernmental Agreement to use the moneys deposited into the Fund solely for the purposes set forth in Public Act 97-0971. Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the government. Fiduciary funds include pension trust funds, private-purpose trust funds, investment trust funds, and agency funds.

Agency funds, such as the Metro East Police District Fund are used to report resources held in a purely custodial capacity. Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. As of June 30, 2015, the amount held by the Authority on behalf of the Metro East Police District Commission was $36,594.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Illinois Finance Authority Development Fund NFP — In August 2013, the Authority's Board of Directors approved a resolution authorizing the creation of a special purpose entity, to be formed for the express purpose of applying for an allocation of New Markets Tax Credits ("NMTCs"). This program is administered by the U.S. Department of the Treasury's Community Development Financial Institutions Fund ("CDFI Fund"). In order for an entity to apply for an allocation of New Markets Tax Credits, the entity must first apply for and receive a license to be designated as a "Community Development Entity," or "CDE," by the CDFI Fund. To qualify as a CDE, however, an organization must be a domestic corporation or partnership at the time of the CDE certification application. Because the Authority is a body politic and corporate entity, it was necessary to form an affiliated corporation to be certified as a CDE.

As a result, on August 9, 2013, the Illinois Finance Authority Development Fund NFP, an Illinois not-for-profit corporation (the "IFADF"), was incorporated. The Authority, as the entity responsible for the creation of the IFADF, maintains three (3) ex-officio members on the six (6) to eleven (11) member IFADF Board of Directors, and the IFADF Board of Directors governs the organization. In addition to the ex-officio members who are also employees of the Authority, the IFADF Board of Directors consists of community representatives who facilitate outreach to qualified low-income communities.

The IFADF is a development stage entity formed by the Authority for the primary purpose of serving as a CDE to enable the Authority to apply for (and ultimately manage) an allocation of New Markets Tax Credits. The IFADF was established to undertake two specific activities as a special purpose affiliate of the Authority: (1) to apply for a New Markets Tax Credit allocation, administered by the CDFI Fund (pursuant to Section 45D of the Internal Revenue Code of 1986, as amended); and if successful, (2) to manage a New Markets Tax Credit Program, that would supplement the Authority's existing conduit revenue bond and direct loan financing products, for manufacturers and 501(c)(3) entities. These transactions will benefit qualified low-income communities within the State of Illinois.

New Markets Tax Credits generate investor equity upfront in exchange for a stream of federal income tax credits payable to the New Markets Tax Credit purchaser/investor over a 7-year period. This upfront investor equity is most frequently used on debt transactions by the CDE to fund direct subordinate loans that effectively credit enhance senior (i.e., first mortgage) bank loans or senior tax-exempt bond issues. Qualified projects must be located in specified (i.e., qualified) census tracts designated by CDFI Fund. CDEs have used subordinate loans capitalized from the sale of New Markets Tax Credits to provide supplemental (subordinate) financing for real estate projects undertaken by (i) industrial and commercial companies (and their affiliates), and (ii) 501(c)(3) entities.

Accordingly, New Markets Tax Credits have been used to provide subordinate financing that supplements primary financing (including commercial loans and tax-exempt bond issues) for real estate projects deemed consistent with the Illinois Finance Authority's statutory mission in financing industrial and commercial facilities as well as 501(c)(3) facilities.

In September 2014, the IFADF closed a $4.95 million subordinate loan as a conduit pass-through (i.e., intermediary re-lender) from a loan capitalized from a portion of a New Markets Tax Credit allocation. This loan was to provide the IFADF with experience in closing loans under a typical New Markets Tax Credit-funded loan structure, with the objective of bolstering the IFADF's subsequent New Markets Tax Credit allocation application. A closing fee of $25,000 was received by the IFADF in connection with this transaction.

In October 2014, the IFADF submitted its second application for an allocation of New Markets Tax Credits. The CDFI Fund announced allocations for this October 2014 application round in June 2015. The CDFI Fund did not award IFADF an allocation of New Markets Tax Credits in the October 2014 application round. Fiscal Year 2015 was the second consecutive fiscal year for which IFADF applied for, but did not receive, an allocation of New Markets Tax Credits from the CDFI Fund. As of June 30, 2015, cash and restricted net position of the IFADF, which is presented as part of the nonmajor funds, is $24,495.

Basis of Accounting

The Authority's 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.

Assets, Liabilities, Deferred Inflows, Deferred Outflows and Net Position

Cash, Cash Equivalents and Investments

Cash equivalents are defined as short-term, highly liquid investments readily convertible to cash with maturities of 90 days or less at time of purchase. Cash equivalents consist principally of certificates of deposit, repurchase agreements, and U.S. Treasury Bills and are stated at cost. Per the Authority's investment policy, safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to preserve the investment principal by minimizing credit and interest rate risk, provide liquidity for working capital needs and grow unencumbered portfolio balances through prudent management.

Restricted Assets

Certain resources have been classified as restricted assets on the Statement of Net Position because their use is limited by applicable bank and loan agreements. For additional disclosures, see Note 3 — cash deposits and investments, Note 10 — long-term obligations and Note 13 — commitments and contingencies.

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.

Issuance Costs and Premium and Unearned Revenue

The Authority is amortizing issuance premiums using the approximate effective interest method. Amounts are presented net of accumulated amortization in the Statement of Net Position. In accordance with GASB Statement No. 65, bond issuance costs and the bond issue related fee revenues are not deferred or amortized, but recognized in the current periods.

Deferred Loss or Gain on Early Extinguishment

The Authority is amortizing a deferred outflow (loss on the refunding of bonds) in the Other State of Illinois Debt Fund over the lesser of the term of the old debt or the new debt using the stated interest method. The unamortized loss is presented as a deferred outflow of resources in the Authority's Statement of Net Position.

Interfund Transactions

The Authority has the following types of interfund transactions:

Loans and Advances — This represents 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reimbursements — This represents 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 — This represents amounts provided to other funds which will not be repaid.

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 9 to the financial statements.

Capitalization thresholds and the estimated useful lives are as follows:

Assets	Threshold	Years
Furniture and equipment	$ 500	5
Computer equipment	$ 5,000	5
Software	$10,000	3

Vacation and Sick Leave

The Authority's current vacation and sick leave pay policy, effective July 1, 2011, provides for employees to earn vacation pay at a rate based upon the employee's length of service with the Authority. Vacation time is accrued monthly and employees are allowed to accumulate vacation time up to one and half times their annual vacation allowance. Once an employee has accumulated the maximum amount of vacation days, the employee will no longer accrue any further vacation days. Vacation days will resume accruing once the employee uses accumulated vacation days.

Earned vacation days are accrued at fiscal year-end for financial statement purposes and recorded as Due to Employees in the Statement of Net Position in the General Operating Fund. Sick leave earned by employees must 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, 2015, consisted of the following:

Balance June 30, 2014	Earned	Paid	Balance June 30, 2015	Due Within One Year
$89,452	$81,639	$70,074	$101,017	$101,017

Termination Benefits

Termination, or severance benefits, are specified and detailed in separation agreements between the Authority and former employees. These benefits may include continued payments of the employee's salary for a specified duration of time. The cost of these benefits is calculated based on the employee's last salary amount and includes salary related costs (e.g. Social Security and Medicare tax). No termination and/or severance payments were authorized or disbursed in Fiscal Year 2015.

Net Position

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

Net Investment in Capital Assets — This component 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. As of June 30, 2015, the Authority had net investments in capital assets of $70,046.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted — This component consists of net position that is legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the Authority's policy to use restricted resources first, then unrestricted resources when they are needed. As of June 30, 2015, the Authority had restricted net position of $59,903,515 of which $29,050,834 is restricted by enabling legislation.

Unrestricted — This component consists of all other net position that do not meet the definition of "restricted" or "net investment in capital assets." As of June 30, 2015, the Authority had unrestricted net position of $57,295,228.

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 non-exchange transactions or activities that are ancillary to the operations of the Authority, including interest and investment income.

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 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.

Conduit Debt Obligations

In accordance with the Illinois Finance Authority Act (20 ILCS 3501/801-40(c)), the Authority issues limited obligation revenue bonds and participates in lending and leasing agreements to provide low cost financing to businesses, agribusinesses, health care facilities, educational facilities, municipalities, and other organizations in order to stabilize and strengthen the Illinois economy in areas of job creation and job retention. The bonds and leases are secured by the property financed. Upon repayment of the debt, ownership of the acquired facilities transfers to the entity served by the issuance. In regards to these conduit issuances, neither the Authority or the 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, 2015, the aggregate amount of conduit debt outstanding is approximately $23.06 billion.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The Illinois Finance Authority does not receive any State appropriations to support the administration and operation of the Authority. Instead, the Authority is financed from fees charged to borrowers who utilize the Authority to issue primarily tax-exempt debt, as well as from interest and fees collected from certain loans and investments.

The Authority is the steward of two State of Illinois non-appropriated funds, the Illinois Agricultural Loan Guarantee Fund and the Illinois Agribusiness Loan Guarantee Fund. These funds are mission driven programs to assist in the expansion of the agricultural industry throughout Illinois. Further, the Authority is the steward for the Fire Truck Revolving Loan Fund and Ambulance Revolving Loan Fund. These funds are mission driven programs and assist local governments and non-profit entities perform public safety functions. In addition, the Authority adopts an annual budget for the General Operating Fund at its July meeting for the upcoming fiscal year.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

The Authority participates in an annual financial audit and a biennial compliance examination conducted by the State of Illinois Office of the Auditor General and internal audits conducted by licensed certified public accounting firm(s). It is an ongoing Authority initiative to increase and maintain sufficient levels of internal controls and comply with all regulatory and statutory requirements.

NOTE 3. CASH, DEPOSITS AND INVESTMENTS

Cash, Deposits and Investments

Cash and investments as of June 30, 2015, are classified in the accompanying basic financial statements as follows:

Cash and cash equivalents — unrestricted	$ 6,955,477
Cash and cash equivalents — fiduciary fund	36,594
Cash and cash equivalents — component unit	24,495
Cash and cash equivalents — restricted current assets	94,494,271
Cash and cash equivalents — restricted noncurrent assets	18,599,445
Investments — unrestricted current assets	8,367,035
Investments — unrestricted noncurrent assets	16,820,225
Investments — restricted current assets	5,589,856
Investments — restricted noncurrent assets	15,126,508
Total	$166,013,906

Cash and investments as of June 30, 2015, consist of the following:

Deposits with financial institutions	$ 1,634,219
Deposits with State of Illinois Treasurer	17,999,445
Investments	146,380,242
Total	$166,013,906

Allowable Investments

The Authority is permitted by the Illinois Finance Authority Act (20 ILCS 3501/801-30(a)) and by its investment policy to invest any of its funds in:

a. U.S. Government securities, including securities of the federal agencies;

b. Securities guaranteed by the federal government;

c. Savings accounts, certificates of deposit, and time deposits in banks or savings and loans insured by the Federal Deposit Insurance Corporation (FDIC), with 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 Funds;

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, invest or advise on investments; and,

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 Illinois Funds; 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.

Other State of Illinois Debt Fund — 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 Internal Revenue 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 fixed income investment securities, the more sensitive they are to changes in 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 five years or less unless approved by the Executive Director.

As of June 30, 2015, the weighted average maturities of the Authority's investments were:

Investment Type	June 30, 2015	Weighted Average Maturity (in years)
U.S. Treasury notes	$ 9,403,559	1.65
U.S. Government agency securities	32,204,990	1.34
Illinois Funds	1,000,609	0.11
Money Market mutual funds	92,149,995	N/A
Corporate debt securities	3,859,887	0.32
Municipal debt	350,188	1.84
Repurchase Agreements	7,411,014	0.00
Total	$146,380,242	

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:

		Ratings		
Investment Type	June 30, 2015	S & P	Moody's	Fitch
U.S. Treasury notes	$ 9,403,559	AA	Aaa	—
U.S. Government agency securities	15,408,162	AA	Aaa	AAA
U.S. Government agency securities	16,297,414	AA	Aaa	—
U.S. Government agency securities	499,414	AA	—	AAA
Illinois Funds	1,000,609	AAA	—	—
Money market mutual funds	92,149,995	AAA	Aaa	—
Corporate debt securities	62,195	AAA	Aaa	AA
Corporate debt securities	1,704,259	A	A	A
Corporate debt securities	505,969	A	A	AA
Corporate debt securities	502,073	A	Baa	A
Corporate debt securities	71,360	AA	Aa	—
Corporate debt securities	663,983	AA	A	—
Corporate debt securities	10,048	A	A	—
Corporate debt securities	340,000	A	—	—
Municipal debt	350,188	AA	Aa	AA
Repurchase agreements	7,411,014	AA	—	—
Total	$146,380,242			

NOTE 3. CASH, DEPOSITS AND INVESTMENTS (continued)

Concentration of Credit Risk

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

- Certificates of deposit from any single financial institution may not comprise more than 20% of the Authority's portfolio or 5% of the financial institution's total deposits.
- Commercial paper purchases may not exceed 20% of the Authority's portfolio in total and 5% of Authority's portfolio in any single issuer's name.
- No investment category shall exceed 30% of the Authority's portfolio, with the exception of U.S. Treasury securities and cash equivalents, including certificates of deposits.

As of June 30, 2015, 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:

Issuer	Investment Type	Amount
Federal Home Loan Bank	U.S. Government Agency Securities	$14,880,265
Fannie Mae	U.S. Government Agency Securities	$ 8,477,948
Federal Home Loan Mortgage Corporation	U.S. Government Agency Securities	$ 7,780,012
Goldman Sachs Financial Square Government Fund	Money Market Mutual Funds	$87,927,950

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. U. S. 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; and,
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, 2015, 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. In addition, all of the Authority's investments were held by third parties and in the name of the Authority.

The Illinois Funds is an external investment pool administered by the Treasurer of the State of Illinois. The fair value of the Authority's investment fund is the same as the value of pool shares. Although not

NOTE 3. CASH, DEPOSITS AND INVESTMENTS (continued)

subject to direct regulatory oversight, the fund is administered in accordance with the provisions of the Public Funds Investment Act (30 ILCS 235), the State Treasurer Act (15 ILCS 505/17), and the Deposit of State Moneys Act (15 ILCS 520/22.5).

The Authority has entered into a repurchase agreement with Bank of America (Bank). 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, 2015, the Authority had invested $7,411,014 under this agreement. The underlying securities are held by Bank of America's safekeeping department.

NOTE 4. SECURITIES LENDING TRANSACTIONS

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

During Fiscal Year 2015, Deutsche Bank AG lent U.S. Agency securities and U.S. Treasury securities and received as collateral U.S. dollar denominated cash. Borrowers were required to deliver collateral for each loan equal to at least 100% of the aggregate fair value of the loaned securities. Loans are marked to market daily. If the fair value of collateral falls below 100%, the borrower must provide additional collateral to raise the fair value to 100%.

The State Treasurer did not impose any restrictions during Fiscal Year 2015 on the amount of the loans available, or the eligible securities. In the event of borrower default, Deutsche Bank AG provides the State Treasurer with counterparty default indemnification. In addition, Deutsche Bank AG is obligated to indemnify the State Treasurer if Deutsche Bank AG loses any securities, collateral, or investments of the State Treasurer in Deutsche Bank AG's custody. Moreover, there were no losses during Fiscal Year 2015 resulting from a default of the borrowers or Deutsche Bank AG.

During Fiscal Year 2015, the State Treasurer and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested in repurchase agreements with approved counterparties collateralized with securities approved by Deutsche Bank AG and marked to market daily at no less than 102%. Because the loans are terminable at will, their duration did not generally match the duration of the investments made with cash collateral. The State Treasurer had no credit risk as a result of its securities lending program as the collateral held exceeded the fair value of the securities lent.

In accordance with GASB Statement No. 28, paragraph 9, the Office of the State Treasurer has allocated the assets and obligations at June 30, 2015, 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 $4,557,000 and $3,519,000, respectively, as of June 30, 2015.

NOTE 5. BONDS, NOTES 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 federal program, the Rural Development Loan Program. Bonds and notes 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. The total loan outstanding as of June 30, 2015, was $3,000,000 within the nonmajor funds.

Direct Lending Participation 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, 2015, were $2,046,978 within the General Operating Fund.

Deferred Action for Childhood Arrivals (DACA) Loan Program — The Deferred Action for Childhood Arrivals Loan Program is the Authority's loan program designed to provide student loans for eligible applicants to medical and dental schools in Illinois. The program was funded by $1.6 million in unrestricted monies transferred from the Authority's General Operating Fund, in July 2014, to the DACA sub-fund. Total loans outstanding as of June 30, 2015 were $390,438 within the General Operating Fund.

The E.D.A. Title IX Revolving Loan Program — The E.D.A. Title IX Revolving Loan Program provides low-cost supplemental financing to manufacturing companies located in areas declared eligible for Title IX assistance by the United States Department of Commerce, Economic Development. Agency 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.

The Authority discontinued the E.D.A. Title IX Revolving Loan Program in June 2012 due to the lack of activity in the program and returned the funds to the State of Illinois, Department of Commerce and Economic Opportunity. During Fiscal Year 2015, the Illinois Attorney General approved write-offs of the fully reserved outstanding loan balance of $91,484.

The Rural Development Revolving Loan Program — The Rural Development Revolving Loan Program participates with the U.S. Department of Agriculture's Rural Development Administration (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, 2015, were $207,658 within the nonmajor funds.

Fire Truck Revolving Loan Program — This program provides zero and low interest rate loans for the purchase of fire trucks by fire departments, fire protection districts, or township fire departments. Public Act 97-900, effective August 6, 2012, expanded this program to include loans for "brush trucks." Brush truck loans under the program will bear interest at 2% simple interest if both the chassis and the apparatus are built outside Illinois, 1% simple interest if either the chassis or the apparatus is built in Illinois, or zero interest if both the chassis and apparatus are built in Illinois. The loans to each department, district or township may not exceed $350,000 and must be repaid within 20 years. A loan for the purchase of brush trucks may not exceed $100,000 per truck. The program was originally funded by a transfer of $19,000,000 from the State of Illinois and administered by the Authority, through a Locally Held Fund. This transfer of funds was converted to program interest for the Authority, as recorded on the financial statements for the fiscal year ended June 30, 2014. Current and future program transfers are funded from State of Illinois collections on outstanding loans and fines from traffic violations. Total loans outstanding as of June 30, 2015, were $15,548,078 within the Locally Held Fire Truck Revolving Loan Fund. As of June 30, 2015, no loans had been made under this program for brush trucks.

Ambulance Revolving Loan Program — This program provides zero and low interest rate loans for the purchase of ambulances by fire departments, fire protection districts, township fire departments, and non-profit ambulance services. The loans may not exceed $100,000 and must be repaid within 10 years. The program was originally funded by an appropriation of $4,000,000 received by the State of Illinois and administered by the Authority, through a Locally Held Fund. This transfer of funds was converted to program interest for the Authority, as recorded on the financial statements for the Fiscal Year ended June 30, 2014. Current and future program transfers are funded from State of Illinois collections on outstanding debt. Total loans outstanding as of June 30, 2015, were $321,600 within the nonmajor funds.

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. These loans are typically used by the local governments to finance short-term financing needs until a longer term financing solution becomes available under the Bond Bank Lending Program. Total loans outstanding as of June 30, 2015, were $126,000 in the General Operating Fund.

Local Government Borrowing Program — This program facilitates the financing needs of a broad array of governmental units located throughout the State. The loans are used by the local governments to finance long-term water and sewer infrastructure improvements and general capital improvement projects. 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. This program was funded by the issuance of revenue bonds. Further information on these revenue bonds can be found in Note 10 of the financial statements. Total loans outstanding as of June 30, 2015, were $20,462,037 in the General Operating Fund.

Loans with the Primary Government and Component Units of the State of Illinois — The Authority has provided financing to the State of Illinois and to component units of the State of Illinois. The loans under this program were used to fund Illinois' Clean Water and Drinking Water revolving loan program administered by the State of Illinois, Environmental Protection Agency and to fund capital projects of other State agencies. This program was funded by the issuance of revenue bonds. Further information on these revenue bonds can be found in Note 10 to the financial statements. 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, 2015, were $80,914,205 in the Other State of Illinois Debt Fund.

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, 2015, were $1,302,261 within the nonmajor funds.

Allowance for Doubtful Accounts

The allowance for doubtful accounts for all loans and notes receivable on June 30, 2015, is comprised of two components: a general reserve and a reserve for delinquencies. 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 2% for the principal balance of all other loans outstanding. Loans in the DACA Loan Program, Illinois Housing Partnership Program, Fire Truck Revolving Loan Program, Ambulance Revolving Loan Program, Local Government Financing Assistance Program, Local Government Borrowing Program, Loans with Primary Government and Component Units of the

NOTE 5. BONDS, NOTES AND LOANS RECEIVABLE (continued)

State of Illinois, and the Renewable Energy Development Program have not experienced a default; therefore, the allowance for doubtful accounts based on prior experience is zero.

The Authority's accounts, bonds, notes and loans receivable for the year ended June 30, 2015, consisted of the following:

	Fund	All Receivables June 30, 2015	Allowance for Doubtful Accounts	Net Receivable June 30, 2015
Accounts Receivable	General Operating	$ 118,812	$ (59,901)	$ 58,911
DACA Loan Program	General Operating	390,438	—	390,438
Illinois Housing Partnership Program	Nonmajor	3,000,000	—	3,000,000
Direct Lending Participation Program	General Operating	2,046,978	(976,359)	1,070,619
The Rural Development Revolving Loan Program	Nonmajor	207,658	(12,460)	195,198
Fire Truck Revolving Loan Program	Nonmajor	15,548,078	—	15,548,078
Ambulance Revolving Loan Program	Nonmajor	321,600	—	321,600
Local Government Financing Assistance Program	General Operating	126,000	—	126,000
Local Government Borrowing Program	General Operating	20,462,037	—	20,462,037
Loans with the Primary Government and Component Units of the State of Illinois	Other State of Illinois Debt	80,914,205	—	80,914,205
Renewable Energy Development Program	Nonmajor	1,302,261	—	1,302,261
		$124,438,067	$(1,048,720)	$123,389,347

NOTE 6. GUARANTEE RECEIVABLES

Guarantee receivables result from amounts due to the Authority after it has paid a guarantee claim. Under the Authority's guarantee program (see Note 13 to the financial statements), 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.

NOTE 6. GUARANTEE RECEIVABLES (continued)

Activity related to guarantee receivables for the year ended June 30, 2015, consisted of the following:

	Illinois Farmer Agribusiness Loan Guarantee Fund	Illinois Agricultural Loan Guarantee Fund	Total
Guarantee receivables — beginning of year	$ 651,509	$ 170,902	$ 822,411
Disbursements on guarantee claims			
Payments received	—	—	—
Receivables written off	(341,618)	—	(341,618)
Gross guarantee receivables	309,891	170,902	480,793
Allowance for doubtful accounts	(309,891)	(170,902)	(480,793)
Net receivables — end of year	$ —	$ —	$ —

The allowance for doubtful accounts for all guarantee receivables at June 30, 2015, is the difference between the guarantee payments made and the Authority's estimation of the value of any collateral securing the guarantee.

NOTE 7. VENTURE CAPITAL INVESTMENTS

In 2004, the Authority assumed the administration as well as the ownership of the interests purchased under the Technology Development Bridge Program established by the predecessor Illinois Development Finance Authority. These investments were made to accomplish the statutory purpose of the Venture Investment Fund. In Fiscal Year 2012, the Authority's Board of Directors decided to liquidate the investment portfolio of this program due to the length of investments, the lack of return on investment on the interests remaining in the portfolio, and the annual costs of administering the program.

During 2012, the Authority liquidated the marketable portion of this portfolio and determined that all remaining portfolio interests had no value. The Authority is in the process of obtaining the approval of the Attorney General to write off the remaining interests of $2,971,385, for which a 100% allowance for a decline in the market value was recognized.

NOTE 8. INTERFUND TRANSFERS AND BALANCES

Interfund Transfers

Interfund transfers are defined as the flow of assets, such as cash or goods, without equivalent flows of assets in return. Interfund borrowings are reflected as "Due to/from Other Funds" on the accompanying financial statements. All other interfund transfers are reported as transfers in/out.

NOTE 8. INTERFUND TRANSFERS AND BALANCES (continued)

Balance due from/to other funds — The following amounts represent balances due to/from major and also nonmajor funds as of June 30, 2015:

Funds	Due from: Major Funds	Due from: Nonmajor Funds	Description/Purpose
General Operating Fund	$ —	$19,661	Due from the Renewable Energy Development Fund and Rural Development Revolving Loan Fund for the payment of administrative costs.
Total	$ —	$19,661	

Funds	Due to: Major Funds	Due to: Nonmajor Funds	Description/Purpose
Nonmajor Funds	$19,661	$ —	Due to the General Operating Fund for the payment of administrative costs.
Total	$19,661	$ —	

Transfers from/to other funds — Interfund transfers for the year ended June 30, 2015, were as follows:

Funds	Transfers from: Major Funds	Transfers from: Nonmajor Funds	Description/Purpose
General Operating Fund	$ —	$293,955	Transfer from the Illinois Rural Bond Bank Special Reserve Fund (remaining assets and equity following Fiscal Year 2014 Illinois Rural Bond Bank defeasance).
Total	$ —	$293,955	

Funds	Transfers to: Major Funds	Transfers to: Nonmajor Funds	Description/Purpose
Illinois Rural Bond Bank Special Reserve Fund	$293,955	$ —	Transfer to the General Operating Fund (remaining assets and equity following Fiscal Year 2014 Illinois Rural Bond Bank defeasance).
Total	$293,955	$ —	

NOTE 9. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2015, was as follows:

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
Capital assets being depreciated:				
Furniture and equipment	$222,219	$ —	$24,725	$197,494
Computers	128,420	—	—	128,420
Software	284,213	3,528	—	287,741
Total capital assets being depreciated	634,852	3,528	24,725	613,655
Less: Accumulated depreciation				
Furniture and equipment	218,225	364	24,725	193,864
Computers	55,853	946	—	56,799
Software	241,402	51,544	—	292,946
Total accumulated depreciation	515,480	52,854	24,725	543,609
Capital assets, net of depreciation	$119,372	$(49,326)	$ —	$ 70,046

The Authority's records were reconciled to the records maintained by the Comptroller of the State of Illinois as of June 30, 2015.

NOTE 10. LONG-TERM OBLIGATIONS

Revenue Bonds Payable

A summary of changes in revenue bonds payable for the year ended June 30, 2015, is below:

Revenue bonds payable:	Balance June 30, 2014	Additions	(Retirements)	Balance June 30, 2015	Amounts Due Within One Year
Illinois Environmental Protection Agency	$141,700,000	$ —	$(22,550,000)	$119,150,000	$21,475,000
Northern Illinois University Foundation	6,197,655	—	(2,691,028)	3,506,627	841,018
Illinois Medical District Commission	37,600,000	—	(1,320,000)	36,280,000	1,395,000
	185,497,655	—	(26,561,028)	158,936,627	23,711,018
Unamortized issuance premium	14,827,226	—	(3,769,340)	11,057,886	3,133,169
Total revenue bonds payable	$200,324,881	$ —	$(30,330,368)	$169,994,513	$26,844,187

NOTE 10. LONG-TERM OBLIGATIONS (continued)

The future debt service requirements for revenue bonds as of June 30, 2015, including interest payments are as follows:

Total Outstanding Revenue Bonds

Fiscal Year Ending June 30	Principal	Interest	Total
2016	$ 23,711,018	$ 7,334,072	$ 31,045,090
2017	22,716,131	6,416,983	29,133,114
2018	22,485,620	5,305,468	27,791,088
2019	19,368,858	4,249,366	23,618,224
2020	16,355,000	3,328,373	19,683,373
2021-2025	35,545,000	8,283,682	43,828,682
2026-2030	12,700,000	3,306,415	16,006,415
2031-2032	6,055,000	320,326	6,375,326
	$158,936,627	$38,544,685	$197,481,312

Each revenue bond issue is payable only out of the trust estate established for each issue. The trust estate is comprised of all rights, title, and interest of the Authority in the loan securities, the purchase agreements, the intercept proceedings, and all moneys and securities held in all funds and accounts under the indenture, except moneys and securities on deposit in the redemption fund which are for the payment of the principal and interest of bonds called for redemption prior to maturity. The Authority has pledged future loan revenues to repay the outstanding principal revenue bonds. Proceeds from the bonds provided financing for various loan programs. The bonds are payable solely from principal and interest revenues under the related loans and are payable through the final maturity of the bonds in 2032. Principal and interest payments on the bonds are expected to require approximately 100% of these loan revenues. All bonds outstanding at June 30, 2015, 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 Illinois Finance Authority Act (20 ILCS 3501/801-40(c)). 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.

Moral Obligation — 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 for subsequent appropriation. Bonds issued on behalf of the Illinois Medical District Commission (IMDC) are considered moral obligation revenue bonds.

Component Units and Primary Government — The revenue bonds of the component units and primary government of the State of Illinois were not issued with the State's moral obligation pledge attached (see exception for IMDC). Bonds issued for the benefit of other agencies and component units of the State of Illinois are comprised of the following:

State of Illinois Revolving Fund, Series 2013 (Clean Water Initiative) — The original issue of $141,700,000 dated December 5, 2013, provides for serial retirement of principal beginning July 1, 2014, and every January 1 and July 1, thereafter, and interest payable on January 1 and July 1 of each year at rates of 1.00% to 5.00%. Final maturity is July 1, 2023.

Illinois Medical District Commission, Series 2006A — The original issue of $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 — The original issue of $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 — The original issue of $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 1.875%. Final maturity is August 15, 2016.

Northern Illinois University Foundation, Series 2013 — The principal amount is not to exceed $6,100,000 and provides for advances as needed to pay construction costs. Interest is payable February 15 and August 15 of each year commencing August 15, 2013, at the rate of 1.62%. Final maturity is February 15, 2021.

The following schedule details the changes of all revenue bonds payable as of June 30, 2015:

	Balance June 30, 2014	Additions	(Retirements)	Balance June 30, 2015	Amounts Due Within One Year
Northern Illinois University Foundation					
Series 2006	$ 1,097,811	$—	$ (753,739)	$ 344,072	$ —
Series 2013	5,099,844	—	(1,937,289)	3,162,555	841,018
Illinois Environmental Protection Agency					
Clean Water Series 2013	141,700,000	—	(22,550,000)	119,150,000	21,475,000
Unamortized issuance premium	14,827,226	—	(3,769,340)	11,057,886	3,133,169
Illinois Medical District Commission					
Series 2006A	6,600,000	—	(245,000)	6,355,000	260,000
Series 2006B	31,000,000	—	(1,075,000)	29,925,000	1,135,000
	$200,324,881	$—	$(30,330,368)	$169,994,513	$26,844,187

Revolving Loans

Locally Held Fire Truck Revolving Loan Fund — The Fire Truck Revolving Loan program was authorized by the Illinois Finance Authority Act (20 ILCS 3501/825-80). The loan program is jointly administered by the Authority and the Office of the Illinois State Fire Marshal. The Fire Prevention Fund and Build Illinois Bond Fund originally loaned $9 million and $10 million, respectively, to the Authority, to fund zero-interest or low-interest loans for the purchase of fire trucks and brush trucks by fire departments, fire protection districts, or township fire departments based on need as determined by the State Fire Marshal. This transfer of funds was converted to program interest for the Authority, through a Locally Held Fund, as recorded on the financial statements for the fiscal year ended June 30, 2014. Under the terms of the program, the loans to any fire department, fire protection district, or township fire department may not exceed $350,000. A loan for the purchase of brush trucks may not exceed $100,000. The repayment period for each loan may not exceed 20 years and requires that a minimum of 5% of the principal amount borrowed is repaid each year.

Locally Held Ambulance Revolving Loan Fund — The Ambulance Revolving Loan program was authorized by the Illinois Finance Authority Act (20 ILCS 3501/825-85). The loan program is jointly administered by the Authority and the Office of the Illinois State Fire Marshal. The State's Fire Prevention Fund originally loaned $4 million to the Authority, to fund zero-interest or low-interest loans for the purchase of ambulances by fire departments, fire protection districts, township fire departments, or non-profit ambulance services based on need as determined by the State Fire Marshal. This transfer of funds was converted to program interest for the Authority, through a Locally Held Fund, as recorded on the financial statements for the fiscal year ended June 30, 2014. 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. Loan repayment periods may not exceed 10 years and requires a minimum 5% of principal borrowed to be repaid each year.

In April 2014, the Authority and the Office of the State Fire Marshal entered into an intergovernmental agreement to jointly administer the Fire Truck, Fire Station, and Ambulance Revolving Loan programs. Shortly after the adoption of this intergovernmental agreement, the Office of the State Fire Marshal paid all moneys on deposit in these funds to the Authority for the sole purpose of funding loans under the loan programs as required by the Illinois Finance Authority Act. In addition, all moneys deposited in the future into the State Treasury's Fire Truck Revolving Loan and Ambulance Revolving Loan Funds, will be paid to the Authority to provide future funding for loans. In Fiscal Year 2015, with regards to these deposits, the State of Illinois transferred capital of $447,531 for the Fire Truck Revolving Loan program to the Authority.

In addition, per the implementation of Public Act 97-0901, the Authority, for financial reporting purposes only, does not report balances due to the primary government within the Authority's funds. As the principal and interest amounts collected from the local governments and non-profit entities will ultimately be retained by the Authority, the Authority no longer possesses a present obligation to sacrifice the resources represented by the loans and interest receivable from the local governments and non-profit entities to the State.

Intermediary Relending Program — The predecessor authorities (see Note 1) entered into loan agreements, now a liability of the Authority, with the U.S. Department of Agriculture's Rural Development Administration (formerly the 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 existing outstanding and future loans receivable of the IRP, by cash and investments recorded in the Rural Development Revolving Loan 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.

Changes in loan payables for the Rural Development Revolving Loan are summarized below:

	Balance June 30, 2014	Repayments	Balance June 30, 2015	Due Within One Year
Rural Development Revolving Loan	$428,470	$59,390	$369,080	$59,984

Principal and interest payments for the loans due at June 30, 2015, are as follows:

	Principal	Interest	Total
Year ending June 30:			
2016	$ 59,984	$ 3,691	$ 63,675
2017	60,584	3,091	63,675
2018	61,190	2,485	63,675
2019	61,802	1,873	63,675
2020	62,420	1,255	63,675
2021	63,100	631	63,731
	$369,080	$13,026	$382,106

NOTE 11. REFUNDING AND EXTINGUISHMENT OF DEBT

Defeasance of Revenue Bonds

On June 30, 2014, the Authority deposited $34,932,649 in an irrevocable trust to defease all outstanding Illinois Rural Bond Bank revenue bonds, with the par value of $32,355,000. As a result, these bonds are considered to be defeased. The liability for these bonds has been removed from the Statement of Net Position, because related assets were placed in an irrevocable trust that, together with interest earned, will provide amounts sufficient for payment of all principal and interest.

During Fiscal Year 2015, there were no additional refundings for the Illinois Rural Bond Bank's revenue bonds. For currently outstanding bonds, the amount remaining in escrow for future debt service payments as of June 30, 2015, is $19,740,000.

Previously defeased bonds in escrow as of June 30, 2015, are as follows:

	Amount Defeased as of June 30, 2014	Amount Outstanding in Escrow
Illinois Rural Bond Bank:		
2006 A Bonds	$ 7,800,000	$ 7,155,000
2006 B Bonds	1,530,000	1,465,000
2007 A Bonds	5,040,000	4,800,000
2007 B Bonds	1,370,000	1,145,000
2008 A Bonds	1,560,000	1,505,000
2009 A Bonds	3,845,000	3,670,000
	$21,145,000	$19,740,000

NOTE 12. LEASE COMMITMENTS

Operating Leases

Total rent expense for all four Illinois Finance Authority locations for the year ended June 30, 2015 was $96,696, including utilities.

BPFRU/Two Prudential Plaza — The Authority is obligated under a long-term operating lease for its Chicago Office location. The Authority entered into a lease agreement to lease facilities at 180 North Stetson Avenue, Suite 2555; Chicago, Illinois 60601. The Authority terminated its Chicago Office lease at Prudential Plaza on August 31, 2014. Annual base rent payments, which began on July 1, 2006, ranged from approximately $119,000 to $149,000. In accordance with generally accepted accounting principles, the total lease payments have been amortized over the term of the lease. Included in rent expense for the year ended June 30, 2015 is $6,911, which represents the current year amortization. The total rent expense for the year ended June 30, 2015, was $41,088.

State of Illinois, Department of Central Management Services/Michael A. Bilandic Building — On August 28, 2014, the Authority entered into an intergovernmental agreement with the Illinois Commerce Commission (ICC) for temporary office space located on the 8th and 9th floor of the Michael A. Bilandic Building (a State-owned facility), at 160 North LaSalle Street, Suite C-800, Chicago, Illinois 60601. The Authority's Chicago Office resided in these accommodations until July 31, 2015, when the Authority relocated to permanent space on the 10th floor of the same building. The current space rental agreement is with the Department of Central Management Services. Please see additional information in Note 17. Total rent expense for the year ended June 30, 2015, was $39,915.

State of Illinois, Department of Commerce and Economic Opportunity — The Authority entered into an interagency agreement with the Department of Commerce and Economic Opportunity to lease office space in Springfield, with no charge to the Authority, effective July 1, 2013, until June 30, 2016.

NOTE 12. LEASE COMMITMENTS (continued)

One Oaks — The Authority entered into a rental lease agreement for office space for its Mount Vernon Office at 2929 Broadway, Suite #7B; Mount Vernon, Illinois 62864. The initial term of the lease expires on June 30, 2019. The lessee has the right to renew the lease for a further period of 60 months, at the rate in effect during the final month of the lease term, beginning in 2020. Annual base rent payments are approximately $15,891, with utilities charged per the rental agreement.

Equipment Leases — The Authority entered into an equipment lease agreement for an additional digital copier for its Chicago office, for a term of 36 months. The lease expires in February 2018. The annual base rental payments for this lease are approximately $3,648. The Authority has a total of four equipment lease agreements for its Chicago office and one equipment lease for its Mount Vernon office, totaling approximately $13,297, for the year ended June 30, 2015.

The future minimum lease commitments as of June 30, 2015, are as follows:

Fiscal Year Ending June 30	Amount
2016	$29,188
2017	27,821
2018	18,561
2019	16,386
	$91,956

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, 2015, no amounts have been drawn against this letter of credit. Please see additional information in Note 17.

NOTE 13. COMMITMENTS AND CONTINGENCIES

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 predecessor Illinois Development Finance Authority if the company liable under the bond indenture were to default on repayment of the bond. At June 30, 2015, restricted demand deposits totaling $600,000 were held in the Credit Enhancement Fund for this purpose.

Current Federally Assisted Programs

FmHA — Intermediary Relending Program

The Authority currently participates in the FmHA Intermediary Relending Program, a federally assisted program. Demand deposits of $1,865,851 are held in the Rural Development Revolving Loan Fund, which are restricted due to FmHA–Intermediary Relending Program requirements. In addition, included in the fund's restricted assets is $195,198 in net loans receivable which secure the loans of the intermediary relending program.

NOTE 13. COMMITMENTS AND CONTINGENCIES (continued)

Discontinued Federally Assisted Programs

The following federally assisted programs were discontinued by the Authority, prior to Fiscal Year 2015:

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

The Authority discontinued the E.D.A. Title IX Revolving Loan Program due to the lack of activity in the program and returned the funds to Department of Commerce and Economic Opportunity. There is one loan remaining in this fund, for which the Authority has sought approval from the Attorney General to write off the balance. In addition, the Illinois Attorney General has provided final write-offs of these loans of $91,484 in Fiscal Year 2015.

Department of Energy — Revolving Loan Fund–ARRA

The Authority received a grant from the State of Illinois, Department of Commerce and Economic Opportunity (DCEO) to be used as revolving loan fund to finance energy efficiency and renewable energy projects throughout the State. The Illinois Energy Fund was established within the Authority to administer this grant program. In April 2014, the Authority decided to return the funds to Department of Commerce and Economic Opportunity due to the lack of activity in the grant program. Presented as a major fund in Fiscal Year 2014, no activity was recorded in this fund in Fiscal Year 2015.

Loan Guarantees

The Authority has a contingent liability regarding the loan guarantees outstanding at June 30, 2015. 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 maintains the cash and cash equivalents of the Illinois Agricultural Loan Guarantee Fund and the Illinois Farmer Agribusiness Loan Guarantee Fund which are restricted by enabling legislation to secure the State guarantees. The Authority must first 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.

NOTE 13. COMMITMENTS AND CONTINGENCIES (continued)

According to the certifications received by the Authority from lenders, the maximum guarantees outstanding and the corresponding cash deposits used to secure the liabilities are as follows:

	Balance at June 30, 2015		
	Illinois Agricultural Loan Guarantee Fund	Illinois Farmer Agribusiness Loan Guarantee Fund	Total
Cash Deposits	$10,156,041	$7,843,404	$17,999,445
Maximum Outstanding Guarantees:			
State Guarantee Program for Restructuring Agricultural Debt	$ 8,108,370	$ —	$ 8,108,370
Specialized Livestock Loan Guarantee Program	—	2,163,574	2,163,574
Young Farmer Loan Guarantee Program	—	895,146	895,146
Farmer and Agri-Business Loan Guarantee Program	—	4,543,157	4,543,157
Farm Purchase Program	—	909,887	909,887
Total	$ 8,108,370	$8,511,764	$16,620,134

Approved payouts specific to the Specialized Livestock Loan Guarantee Program, the Young Farmer Loan Guarantee Program, and the Farm Purchase Program, may be made from either the Illinois Agricultural Loan Guarantee Fund or the Illinois Farmer Agribusiness Loan Guarantee Fund per statute. In addition to the loan guarantee funds held by the State Treasury, the Illinois Finance Authority Act (20 ILCS 3501/805-20(j)), authorizes the Authority to make payments on State guarantees from the Industrial Project Insurance Fund. This fund has cash and investments totaling $11,732,219 at June 30, 2015.

Following a staff review of the Authority's Agricultural Guarantee Loan portfolio, the Authority engaged a third-party vendor to review the collateral and reserve amounts. As the Authority has retained external actuaries to assist in the timely analysis of the Authority's loan guarantee programs, additional reserves have been proposed for loans which pose 1) size and concentration risk and/or 2) enterprise, financial and revenue risk. In Fiscal Year 2015, based on the actuarial results, the Authority has reserved $562,675 on behalf of these loans in the Illinois Farmer Agribusiness Loan Guarantee Fund.

In addition, the Authority also reserved $155,000 at June 30, 2015, in the Illinois Agricultural Loan Guarantee Fund, for ongoing litigation which was settled subsequently (see Note 17). The $155,000 is based on the settlement amount and not actuarial results.

NOTE 14. RISK FINANCING ACTIVITIES

The Authority addresses the possibility of loss due to certain business related operations such as theft, asset damage, employee injuries, or natural disasters through the purchase of commercial insurance coverage. The Authority's coverage under its current risk management policy has not experienced any significant changes nor has the impact of any settlements exceeded coverage over the past three years.

The Authority maintains sufficient cash balances and/or liquidity in its General Operating Fund to appropriately handle any associated financial obligations that may occur due to the above mentioned risks.

NOTE 15. DEFINED CONTRIBUTION PLAN

The Authority's Board of Directors approved the Illinois Finance Authority Deferred Compensation Plan (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 and the 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 Plan after 30 days of employment have been completed.

The maximum contributions through the calendar year 2015 are:

YEAR	MAXIMUM CONTRIBUTION	AGE 50 CATCH UP
2015	$18,000	$24,000

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 2015 were $103,753 and $115,247, respectively.

NOTE 16. TRANSACTIONS WITH THE PRIMARY GOVERNMENT

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 predecessor Illinois Development Finance Authority used to finance a primary government project. The Authority also administers certain programs for the State.

Due to primary government (OAG) — The Office of the Auditor General (OAG) engaged an external audit firm to perform an audit of the Illinois Finance Authority's basic financial statements. The General Operating Fund of the Authority is indebted with the Office of the Auditor General in the amount of $80,000 for audit related fees.

Due to primary government (CMS) — The Department of Central Management Services (CMS) is the manager of real property for the State of Illinois. As such, amounts due for monthly rent expense and related build-out costs for the Chicago Office have been incurred by the Authority and owed to CMS as of June 30, 2015. The Authority is indebted with CMS in the amount of $82,736.

Due to primary government (ICC) — The Illinois Commerce Commission (ICC) and the Authority entered into an intergovernmental agreement for temporary office space on August 28, 2014 (see Note 11). The General Operating Fund of the Authority is indebted with the ICC in the amount of $6,041.

Due from primary government (IDOT) — The Illinois Department of Transportation (IDOT) entered into an intergovernmental agreement with the Authority. The Department has requested the Authority to assist with procuring one or more rating agencies to deliver preliminary rating. IDOT is indebted with the Authority in the amount of $112,500.

NOTE 17. SUBSEQUENT EVENTS

Litigation Settlement — Authority v. Litchfield National Bank ("LNB") — In October 2008, the Authority issued an agricultural debt guarantee ("Guarantee") to Litchfield National Bank ("LNB") to back 85% of a loan that LNB made to a borrower in the amount of $500,000. In June 2010, the borrower filed for Chapter 12 bankruptcy and LNB demanded payment under the Guarantee. Following an investigation, the Authority denied LNB's request for payment under the Guarantee. The aforementioned litigation followed. Settlement negotiations recently concluded and a final agreement to resolve the litigation was reached. On September 10, 2015, the Authority's Members approved a settlement payment of $155,000 to resolve the litigation, with the actual payment disbursed on September 18, 2015. The Court of Claims granted the claimant's motion for voluntary dismissal on November 12, 2015.

Illinois Medical District Commission (the "Commission") — With $36.3 million in outstanding moral obligation bonds as of June 30, 2015, the bonds represent the Authority's sole remaining moral obligation debt as of June 30, 2015. In the fourth quarter of Fiscal Year 2015, a fiscal agent was appointed to assist the Commission. In the first quarter of Fiscal Year 2016, George Bilicic was appointed to the Commission by the Governor and elected President of the Commission by his colleagues. Also in the first quarter of Fiscal Year 2016, Suzet McKinney, DrPH, MPH, was appointed by the Commission as Executive Director. The Authority is in regular communication with the Commission regarding the bonds and their respective obligations for the Authority.

Chicago Office Relocation — On August 1, 2015, the Chicago Office of the Authority relocated to the tenth floor of the Michael A. Bilandic building (a State-owned facility) at 160 N. LaSalle Street, Suite S-1000 in Chicago, Illinois 60601. As the building is managed by the Department of Central Management Services, the Authority compensates the State of Illinois for the use of its office space. In relation to the letter of credit for the previous office lease at Two Prudential Plaza, the financial instrument expired as of July 15, 2015.

Transactions on behalf of the State of Illinois (Moral Obligation and Assignment of Receivables) — On November 12, 2015, the Authority considered and adopted Item No. 11, a "Resolution authorizing the Executive Director to proceed with documentation relating to the issuance of the Authority's moral obligation bonds to finance one or more projects authorized under the Illinois Finance Authority Act, including public purpose projects; authorizing one or more intergovernmental agreements relating thereto; and other related matters" ("November Item No. 11"). Documents related to November Item No. 11, including but not limited to minutes and roll call records, are publicly available on the Authority's website (www.il-fa.com/public-access/board-documents/2016). To date, the Authority has neither considered, nor adopted, a final resolution that authorizes the issuance of moral obligation bonds to finance the projects identified in the resolution. As also authorized by the resolution, the Authority has, to date, purchased, with its own locally-held general funds, State agency vendor receivables in an aggregate principal amount of $2,254,927.22, pursuant to assignment agreements that entitle the Authority to statutory interest under the Prompt Payment Act, 30 ILCS 540, et seq. These purchases, in an aggregate principal amount not to exceed $12,000,000, are authorized under the resolution. Finally, as authorized by the resolution, the Authority has executed an intergovernmental agreement with the Department of Central Management Services, the Department of Revenue, and the Governor's Office of Management and Budget.

STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY
(A Component Unit of the State of Illinois)
Combining Statement of Net Position-Nonmajor Funds
For the Year Ended June 30, 2015

	INDUSTRIAL PROJECT INSURANCE FUND	LOCALLY HELD FIRE TRUCK REVOLVING LOAN FUND	LOCALLY HELD AMBULANCE REVOLVING LOAN FUND	CREDIT ENHANCEMENT FUND
ASSETS				
Current assets:				
Current unrestricted assets:				
Cash and cash equivalents	$ —	$ —	$ —	$ —
Investments	—	—	—	—
Accrued interest receivable	—	—	—	—
Total current unrestricted assets	—	—	—	—
Current restricted assets:				
Cash and cash equivalents	1,011,728	3,006,735	47,964	—
Investments	2,998,241	1,016,754	1,338,260	—
Receivables from pending investment sales	—	1,487,485	—	—
Securities lending collateral equity with the State Treasurer	—	—	—	—
Accrued interest receivable	31,475	8,350	10,562	—
Loans receivables, net	—	1,374,194	74,320	—
Total current restricted assets	4,041,444	6,893,518	1,471,106	—
Total current assets	4,041,444	6,893,518	1,471,106	—
Noncurrent assets:				
Noncurrent unrestricted assets:				
Investments	—	—	—	—
Due from other local government agencies	—	—	—	—
Total noncurrent unrestricted assets	—	—	—	—
Noncurrent restricted assets:				
Cash and cash equivalents	—	—	—	600,000
Investments	7,722,250	1,039,223	2,491,395	—
Accrued interest receivable	—	—	—	—
Loans receivables, net	—	14,173,884	247,280	—
Total noncurrent restricted assets	7,722,250	15,213,107	2,738,675	600,000
Total noncurrent assets	7,722,250	15,213,107	2,738,675	600,000
Total assets	11,763,694	22,106,625	4,209,781	600,000
DEFERRED OUTFLOWS OF RESOURCES				
Net loss on debt refundings	—	—	—	—
Total deferred outflows of resources	—	—	—	—
Total assets and deferred outflows of resources	11,763,694	22,106,625	4,209,781	600,000

ILLINOIS AGRICULTURAL LOAN GUARANTEE FUND	ILLINOIS FARMER AND AGRIBUSINESS LOAN GUARANTEE FUND	IRBB SPECIAL RESERVE FUND	RURAL DEVELOPMENT REVOLVING LOAN FUND	ILLINOIS HOUSING PARTNERSHIP PROGRAM FUND	RENEWABLE ENERGY DEVELOPMENT FUND	ILLINOIS FINANCE AUTHORITY DEVELOPMENT NFP FUND	TOTAL NONMAJOR FUNDS
$ —	$ —	$ —	$ —	$ 52,200	$ —	$ —	$ 52,200
—	—	—	—	631,079	—	—	631,079
—	—	—	—	5,074	—	—	5,074
—	—	—	—	688,353	—	—	688,353
—	—	—	1,865,851	—	175,477	24,495	6,132,250
—	—	—	—	—	236,601	—	5,589,856
—	—	—	—	—	—	—	1,487,485
4,557,000	3,519,000	—	—	—	—	—	8,076,000
—	—	—	3,895	—	2,268	—	56,550
—	—	—	21,834	—	96,206	—	1,566,554
4,557,000	3,519,000	—	1,891,580	—	510,552	24,495	22,908,695
4,557,000	3,519,000	—	1,891,580	688,353	510,552	24,495	23,597,048
—	—	—	—	1,156,087	—	—	1,156,087
—	—	—	—	3,000,000	—	—	3,000,000
—	—	—	—	4,156,087	—	—	4,156,087
10,156,041	7,843,404	—	—	—	—	—	18,599,445
—	—	—	—	—	522,841	—	11,775,709
4,000	3,000	—	—	—	—	—	7,000
—	—	—	173,364	—	1,206,055	—	15,800,583
10,160,041	7,846,404	—	173,364	—	1,728,896	—	46,182,737
10,160,041	7,846,404	—	173,364	4,156,087	1,728,896	—	50,338,824
14,717,041	11,365,404	—	2,064,944	4,844,440	2,239,448	24,495	73,935,872
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
14,717,041	11,365,404	—	2,064,944	4,844,440	2,239,448	24,495	73,935,872

STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY
(A Component Unit of the State of Illinois)
Combining Statement of Net Position-Nonmajor Funds
For the Year Ended June 30, 2015

	INDUSTRIAL PROJECT INSURANCE FUND	LOCALLY HELD FIRE TRUCK REVOLVING LOAN FUND	LOCALLY HELD AMBULANCE REVOLVING LOAN FUND	CREDIT ENHANCEMENT FUND
LIABILITIES				
Current liabilities:				
Payable from unrestricted current assets:				
Accounts payable	$ —	$ —	$ —	$ —
Total current liabilities payable from unrestricted current assets	—	—	—	—
Payable from restricted current assets:				
Accounts payable	1,630	964	589	—
Due to other funds	—	—	—	—
Obligation under securities lending of the State Treasurer	—	—	—	—
Accrued interest payable	—	—	—	—
Current portion of long term debt	—	—	—	—
Other liabilities	—	—	—	—
Total current liabilities payable from restricted current assets	1,630	964	589	—
Total current liabilities	1,630	964	589	—
Noncurrent liabilities:				
Payable from restricted noncurrent assets:				
Noncurrent portion of long term debt	—	—	—	—
Noncurrent loan reserve	—	—	—	—
Total noncurrent liabilities payable from restricted noncurrent assets	—	—	—	—
Total noncurrent liabilities	—	—	—	—
Total liabilities	1,630	964	589	—
NET POSITION				
Restricted for:				
Locally held agricultural guarantees	11,762,064	—	—	—
Public safety loans	—	22,105,661	4,209,192	—
Agricultural guarantees and rural development loans	—	—	—	—
Renewable energy development	—	—	—	—
Credit enhancement	—	—	—	600,000
Low income community investments	—	—	—	—
Unrestricted	—	—	—	—
Total net position	$11,762,064	$22,105,661	$4,209,192	$600,000

ILLINOIS AGRICULTURAL LOAN GUARANTEE FUND	ILLINOIS FARMER AND AGRIBUSINESS LOAN GUARANTEE FUND	IRBB SPECIAL RESERVE FUND	RURAL DEVELOPMENT REVOLVING LOAN FUND	ILLINOIS HOUSING PARTNERSHIP PROGRAM FUND	RENEWABLE ENERGY DEVELOPMENT FUND	ILLINOIS FINANCE AUTHORITY DEVELOPMENT NFP FUND	TOTAL NONMAJOR FUNDS
$ —	$ —	$—	$ —	$ 279	$ —	$ —	$ 279
—	—	—	—	279	—	—	279
—	—	—	—	—	116	—	3,299
—	—	—	6,162	—	13,499	—	19,661
4,557,000	3,519,000	—	—	—	—	—	8,076,000
—	—	—	2,202	—	—	—	2,202
—	—	—	59,984	—	—	—	59,984
155,000	—	—	—	—	—	—	155,000
4,712,000	3,519,000	—	68,348	—	13,615	—	8,316,146
4,712,000	3,519,000	—	68,348	279	13,615	—	8,316,425
—	—	—	309,096	—	—	—	309,096
—	562,675	—	—	—	—	—	562,675
—	562,675	—	309,096	—	—	—	871,771
—	562,675	—	309,096	—	—	—	871,771
4,712,000	4,081,675	—	377,444	279	13,615	—	9,188,196
—	—	—	—	—	—	—	11,762,064
—	—	—	—	—	—	—	26,314,853
10,005,041	7,283,729	—	1,687,500	—	—	—	18,976,270
—	—	—	—	—	2,225,833	—	2,225,833
—	—	—	—	—	—	—	600,000
—	—	—	—	—	—	24,495	24,495
—	—	—	—	4,844,161	—	—	4,844,161
$10,005,041	$7,283,729	$—	$1,687,500	$4,844,161	$2,225,833	$24,495	$64,747,676

STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY
(A Component Unit of the State of Illinois)
Combining Statement of Revenues, Expenses and Changes in Net Position-Nonmajor Funds
For the Year Ended June 30, 2015

	INDUSTRIAL PROJECT INSURANCE FUND	LOCALLY HELD FIRE TRUCK REVOLVING LOAN FUND	LOCALLY HELD AMBULANCE REVOLVING LOAN FUND	CREDIT ENHANCEMENT FUND
Operating revenues:				
Closing fees	$ —	$ —	$ —	$ —
Miscellaneous fees	—	—	—	—
Interest income — loans	—	—	—	—
Total operating revenue	—	—	—	—
Operating expenses:				
Professional services	8,509	2,910	2,481	—
Interest expense	—	—	—	—
Total operating expenses	8,509	2,910	2,481	—
Operating income (loss)	(8,509)	(2,910)	(2,481)	—
Nonoperating revenues (expenses):				
Transfer of funds and interest in program from the State of Illinois	—	447,531	—	—
Interest and investment income	74,792	40,774	25,657	—
Bad debt expenses and other	—	—	—	—
Total nonoperating revenues (expenses)	74,792	488,305	25,657	—
Net income before transfers	66,283	485,395	23,176	—
Transfers:				
Transfers out to other funds	—	—	—	—
Total transfers in (out)	—	—	—	—
Change in net position	66,283	485,395	23,176	—
Net position — beginning of year	11,695,781	21,620,266	4,186,016	600,000
Net position — end of year	$11,762,064	$22,105,661	$4,209,192	$600,000

ILLINOIS AGRICULTURAL LOAN GUARANTEE FUND	ILLINOIS FARMER AND AGRIBUSINESS LOAN GUARANTEE FUND	IRBB SPECIAL RESERVE FUND	RURAL DEVELOPMENT REVOLVING LOAN FUND	ILLINOIS HOUSING PARTNERSHIP PROGRAM FUND	RENEWABLE ENERGY DEVELOPMENT FUND	ILLINOIS FINANCE AUTHORITY DEVELOPMENT NFP FUND	TOTAL NONMAJOR FUNDS
$ —	$ —	$ —	$ —	$ —	$ —	$25,000	$ 25,000
—	—	—	31	—	—	—	31
—	—	—	12,324		26,999	—	39,323
—	—	—	12,355	—	26,999	25,000	64,354
—	—	147	6,162	1,499	14,148	505	36,361
—	—	476	4,051	—	—	—	4,527
—	—	623	10,213	1,499	14,148	505	40,888
—	—	(623)	2,142	(1,499)	12,851	24,495	23,466
—	—	—	—	—	—	—	447,531
45,317	34,999	1,250	191	12,086	5,080	—	240,146
(155,000)	(562,675)	—	1,163	—	—	—	(716,512)
(109,683)	(527,676)	1,250	1,354	12,086	5,080	—	(28,835)
(109,683)	(527,676)	627	3,496	10,587	17,931	24,495	(5,369)
—	—	(293,955)	—	—	—	—	(293,955)
—	—	(293,955)	—	—	—	—	(293,955)
(109,683)	(527,676)	(293,328)	3,496	10,587	17,931	24,495	(299,324)
10,114,724	7,811,405	293,328	1,684,004	4,833,574	2,207,902	—	65,047,000
$10,005,041	$7,283,729	$ —	$1,687,500	$4,844,161	$2,225,833	$24,495	$64,747,676

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, 2015

	INDUSTRIAL PROJECT INSURANCE FUND	LOCALLY HELD FIRE TRUCK REVOLVING LOAN FUND	LOCALLY HELD AMBULANCE REVOLVING LOAN FUND	CREDIT ENHANCEMENT FUND
Cash flows from operating activities:				
Cash received for fees and other	$ —	$ —	$ —	$ —
Cash payments to suppliers for goods and services	(6,879)	(1,947)	(1,892)	—
Net cash provided by (used in) operating activities	(6,879)	(1,947)	(1,892)	—
Cash flows from noncapital financing activities:				
Bonds and notes principal payments	—	—	—	—
Interest payments	—	—	—	—
Permanent capital transfer from the State	—	507,531	—	—
Due from other funds	—	—	—	—
Due to other funds	—	—	—	—
Transfers to other funds	—	—	—	—
Net cash provided by (used in) noncapital financing activities	—	507,531	—	—
Cash flows from investing activities:				
Purchase of investments	(5,673,775)	(9,860,891)	(5,691,245)	—
Sales and maturities of investments	5,382,634	6,282,681	1,839,907	—
Cash received on loan receivables and guarantees	—	1,504,735	94,320	—
Cash received for interest on loans	—	—	—	—
Interest and dividends on investments	164,591	67,173	36,778	—
Net cash provided by (used in) investing activities	(126,550)	(2,006,302)	(3,720,240)	—
Net increase (decrease) in cash and cash equivalents	(133,429)	(1,500,718)	(3,722,132)	—
Cash and cash equivalents — beginning of year	1,145,157	4,507,453	3,770,096	600,000
Cash and cash equivalents — end of year	1,011,728	3,006,735	47,964	600,000
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	(8,509)	(2,910)	(2,481)	—
Adjustments to reconcile operating income (loss) to net cash used in operating activities:				
Interest on loans	—	—	—	—
Interest expense	—	—	—	—
Changes in assets and liabilities:				
Accounts payable	1,630	963	589	—
Net cash used in operating activities	$ (6,879)	$ (1,947)	$ (1,892)	$ —

Noncash investing, capital, and financing activities:
As a result of the defeasance of all the outstanding bonds issued under the Illinois Rural Bond Bank Program, the Authority transferred all the remaining assets and liabilities in the Illinois Rural Bond Bank Special Reserve Fund to the Local Government Borrowing Fund.
The transfer consisted of the following noncash assets and liabilities:
Bonds and notes receivable — Short term
Bonds and notes receivable — Long term

	ILLINOIS AGRICULTURAL LOAN GUARANTEE FUND	ILLINOIS FARMER AND AGRIBUSINESS LOAN GUARANTEE FUND	IRBB SPECIAL RESERVE FUND	RURAL DEVELOPMENT REVOLVING LOAN FUND	ILLINOIS HOUSING PARTNERSHIP PROGRAM FUND	RENEWABLE ENERGY DEVELOPMENT FUND	ILLINOIS FINANCE AUTHORITY DEVELOPMENT NFP FUND	TOTAL NONMAJOR FUNDS
	$ —	$ —	$ —	$ 31	$ —	$ —	$25,000	$ 25,031
	—	—	(147)	(6,162)	(1,220)	(14,032)	(505)	(32,784)
	—	—	(147)	(6,131)	(1,220)	(14,032)	24,495	(7,753)
	—	—	(476)	(59,390)	—	—	—	(59,866)
	—	—	—	(4,285)	—	—	—	(4,285)
	—	—	—	—	—	—	—	507,531
	—	—	—	(505)	—	—	—	(505)
	—	—	19,126	—	—	2,763	—	21,889
	—	—	(146,956)	—	—	—	—	(146,956)
	—	—	(128,306)	(64,180)	—	2,763	—	317,808
	—	—	—	—	(1,345,054)	(607,809)	—	(23,178,774)
	—	—	—	—	1,350,702	584,299	—	15,440,223
	—	—	10,689	19,388	—	94,337	—	1,723,469
	—	—	770	12,355	—	27,075	—	40,200
	45,317	34,999	1,250	191	30,226	12,984	—	393,509
	45,317	34,999	12,709	31,934	35,874	110,886	—	(5,581,373)
	45,317	34,999	(115,744)	(38,377)	34,654	99,617	24,495	(5,271,318)
	10,110,724	7,808,405	115,744	1,904,228	17,546	75,860	—	30,055,213
	10,156,041	7,843,404	—	1,865,851	52,200	175,477	24,495	24,783,895
	—	—	(623)	2,142	(1,499)	12,851	24,495	23,466
	—	—	—	(12,324)	—	(26,999)	—	(39,323)
	—	—	476	4,051	—	—	—	4,527
	—	—	—	—	279	116	—	3,577
	$ —	$ —	$ (147)	$ (6,131)	$ (1,220)	$ (14,032)	$24,495	$ (7,753)
			(21,000)					
			(125,999)					

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

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

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Board of Directors
Illinois Finance Authority

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the State of Illinois, Illinois Finance Authority, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the State of Illinois, Illinois Finance Authority's basic financial statements, and have issued our report thereon dated January 19, 2016.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

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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. We consider the deficiency described in the accompanying schedule of findings as item 2015-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings as item 2015-002 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Illinois, Illinois Finance Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2015-001.

State of Illinois, Illinois Finance Authority's Response to Findings

The State of Illinois, Illinois Finance Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings. The State of Illinois, Illinois Finance Authority's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State of Illinois, Illinois Finance Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Illinois, Illinois Finance Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

E. C. Ortiz & Co. LLP

Chicago, Illinois
January 19, 2016

CURRENT FINDINGS - *GOVERNMENT AUDITING STANDARDS*

2015-001. **FINDING** (Inaccurate Financial Statements for the Industrial Project Insurance Fund, the Illinois Agricultural Loan Guarantee Fund, and the Illinois Farmer and Agribusiness Loan Guarantee Fund)

The Illinois Finance Authority (Authority) had financial reporting problems within the Industrial Project Insurance Fund, the Illinois Agricultural Loan Guarantee Fund, and the Illinois Farmer and Agribusiness Loan Guarantee Fund. These financial reporting problems, if not identified and corrected, would have resulted in a material misstatement of the Authority's financial statements.

During testing, the auditors noted the following errors within the Authority's draft financial statements:

- The Authority improperly classified an actuary's calculation of potential liabilities from guarantee claims, totaling $562,675, as a liability of the Industrial Project Insurance Fund as opposed to a liability of the Illinois Farmer and Agribusiness Loan Guarantee Fund.

  The Illinois Finance Authority Act (Act) (20 ILCS 3501/830-35(c)) states, "All payments by the Authority shall be made from the Illinois Farmer and Agribusiness Loan Guarantee Fund to satisfy claims against the State Guarantee." In addition, the Authority's rules codified within the Illinois Administrative Code (Code) (74 Ill. Admin. Code 1100.735(b)) defines "Fund" as "the Illinois Farmer and Agribusiness Loan Guarantee Fund, which is the State's fund to cover losses resulting from defaults." Finally, the Authority's *Agri-Industries Guarantee Program Summary* (page 4) states, "Loan losses are paid from the Illinois Farmer and Agribusiness Loan Guarantee Fund."

  National Council on Governmental Accounting Statement 1, Paragraph 2, *Governmental Accounting and Financial Reporting Principles*, requires governmental accounting systems to both fairly present and disclose the government's financial position and results of operations and "demonstrate compliance with finance-related legal and contractual provisions."

CURRENT FINDINGS - *GOVERNMENT AUDITING STANDARDS*

2015-001. **<u>FINDING</u>** (Inaccurate Financial Statements for the Industrial Project Insurance Fund, the Illinois Agricultural Loan Guarantee Fund, and the Illinois Farmer and Agribusiness Loan Guarantee Fund) (continued)

- The Authority improperly classified a claim arising from the settlement of litigation regarding a guarantee claim, totaling $155,000, as a liability of the Industrial Project Insurance Fund as opposed to a liability of the Illinois Agricultural Loan Guarantee Fund. Further, the Authority ultimately improperly paid this liability in September 2015 from the Industrial Project Insurance Fund.

The Act (20 ILCS 3501/830-30(c)) states, "All payments by the Authority shall be made from the Illinois Agricultural Loan Guarantee Fund to satisfy claims against the State Guarantee." In addition, the Authority's rules codified within the Code (74 Ill. Admin. Code 1100.725(b)) defines "Fund" as "the Illinois Agricultural Loan Guarantee Fund, which is the State's fund to cover losses resulting from defaults on State Guarantee loans." Additionally, the Code (74 Ill. Admin. Code 1100.725(i)(3)) states, "All payments by the Authority shall be made from the Illinois Agricultural Loan Guarantee Fund to satisfy claims against the State Guarantee." Finally, the Authority's *Agricultural Restructuring Debt Guarantee Program Summary* (page 2) states, "The guarantees are backed in part by the State of Illinois and any losses incurred will be paid from the Illinois Agricultural Loan Guarantee Fund."

While liabilities arising from the State Guarantee must be recorded within the Illinois Agricultural Loan Guarantee Fund, the Authority, pursuant to the Act (20 ILCS 3501/830-30(c)), may only transfer into the Illinois Agricultural Loan Guarantee Fund amounts "as are necessary to satisfy claims" from the Industrial Project Insurance Fund.

National Council on Governmental Accounting Statement 1, Paragraph 2, *Governmental Accounting and Financial Reporting Principles*, requires governmental accounting systems to both fairly present and disclose the government's financial position and results of operations and "demonstrate compliance with finance-related legal and contractual provisions."

CURRENT FINDINGS - *GOVERNMENT AUDITING STANDARDS*

2015-001. **FINDING** (Inaccurate Financial Statements for the Industrial Project Insurance Fund, the Illinois Agricultural Loan Guarantee Fund, and the Illinois Farmer and Agribusiness Loan Guarantee Fund) (continued)

- The Authority improperly accrued a potential contingent liability within the Industrial Project Insurance Fund arising from the Authority's guarantee of the indebtedness of an agribusiness, totaling $494,851. Authority officials accrued the liability on the basis of significant concentration risk; however, the actuarial report commissioned by the Authority for this particular borrower only noted general operational risks.

  Governmental Accounting Standards Board Statement No. 62, Paragraph 102, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements*, requires the Authority record an estimated loss from a loss contingency only if it is both probable that future events will occur confirming the fact of the loss and the loss can be reasonably estimated.

  Additionally, Governmental Accounting Standards Board Statement No. 62, Paragraph 111, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements*, states, "General or unspecified operations risks do not meet the conditions for accrual in paragraph 102, and no accrual for loss should be made."

- The Authority improperly reported prior period guarantee receivables, totaling $28,402, within the Industrial Project Insurance Fund as opposed to the Illinois Farmer and Agribusiness Loan Guarantee Fund.

  The Act (20 ILCS 3501/830-35(c)) states the Illinois Agricultural Loan Guarantee Fund will be reimbursed for any amounts paid upon liquidation of the loan's collateral by the lender.

CURRENT FINDINGS - *GOVERNMENT AUDITING STANDARDS*

2015-001. **FINDING** (Inaccurate Financial Statements for the Industrial Project Insurance Fund, the Illinois Agricultural Loan Guarantee Fund, and the Illinois Farmer and Agribusiness Loan Guarantee Fund) (continued)

- As a result of the prior errors noted above, the Authority misclassified the Industrial Project Insurance Fund as a major fund of the Authority.

  Governmental Accounting Standards Board Statement No. 34, Paragraph 76, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, states funds other than the general fund should be reported as a major fund if it comprises 10% or more of the entity's total assets, liabilities, revenues, or expenses.

- The Authority failed to recognize a restriction on the uses of the resources within the Industrial Project Insurance Fund. The Authority's draft financial statements reported the net position of the Industrial Project Insurance Fund as unrestricted when its net position should have been reported as restricted for locally-held agricultural guarantees.

  The Act (20 ILCS 3501/805-15), as amended by Public Act 096-0897 on May 24, 2010, states the Fund "shall be held for the benefit of the holders of the loans or bonds insured under Section 805-20 of this Act or the holders of State Guarantees under Article 830 of this Act." According to Authority officials, the Authority does not and will not have any loans or bonds insured under Section 805-20 of the Act, but does have outstanding agricultural guarantees issued under Article 830 of the Act.

  In addition, Governmental Accounting Standards Board Statement No. 34, Paragraph 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, requires the Authority report restricted net position when constraints are imposed upon its use of its net position by law through enabling legislation. Further, Governmental Accounting Standards Board Statement No. 46, Paragraph 4, *Net Position Restricted by Enabling Legislation*, requires that when new enabling legislation replaces prior enabling legislation, the net position from that period forward should be reported as restricted to the purpose specified by the new enabling legislation.

CURRENT FINDINGS - *GOVERNMENT AUDITING STANDARDS*

2015-001. **FINDING** (Inaccurate Financial Statements for the Industrial Project Insurance Fund, the Illinois Agricultural Loan Guarantee Fund, and the Illinois Farmer and Agribusiness Loan Guarantee Fund) (continued)

The auditors proposed adjusting entries to correct these financial reporting errors, which the Authority recorded in its final financial statements.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Authority establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance resources and obligations are properly accounted for to permit the preparation of accounts and reliable financial and statistical reports.

Authority officials stated they have the legal authority to pay obligations arising from the agricultural loan guarantee programs from any of the three funds in any order; therefore, this accounting treatment was correct.

Failure to properly report the Authority's financial information within the Industrial Project Insurance Fund, the Illinois Agricultural Loan Guarantee Fund, and the Illinois Farmer and Agribusiness Loan Guarantee Fund could have, if not detected and corrected, resulted in a material misstatement of the Authority's financial statements, reducing the overall reliability of Statewide financial reporting. (Finding Code No. 2015-001)

RECOMMENDATION

We recommend the Authority recognize liabilities and pay claims arising from its agricultural guarantees from the Illinois Agricultural Loan Guarantee Fund and the Illinois Farmer and Agribusiness Loan Guarantee Fund, or seek a legislative remedy. Further, the Authority should enhance its procedures to review any changes to its regulatory environment for any potential impact on the Authority's financial reporting process. Finally, the Authority should accrue contingent liabilities only when the potential for loss meets the requirements of Governmental Accounting Standards Board Statement No. 62.

If the Authority continues to disagree with the auditors' position, the Authority should seek a formal written opinion from the Attorney General.

CURRENT FINDINGS - *GOVERNMENT AUDITING STANDARDS*

2015-001. **FINDING** (Inaccurate Financial Statements for the Industrial Project Insurance Fund, the Illinois Agricultural Loan Guarantee Fund, and the Illinois Farmer and Agribusiness Loan Guarantee Fund) (continued)

AUTHORITY RESPONSE

The Authority does not accept this finding because, in our opinion, it is based upon an incorrect legal interpretation.

Public Act 96-0897, effective May 24, 2010, allows the Authority to pay claims and liabilities resulting from State Guarantees issued by the Authority or its predecessors under Article 830 of the Illinois Finance Authority Act from the Industrial Project Insurance Fund ("Fund"), a locally-held fund of the Authority, not among the funds held by the State Treasurer's Office. (*e.g.*, "Any portion of the Fund against which a charge has been made, shall be held for the benefit of the holders of the loans or bonds insurance under Section 805-20 of this Act ***or the holders of State Guarantees under Article 830 of this Act.*"** 20 ILCS 805-15; see also, 20 ILCS 3501/805-5; 20 ILCS 3501/801-15 (b) and (d); 20 ILCS 3501/20 (i) and (j); 20 ILCS 3501/830-5(e).) The addition of the Fund as a financial backstop to the State Agricultural Guarantee programs increased the Authority's financial resources allocated to these programs by over $11 million. SB 3719, the bill that became Public Act 96-897 passed the Senate 57-0-1 and passed the House 112-0-0. Since the 2010 effective date of Public Act 96-897, the Authority has publicly considered the locally-held Fund as "first dollar" payment source for claims under the State Agricultural Guarantee Programs rather than the two Guarantee Funds held by the State Treasurer. In Fiscal Year 2011, the Authority paid a State Agricultural Guarantee claim from the Fund in the amount of less than $30,000.

The finding states that the Authority improperly classified a liability from agricultural loan guarantee claims as a liability of the Industrial Project Insurance Fund, a locally-held Authority fund, instead of a liability of the Illinois Farmer and Agribusiness Loan Guarantee Fund, a fund held by the State Treasurer.

CURRENT FINDINGS - *GOVERNMENT AUDITING STANDARDS*

2015-001. **<u>FINDING</u>** (Inaccurate Financial Statements for the Industrial Project Insurance Fund, the Illinois Agricultural Loan Guarantee Fund, and the Illinois Farmer and Agribusiness Loan Guarantee Fund) (continued)

The fundamental rule of statutory construction is to ascertain and give effect to the legislature's intent. *People v. Pack*, 224 Ill. 2d 144, 147 (2007). The best indication of legislative intent is the statutory language, given its plain and ordinary meaning. *Pack*, 224 Ill.2d at 147. The Illinois Supreme Court has also said that it construes the statute as a whole and does not view words or phrases in isolation, but rather, must consider them in light of other relevant provisions of the statute. *People v. Beckham,* 229 Ill. 2d 237, 243 (2008). Courts "must construe statutes relating to the same subject matter with reference to one another so as to give effect to the provisions of each, if reasonable." *Harris v. Thompson*, 2012 IL 112525 Paragraph 25.

A plain and ordinary reading of the multiple statutory changes made by Public Act 96-0897 shows the General Assembly's intent to make the Authority's locally-held Fund available to make first-dollar payments, if necessary, on State Guarantees "at the discretion of the Authority." 20 ILCS 3501/805-15(j).

In our view, the clear intent of the General Assembly in 2010 was to expand the uses of the Fund. Instead, the Office of the Auditor General chose to read the following language which pre-dates Public Act 96-0897, and indeed, the creation of the Authority in complete isolation from the entirety of the Illinois Finance Authority Act (20 ILCS 3501/801-1, *et seq.*):

> "All payments by the Authority shall be made from the Illinois Agricultural Loan Guarantee Fund to satisfy claims against the State Guarantee." 20 ILCS 3501/830-30(e); Public Act 93-205, effective 1-1-04).

Public Act 96-0897 clearly expands the discretionary decision-making of the Authority as to the source of payments to satisfy claims against State Guarantees to include the Fund. Among other changes, Public Act 96-0897 allows the Authority to:

> ***(i)*** <u>Exercise such other powers as are necessary or incidental to the **_powers granted in this Section and to the issuance of State Guarantees under Article 830 of this Act._**</u>

CURRENT FINDINGS - *GOVERNMENT AUDITING STANDARDS*

2015-001. **FINDING** (Inaccurate Financial Statements for the Industrial Project Insurance Fund, the Illinois Agricultural Loan Guarantee Fund, and the Illinois Farmer and Agribusiness Loan Guarantee Fund) (continued)

(j) ***At the discretion of the Authority, to insure and make advance commitments to insure, and to issue State Guarantees for, all or any part of the payments required on the bonds issued or loans made to finance any agricultural facility, project, farmer, producer, agribusiness, or program under Article 830 of this Act upon such terms and conditions as the Authority may prescribe in accordance with this Article. The insurance and State Guarantees provided by the Authority may be payable from the Fund created by Section 805-15 and is in addition to and not in replacement of the Illinois Agricultural Loan Guarantee Fund created under Article 830 of this Act.*** Public Act 96-897; 20 ILCS 3501/805-20 (i) and (j).

AUDITORS' COMMENT

Article 830 of the Illinois Finance Authority Act (Act) authorizes the Authority to issue State Guarantees for farmers' existing debts held by a lender [20 ILCS 3501/830-30(a)], creates the Illinois Agricultural Loan Guarantee Fund [20 ILCS 3501/830-30(c)], and directs that "[a]ll payments by the Authority shall be made from the Illinois Agricultural Loan Guarantee Fund to satisfy claims against the State Guarantee" [20 ILCS 3501/830-30(c)]. Parallel provisions authorize the Authority to issue State Guarantees to lenders for loans to eligible farmers and agribusinesses [20 ILCS 3501/830-35(a)], establishes the Illinois Farmer and Agribusiness Loan Guarantee Fund [20 ILCS 3501/830-35(c)], and directs that "[a]ll payments by the Authority shall be made from the Illinois Farmer and Agribusiness Loan Guarantee Fund to satisfy claims against the State Guarantee" [20 ILCS 3501/830-35(c)].

Article 805 of the Act created the Industrial Project Insurance Fund to provide bond or loan insurance for approved industrial projects. There is approximately $11.8 million in the Industrial Project Insurance Fund, but there are no outstanding bonds or loans and no further projects have been approved under this program; therefore, the money in the Industrial Project Insurance Fund is available for other uses. Consequently, Public Act 096-0897, effective May 24, 2010, amended the Act to allow the use of moneys in the Industrial Project Insurance Fund to pay claims on the State Guarantees made pursuant to Article 830 of the Act.

CURRENT FINDINGS - *GOVERNMENT AUDITING STANDARDS*

2015-001. **FINDING** (Inaccurate Financial Statements for the Industrial Project Insurance Fund, the Illinois Agricultural Loan Guarantee Fund, and the Illinois Farmer and Agribusiness Loan Guarantee Fund) (continued)

The finding acknowledges the Authority's ability to transfer amounts in the Industrial Project Insurance Fund to either the Illinois Agricultural Loan Guarantee Fund and the Illinois Farmer and Agribusiness Loan Guarantee Fund in order to pay claims on the State Guarantees made under Article 830. However, we do not agree that this ability to use amounts in the Industrial Project Insurance Fund makes claims under the State Guarantee programs liabilities of the Industrial Project Insurance Fund since the statute specifically provides that payments for claims under the State Guarantee programs must be made from the Illinois Agricultural Loan Guarantee Fund and the Illinois Farmer and Agribusiness Loan Guarantee Fund. Any other interpretation of Public Act 096-0897 creates conflict among the provisions and renders language existing prior to Public Act 096-0897 meaningless.

As the Authority disagrees with the statutory interpretation conclusions reached by the auditors, we continue to recommend the Authority refer this matter to the Attorney General who, by law, is charged with rendering opinions to State officials on matters of statutory interpretation. 15 ILCS 205/4. In areas of disagreement over statutory interpretation, the Auditor General's Office defers to a formal written opinion from the Attorney General on the matter.

CURRENT FINDINGS - *GOVERNMENT AUDITING STANDARDS*

2015-002. **FINDING** (Failure to Write-Off Uncollectible Balances)

The Illinois Finance Authority (Authority) has loan and guarantee receivables from non-conduit debt recorded in the financial statements that should be removed due to the balance being uncollectible. In addition, the Authority has investments in partnerships and companies that should be removed due to the investments having no value.

During testing, the auditors noted the following amounts, by fund, where the Authority recorded a loan or guarantee receivable and corresponding allowance of 100%. The Authority anticipates writing off these balances.

General Operating Fund	$	954,510
Illinois Agricultural Loan Guarantee Fund		170,902
Illinois Farmer and Agribusiness Loan Guarantee Fund		309,891
	$	1,435,303

Further, the auditors noted investments in partnerships and companies, totaling $2,971,385, for which a 100% allowance for a decline in the market value was recognized.

In accordance with generally accepted accounting principles, receivable balances that are uncollectible and investments that have no value should be written off and removed from the Authority's financial statements.

Authority officials stated most of the uncollectible accounts were inherited from the predecessor authorities and requests in prior years to the Office of the Attorney General to write-off these uncollectible accounts were denied. During Fiscal Year 2015, the Authority resubmitted its write-off request to the Attorney General and it received permission to write off balances totaling $448,387. Currently, the Authority is working on putting together a new request to the Attorney General to write off the remaining receivables and investments in partnerships with no value.

The significant effect of not writing off receivable and investment balances and the corresponding allowance for doubtful accounts and allowance for decline in market value of investments results in overstatements of these balances in the Authority's financial statements. (Finding Code No. 2015-002, 2014-002, 2013-004)

CURRENT FINDINGS - *GOVERNMENT AUDITING STANDARDS*

2015-002. **FINDING** (Failure to Write-Off Uncollectible Balances) (continued)

RECOMMENDATION

We recommend the Authority continue to work with the Office of the Attorney General to receive approval to write-off uncollectible balances.

AUTHORITY RESPONSE

In accordance with State law, the Authority cannot write off receivable balances that are uncollectible and investments that have no value without the permission of the Attorney General. Even though the Authority continues to show these balances in our general ledger along with the corresponding allowance account, for financial reporting the Authority nets the receivables and investment balances with the corresponding allowance so as not to overstate these balances. We accept the Auditor's recommendation and will continue to work with the Office of the Attorney General to receive approval to write off these uncollectible balances.

STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY
(A Component Unit of the State of Illinois)
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2015

PRIOR FINDING NOT REPEATED

A. **FINDING** (Inaccurate Major Fund Financial Statements for the Authority's Fire Truck Revolving Loan Fund and Ambulance Revolving Loan Fund)

During the financial audit as of and for the year ended June 30, 2014, the Illinois Finance Authority (Authority) did not prepare accurate major fund financial statements for the Authority's Fire Truck Revolving Loan Fund and Ambulance Revolving Loan Fund. (Finding Code No. 2014-001, 2013-003)

Status: Not Repeated

During the financial audit as of and for the year ended June 30, 2015, the auditors' testing indicated the Authority improved its financial reporting for the Authority's Fire Truck Revolving Loan Fund and Ambulance Revolving Loan Fund.