State of Illinois
Illinois Finance Authority

Financial Audit
For the Year Ended June 30, 2022

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, 2022

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Agency Officials

Chair of the Authority (July 17, 2020 – Present)	Mr. William Hobert
Executive Director	Mr. Christopher Meister
Manager of Finance & Administration	Ms. Ximena Granda
General Counsel	Ms. Elizabeth Fleming Weber

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

Member	Mr. Peter Amaro
Member	Mr. Drew Beres
Member	Mr. James J. Fuentes
Member	Mr. William Hobert
Member	Ms. Arlene Juracek
Member	Ms. Roxanne Nava
Member (July 8, 2016 – August 3, 2022)	Mr. George Obernagel
Member (July 13, 2022 – Present)	Mr. Ameya Pawar
Member	Mr. Roger E. Poole
Member (September 28, 2020 – September 15, 2021)	Mr. José Restituyo
Member (May 3, 2021 – Present)	Mr. Timothy Ryan
Member (May 1, 2022 – Present)	Mr. Michael Strautmanis
Member	Mr. Eduardo Tobon
Member (October 5, 2021 – Present)	Ms. Jennifer Watson
Member	Mr. J. Randal Wexler
Member (April 5, 2019 – June 30, 2022)	Mr. Jeffrey Wright
Member	Mr. Bradley Zeller

ILLINOIS FINANCE AUTHORITY

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December 14, 2022

Will Hobert, Chair
Members of the Illinois Finance Authority
and Residents of the State of Illinois

The independent audit firm RSM US LLP has issued an unmodified opinion on the Authority's financial statements for the year ended June 30, 2022. The independent auditor's report is located at the front of the financial section of this report. The annual financial report for the Illinois Finance Authority ("Authority") for the year ended June 30, 2022, is hereby submitted.

Responsibility for the accuracy of the data in this report and completeness of its presentation lies solely with the Authority's management. The Authority has established internal controls that are designed to protect the Authority's assets from loss, theft, and misuse and to compile complete and reliable information. As the cost of internal control should not exceed its benefits, the controls in place have been designed to provide reasonable, rather than absolute assurance, that the financial statements presented are free from material misstatements. To the best of our knowledge, this financial report is accurate and complete in all material aspects and fairly reflects the Authority's financial position and changes in the financial position of the various funds of the Authority and the Authority as a whole.

Included with the financial statements is a narrative overview and analysis of the financial statements in the form of a Management Discussion and Analysis ("MD&A"). The MD&A complements this Transmittal Letter and should be read in conjunction with it. The financial statements include a view at the government-wide level, the fund level, and are supplemented by notes to the financial statements.

Section 845-50 of the Illinois Finance Authority Act, as amended (20 ILCS 3501/801-1 et seq.) (the "Act"), mandates that the Authority prepare a complete report and financial statement of its operations and of its assets and liabilities for distribution to interested persons and for filing with the Governor, the Secretary of State, the State Comptroller, the Secretary of the Senate and the Clerk of the House of Representatives. This Transmittal Letter combined with the audited financial statements meet the mandate of Section 845-50 of the Act.

The Authority reports an ending Fiscal Year 2022 net position of $123.8 million, which represents a decline of $375 thousand or 0.3% from the previous fiscal year. The decline in the Authority's net position in Fiscal Year 2022 resulted from:

- the continuing negative impact of the COVID-19 Pandemic combined with longer-term trends across economic sectors served by the Authority;
- a decline in the Authority's investment earnings due to market volatility;
- the continuing negative impact on Authority revenues of certain provisions of the federal Tax Cuts and Jobs Act ("TCJA"; effective January 1, 2018), which partially eliminated the economic advantage of conduit bonds for both the borrowers and bondholders; and
- in the second half of the fiscal year, Russia's unilateral war against Ukraine, the rising inflation caused by Russia's war, and the rise in interest rates to combat inflation, all of which created uncertainty and volatility that negatively impacted the decisions of borrowers to move forward with conduit bond transactions, thus diminishing the Authority's revenues.

Organization, Powers, Purposes, and Revenues of the Authority

The Authority is a body politic and corporate created by State law. The Authority consists of up to 15 volunteer Members, who are appointed by the Governor for staggered three-year terms with the advice and consent of the Senate. The Governor directly appoints the Authority Chair for a two-year term. Members of the Authority shall be persons of recognized ability and experience in one or more the following areas: economic development, finance, banking, industrial development, small business management, real estate development, housing, health facilities financing, local government financing, community development, venture finance, construction, labor relations, with at least two Members having expertise in agribusiness, and production agriculture. The Executive Director serves for a one-year term and is selected by the Members from nominations provided by the Governor. The Executive Director shall be a person knowledgeable in the areas of financial markets and instruments (20 ILCS 3501/801-15).

The Authority generally holds public meetings the second Tuesday of each month and may hold special meetings from time to time. Authority actions require the approval of at least eight Members (20 ILCS 3501/801-25). Without limitation, the Authority possesses all the powers necessary and convenient to accomplish the Act's purposes, including, to enter into loans, contracts, agreements and mortgages; to sue and be sued; to employ agents, employees and independent contractors and to fix their compensation, benefits and terms and conditions of employment; to have and use a common seal; to adopt all needful ordinances, resolutions, bylaws, rules and regulations; and to exercise all powers necessary to effectuate the Act's purposes and a number of additional powers (20 ILCS 801-30; 801-40).

On September 15, 2021, the Climate and Equitable Jobs Act ("CEJA"; Public Act 102-662) became State law. CEJA designated the Authority as the Climate Bank and provided, without limitation, related powers to:

- aid in all respects with providing financial assistance, programs, and products to finance and otherwise develop clean energy and provide clean water, drinking water, and wastewater treatment in the State and otherwise develop and implement equitable clean energy opportunities in the state to mitigate or adapt to the negative consequences of climate change in an equitable manner to further the clean energy policy of the State.
- enter joint ventures and invest in and participate with government entities and private corporations engaged in the development of clean energy projects;
- use a variety of funding sources, including funds repurposed from existing Authority programs, subject to the approval of the General Assembly; and
- finance or refinance working capital through a statutory clarification.

The designation of the Authority as the Climate Bank is the next step in the Authority's *Transformation Initiative* and *Climate Process* discussed in prior audits. CEJA did not provide any new funds to the Authority.

Generally, the Authority provides financing and financial assistance to:

- promote a vigorous growing economy and avoid involuntary unemployment for Illinois residents;
- reduce the cost of indebtedness to State taxpayers and residents;
- otherwise enhance the quality of life in Illinois by benefiting the health, welfare, safety, trade, commerce, industry, and economy of the people of Illinois consistent with its statutory declarations of policy; and
- combat climate change by providing financial assistance.

The issuance of long-term debt is currently the primary public function of the Authority. Long-term debt is incurred to raise the capital necessary to provide financing or refinancing for projects, including, but not limited to, industrial projects, clean energy projects, conservation projects, housing projects, public purpose projects, higher education projects, health facility projects, cultural institution projects, municipal bond program projects, agricultural facility or agribusiness projects, and PACE projects. *See*, Property Assessed Clean Energy Act, 50 ILCS 50/1 *et seq.* (the "PACE Act"); 20 ILCS 3501/801-10(b). In addition to the Act and the PACE Act, other State laws allow Authority financing, including without limitation:

- the Illinois Environmental Facilities Financing Act, 20 ILCS 3515/1 *et seq.*;
- the Higher Education Loan Act, 110 ILCS 945/0.01 *et seq.*; and
- Public Act 101-610 which created the Firefighters' Pension Investment Fund ("FPIF"), 40 ILCS 5/22C-101, and the Police Officers' Pension Investment Fund ("POPIF"), 40 ILCS 5/3-132.1.

As of June 30, 2022, the Authority had a staff of 14, a reduction of 5 since the end of Fiscal Year 2021. The Authority pays its staff and their benefits with locally held funds, not with State tax dollars appropriated by the General Assembly. Authority staff do not participate in any State pension system or health insurance programs.

Other than PACE projects and the occasional taxable conduit bond, the economic benefit of conduit bonds issued by the Authority is federal, not State: interest paid on conduit bonds qualified under the federal tax code is exempt from federal income tax, generally resulting in a lower interest rate for the conduit borrower and federally tax-exempt income for the bondholder. The Authority currently supports its operations with fees charged in connection with the issuance of conduit bonds, fees, interest payments on loans, and returns on the investment of its locally-held funds. The Authority's ability to generate revenue without State tax dollars appropriated by the General Assembly generally limits the impact of any State budget issues on the Authority's operations, except for certain specific finance programs and transactions authorized under State law: agricultural guarantee programs; State component units; moral obligation/contingent State taxpayer guarantees; and fire truck and ambulance loan programs. Despite this degree of autonomy from the State budget, the Authority's financial operations are included within and reported as a component unit of the State.

During this fiscal year, the Authority received no funds from the federal government. Other than the ongoing negative impact of TCJA on federally tax-exempt conduit bonds (discussed more fully in the MD&A), changes to federal law did not impact the Authority.

Conduit Debt – Not the Obligation of the Authority or the State

Currently, the Authority's primary product and revenue source is the issuance of federally tax-exempt conduit bonds as permitted by the federal tax code and State law, on behalf of not-for-profit borrowers generally in the hospital, healthcare, education, cultural, and senior living sectors. The Authority may issue conduit bonds on behalf of public entities, local governments and, notably the Illinois Environmental Protection Agency ("IEPA") State Revolving Fund ("SRF"), a federal-State-local-capital markets financial structure. The Authority may issue federally tax-exempt conduit bonds on behalf of certain individuals and for-profit companies such as beginning farmers, mid-sized manufacturing companies (industrial revenue bonds), privately-owned water utilities and operators of solid waste projects and/or other "exempt facilities" defined by the federal tax code. Other than PACE projects, the Authority in limited circumstances issues taxable conduit bonds (without federal exemption on interest earnings) to meet specific objectives of a particular borrower with respect to a specific project.

In Fiscal Year 2022, the Authority issued more than $2.3 billion in conduit (generally federally tax-exempt) bond projects across a variety of economic sectors and statutory project definitions. Despite a challenging year for the issuance of conduit bonds, three new federally tax-exempt conduit bond borrowers issued through the Authority: ***A.I.M (Art in Motion)***, a not-for-profit charter school, ***Howard Brown Health Center***, a not-for-profit health and human services provider, and ***Clark-Lindsey Village, Inc., and Clark-Lindsey Holdings, Inc.***, a not-for-profit senior living facility.

Taxable PACE bonds, issued by the Authority under the PACE Act and in accordance with the Act, represent an emerging conduit financial product for the Authority. Commercial Property Assessed Clean Energy ("C-PACE") financing provides enhanced security for the lender compared to the security provided by a mortgage, represented by a special assessment lien on parity with a property tax without relying on any federal or State public subsidy, and generally a lower interest rate for the borrower. As discussed in prior audits, C-PACE financing is a focus of the Authority's *Transformation Initiative* and *Climate Process*. All record owners that utilize C-PACE financing are new borrowers to the Authority. Between November 2019 and June 30, 2022, the Authority issued PACE bonds in the aggregate principal amount of $72.4 million on behalf of eight PACE projects. Importantly, the Authority issued PACE bonds for four of these eight PACE projects between July 1, 2021 and June 30, 2022.

Authority conduit bonds are annually reported by the Illinois Comptroller in her "Bonded Indebtedness and Long-Term Obligations Report" (https://illinoiscomptroller.gov/financial-reports-data/find-a-report/budgetary-reporting/bond-indebtedness-and-long-term-obligations-report), generally under the section entitled "Revenue Bonds: Conduit Debt."

Under Generally Accepted Accounting Principles ("GAAP") promulgated by the Governmental Accounting Standards Board ("GASB"), conduit debt refers to certain limited-obligation revenue bonds issued for the express purpose of providing capital financing for a specific third party. Importantly, conduit debt does not constitute indebtedness or an obligation, general or moral, or a pledge of the full faith or a loan of credit of the Authority, the State, or any political subdivision thereof. All the Authority's conduit debt is payable solely from revenues or funds pledged or available for their repayment from the project or by the borrower, not the Authority or the State or any political subdivision thereof, as authorized by the Act and as reflected by the applicable bond indenture or loan agreement for an applicable project or transaction. Most of the Authority's debt is classified as conduit debt. Accordingly, the Authority's conduit debt obligations are not reported as liabilities in the Authority's basic financial statements.

Debt Issued on behalf of the Primary Government and Component Units of the State

The Authority issues federally tax-exempt bonds for the purpose of providing loans to other public agencies of the Primary Government and component units of the State. Like conduit bonds, these bonds are issued for the benefit of third parties that are part of the Authority's financial reporting entity, the State. However, these bonds do not meet the definition of conduit debt under GAAP and thus are reported as liabilities on the Authority's basic financial statements. Since this type of debt is also reported as a receivable on the Authority's basic financial statements, the impact to the Authority's net position is zero. Currently, most of the Authority's "component unit" debt consists of the IEPA SRF bonds. The Authority issued no IEPA SRF bonds during this fiscal year.

Other Authority Loans and Guarantees

Despite ongoing litigation involving FPIF, POPIF, the Authority, and other parties, loans made by the Authority to FPIF and POPIF under P.A. 101-610 are anticipated to be repaid in full. During the fiscal year, the Authority experienced no material issues with respect to its outstanding non-conduit loans and guarantees made under the Act, including and without limitation, the Natural Gas Municipal Loan program, the pilot DACA medical student loan program, and the outstanding agricultural guarantees.

Continuing COVID-19 Pandemic Impact

The ongoing negative impact on Authority borrowers and revenues has been noted. During this fiscal year, consistent with applicable law as well as mandates and guidelines related to public health, the Authority conducted all its operations and public meetings remotely.

Moral Obligation or Additional Security Pledge

If the Governor has provided written approval, the Authority may issue revenue bonds with the State's pledge of moral obligation or additional security. This credit enhancement is a contingent State taxpayer guarantee. If project revenues with this pledge are insufficient to pay the principal and interest of or to restore the debt service reserve fund of bonds, the Authority Chair shall certify to the Governor the amount necessary to make up the shortfall. As soon as practicable, the Governor then must submit the certified amount to the General Assembly no later than the end of the current State fiscal year. The General Assembly, however, is under no obligation to appropriate the amount to make up the shortfall necessary to pay the principal and interest of or to restore the debt service reserve fund of bonds with such a pledge.

During this fiscal year, the Authority did not issue any bonds or debt with a pledge of the State's moral obligation, additional security, or any kind of contingent State taxpayer guarantee. As of June 30, 2022, the amount of outstanding bonds or debt issued by the Authority with the State's pledge of moral obligation or additional security was zero.

Respectfully Submitted,

SIGNED ORIGINAL ON FILE

Christopher B. Meister
Executive Director
Illinois Finance Authority

Financial Statement Report

Summary

The audit of the financial statements of the Illinois Finance Authority (Authority) was performed by RSM US LLP in accordance with *Government Auditing Standards*. This report is an integral part of that audit.

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

Independent Auditor's Report

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Board of Directors
Illinois Finance Authority

Report on the Audit of the Financial Statements

Opinions
As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the Illinois Finance Authority (Authority), a component unit of the State of Illinois, as of and for the year ended June 30, 2022, and the related notes to the financial statements which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Authority as of June 30, 2022, and the respective changes in financial position and, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions
We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority, and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter
As discussed in Note 1 to the financial statements of the Authority, in Fiscal year 2022, the Authority adopted Governmental Accounting Standard Board's Statement No.87, *Leases*. The adoption of this statement resulted in the inclusion of intangible right-to-use assets, and a lease liability. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgement and maintain professional skepticism throughout the audit.

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.

- evaluate the appropriateness of accounting polices used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 11-23 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements.

The combining statement of net position – nonmajor funds, combining statement of revenues, expenses and changes in 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 accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information
Management is responsible for the other information included in the annual report. The other information comprises the introductory section, as listed in the table of contents, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2022, on our consideration of the 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's 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 Authority's internal control over financial reporting and compliance.

SIGNED ORIGINAL ON FILE

Schaumburg, Illinois
December 14, 2022

Our discussion and analysis of the financial performance of the Illinois Finance Authority (the "Authority"), a component unit of the State of Illinois, provides an overview of financial activities for the fiscal year ended June 30, 2022. 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

The Authority has two major funds - the General Operating Fund and the Other State of Illinois Debt Fund. All other funds are aggregated and reported as Nonmajor funds. The Other State of Illinois Debt Fund accounts for debt obligations issued on behalf of borrowers who are part of the State of Illinois' reporting entity. Thus, although similar to conduit debt issues, these debt issues must be included in the Authority's financial statements.

On the basic financial statements under Statement of Net Position, Total Assets and Deferred Outflows of Resources among the General Operating Fund, Other State of Illinois Debt Fund, and Nonmajor Funds equaled $2.2 billion in Fiscal Year 2022, while Total Liabilities across all three categories equaled $2.0 billion. Total Assets and Deferred Outflows of Resources decreased $144.0 million and Total Liabilities similarly decreased $143.7 million from Fiscal Year 2021. These overall decreases in Total Assets, Deferred Outflows of Resources, and Total Liabilities primarily occurred in the Other State of Illinois Debt Fund and are attributable to a decrease in accrued interest payable of $2.5 million, the amortization of bond premium of $39.6 million, and the retirement of $98.5 million of Illinois Finance Authority State of Illinois Clean Water Initiative Revolving Fund Revenue Bonds (the Series 2013, 2016, 2017 and 2019 Green Bonds, collectively "SRF Bonds"), which is part of the primary government of the State of Illinois.

On the Statement of Revenues, Expenses and Changes in Net Position, Total Revenues were $47.5 million or 5.0% higher than Fiscal Year 2021, while Total Expenses were $47.9 million or 5.3% higher than Fiscal Year 2021. Total Revenue increased $2.3 million due to greater interest income from loans in the Other State of Illinois Debt Fund as a result of the $500 million State of Illinois Clean Water Initiative Revolving Fund Revenue Bonds, Series 2020 Green Bonds, issued on behalf of the IEPA ("2020 SRF Green Bonds"). The increase in interest income from loans was offset by a decrease in closing fees of $154 thousand and transfer of funds and interest in program form the State of Illinois of $72 thousand. Operating expenses increased $2.4 million, primarily due to greater interest expense in the Other State of Illinois Debt Fund as a result of the issuance of $500 million of 2020 SRF Green Bonds on behalf of the IEPA.

Net Position in the General Operating Fund decreased by $0.7 million, while the Net Position in the Nonmajor Funds increased by $0.3 million, resulting in a Total Net Position of $123.8 million, which was a decrease of 0.3% compared to Fiscal Year 2021.

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, Statement of Fiduciary Net Position-Custodial Fund, and Statement of Changes in Net Fiduciary Position, 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 Authority's two major Funds which consist of the General Operating Fund and the Other State of Illinois Debt Fund and also the remaining aggregated nonmajor proprietary funds and are included on:

- The **Statement of Net Position** presents the financial position of the Authority as of June 30, 2022, 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** presents 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. The Metro East Police District Act was repealed by operation of law on December 31, 2019. The Authority has no statutory powers or duties with respect to the wind-up of the Commission and is not the statutory successor of the Commission. Until the General Assembly directs the Authority with respect to the disposition of the remaining dollars in this Fund, the Authority will continue to act in a custodial capacity with respect to the remaining dollars in this fiduciary fund.

Authority Component Unit

The Illinois Finance Authority Development Fund Not-For-Profit ("NFP") is reported as a blended component unit. 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 and complement the financial statements by describing qualifying factors and changes throughout the fiscal year.

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			
	2022	2021	Difference ($)	Change (%)
Current assets	$ 724,546	$ 892,220	$ (167,674)	-18.8%
Capital assets, net	51	32	19	59.4%
Noncurrent assets	1,428,500	1,404,830	23,670	1.7%
Total assets	2,153,097	2,297,082	(143,985)	-6.3%
Total deferred outflow of resources	-	48	(48)	-100.0%
Total assets and deferred outflows of resources	2,153,097	2,297,130	(144,033)	-6.3%
Current liabilities	149,067	149,637	(570)	-0.4%
Noncurrent liabilities	1,880,197	2,023,285	(143,088)	-7.1%
Total liabilities	2,029,264	2,172,922	(143,658)	-6.6%
Investment in capital assets	51	32	19	59.4%
Restricted	60,787	60,528	259	0.4%
Unrestricted	62,995	63,648	(653)	-1.0%
Total net position	$ 123,833	$ 124,208	$ (375)	-0.3%

Current assets of $724.5 million decreased $167.7 million or 18.8%, primarily due to the decrease in cash and cash equivalents of $73.3 million and a decrease in investments of $95.6 million due to the retirement of certain of the SRF Bonds. The decrease in current assets was offset by an increase of $4.9 million in loans receivable.

Capital assets, net of depreciation increased $19 thousand or 59.4% due to the implementation of GASB Statement No. 87, Leases.

Noncurrent assets of $1,428.5 million increased $23.7 million or 1.7% primarily due to the increase in bonds and notes receivable from the primary government of $35.0 million, while the long-term portion of the Authority's unrestricted investment portfolio decreased by $5.0 million, loans receivable decreased by $2.9 million and bonds and notes receivable decreased by $1.3 million.

Current liabilities of $149.1 million decreased $0.57 million or 0.4% primarily due to the increase in the current portion of bonds and notes payable of $5.0 million, which was offset by a decrease in interest payable of $2.5 million and a decrease in the obligation under securities lending of the State of Illinois Treasurer of $3.8 million.

Non-current liabilities of $1,880.2 million decreased $143.1 million or 7.1%, due to the decrease in the long-term portion of bonds and notes payable of $103.5 million and $39.6 million in the noncurrent unamortized bond premium.

Net position may serve, over a period of time, as a useful indicator of the Authority's financial position. As of June 30, 2022, total net position was $123.8 million, a decrease of $375 thousand or 0.3% from the balance of $124.2 million in Fiscal Year 2021. Of this amount, $51 thousand represents the Authority's net investment in capital assets. Restricted net position of $60.8 million is reported separately to present legal constraints from debt covenants, grantors and/or enabling legislation. The $63.0 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, 2022.

The following table presents the changes in net position from Fiscal Year 2021 to 2022:

Changes in Net Position
(Amounts in Thousands)

	Business-type Activities			
	2022	**2021**	**Difference ($)**	**Change (%)**
Revenues:				
Closing fees	$ 2,155	$ 2,309	$ (154)	-6.7%
Annual fees	187	208	(21)	-10.1%
Administrative service fees	206	164	42	25.6%
Application fees	23	25	(2)	-8.0%
Miscellaneous fees	2	-	2	100.0%
Interest income - loans	44,199	41,739	2,460	5.9%
Transfer of funds and interest in program from the State of Illinois	48	120	(72)	-60.0%
Bad debt recoveries and other	-	56	(56)	-100.0%
Interest and investment income	675	623	52	8.3%
Total revenues	47,495	45,244	2,251	5.0%
Expenses:				
Employee related expenses	1,882	2,294	(412)	-18.0%
Professional services	1,036	974	62	6.4%
Occupancy costs	162	205	(43)	-21.0%
General and administrative	305	357	(52)	-14.6%
Bad debt expense	81	-	81	100.0%
Depreciation and amortization	41	19	22	115.8%
Interest expense	44,363	41,629	2,734	6.6%
Total expenses	47,870	45,478	2,392	5.3%
Change in net position	(375)	(234)	(141)	60.3%
Net position - beginning	124,208	124,442	(234)	-0.2%
Net position - ending	$ 123,833	$ 124,208	$ (375)	-0.3%

Operating revenues included closing fees from conduit bond issuances of $2.2 million, a decrease of $154 thousand or 6.7%. This decrease in closing fees was mostly attributable to the Authority issuing a lower aggregate principal amount of conduit debt for its exempt facilities and C-PACE economic sectors year-over-year, and such economic sectors have either no fee cap or higher fee cap in comparison to the Authority's other economic sectors. Annual, administrative service, application, and miscellaneous fees showed a collective increase of $21 thousand or 5.3%, due to an increase in all fees. The interest income on loans shows an increase from Fiscal Year 2021 of $2.5 million, or 5.9%, due to the increase on outstanding loans. Interest and investment income of $0.7 million was higher than Fiscal Year 2021 by 8.3% due to increased return on investments.

All expenses totaled $47.9 million in Fiscal Year 2022, an increase of $2.4 million due mainly from the increase in interest expense caused by the additional debt issued on behalf of the other State of Illinois component units.

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, 2022, was $51 thousand.

Additional information about capital assets can be found in Note 8 to the financial statements.

Amounts in Thousands

	2022	2021	Difference ($)	Change (%)
Furniture and equipment	$ 194	$ 194	$ -	0.0%
Leases - building and equipment	92	-	92	100.0%
Computers	152	152	-	0.0%
Software	288	288	-	0.0%
Total capital assets	726	634	92	14.5%
Less: accumulated depreciation	(675)	(602)	(73)	12.1%
Total capital assets, net	$ 51	$ 32	19	59.4%

Long-Term Debt Obligations

The Authority's primary product and revenue source is the issuance of federally tax-exempt conduit bonds as allowed by the federal tax code and State law. In limited circumstances, the Authority may also issue taxable conduit bonds. Conduit bonds are not the debt or obligation of the Authority, the State or any subdivision thereof, but are solely the debt of the conduit borrower. The Authority issued bonds in connection with 38 separate conduit bond debt transactions in Fiscal Year 2022, with an aggregate principal amount of $2.3 billion.

The Authority also issues federally tax-exempt bonds for the purpose of providing loans to other public agencies of the Primary Government and component units of the State of Illinois. Although similar to conduit bonds, these bonds are issued for the benefit of third parties that are part of the Authority's financial reporting entity the State of Illinois. They do not meet the definition of conduit debt under GAAP and thus are reported as liabilities on the Authority's basic financial statements. Since this type of debt is also reported as a receivable on the Authority's basic financial statements, the impact to the Authority's net position is zero.

As of June 30, 2022, the aggregate amount of intra-state debt outstanding is $1.7 billion, a decrease of $98.5 million due to the retirement of certain of SRF Bonds. The SRF Bonds leveraged debt does not constitute an indebtedness of the Authority, the IEPA, or the State of Illinois or any political subdivision thereof.

In Fiscal Year 2022, the Authority did not issue any bonds with a pledge of the State's moral obligation, additional security or any kind of contingent State taxpayer guarantee. As of June 30, 2022, the amount of bonds issued by the Authority with the State's pledge of moral obligation or additional security was zero.

Long-term debt information can be found in Note 1 and Note 9 to the financial statements

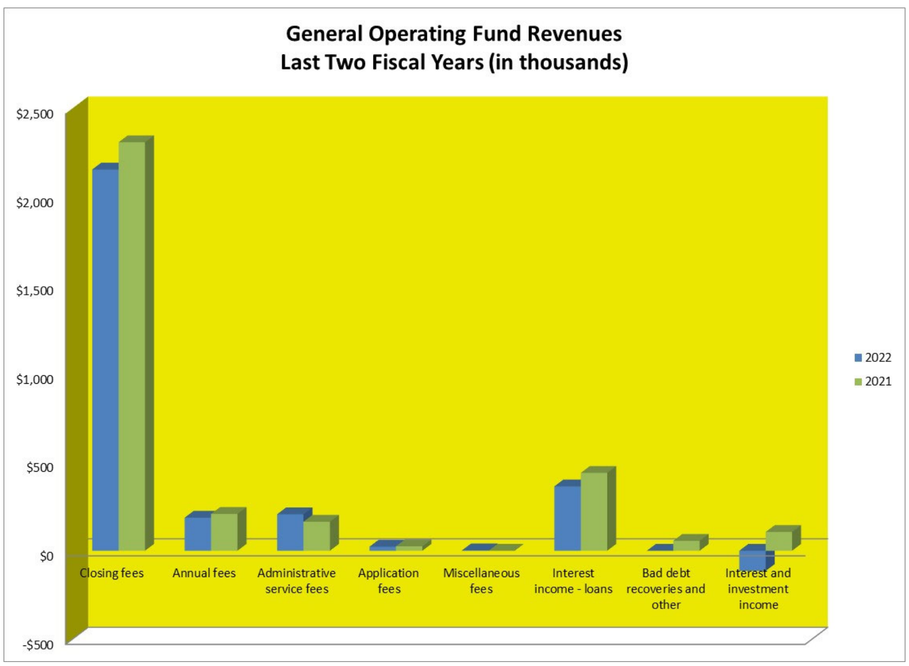
Financial Analysis of the Authority's Funds

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, interest payments from direct loans, and investment income. All administrative expenses for establishing and monitoring the Authority's programs are paid out of this fund. In Fiscal Year 2022, closing fees accounted for 76.3% of total revenues in the fund, a decrease of $154 thousand or 6.7% when compared to 2021, due to a decrease in the number of closings and/or bonds issued in Fiscal Year 2022. Interest income on loans decreased by $76 thousand, or 17.3%, as a result of the continued decrease in the amount of outstanding indebtedness attributable to loans to Illinois local governments. This legacy portfolio of Illinois local government loans became part of the Authority's General Operating Fund in 2014 when the Authority used its own funds to defease (pay-off) outstanding bonds enhanced with the State's moral obligation pledge thus removing unnecessary risk to State taxpayers. Administrative service fees totaled $206 thousand, which is an increase of $42 thousand or 25.6% from the prior fiscal year in this category. Interest and investment income decreased by $220 thousand or 207.5% in Fiscal Year 2022 due to a smaller investment portfolio and lower interest rates. Overall, revenues in the fund totaled $2.8 million, which was $485 thousand or 14.7% lower than Fiscal Year 2021. With spending of $3.5 million, the General Operating Fund realized a decrease in net position of $666 thousand.

Amounts in Thousands

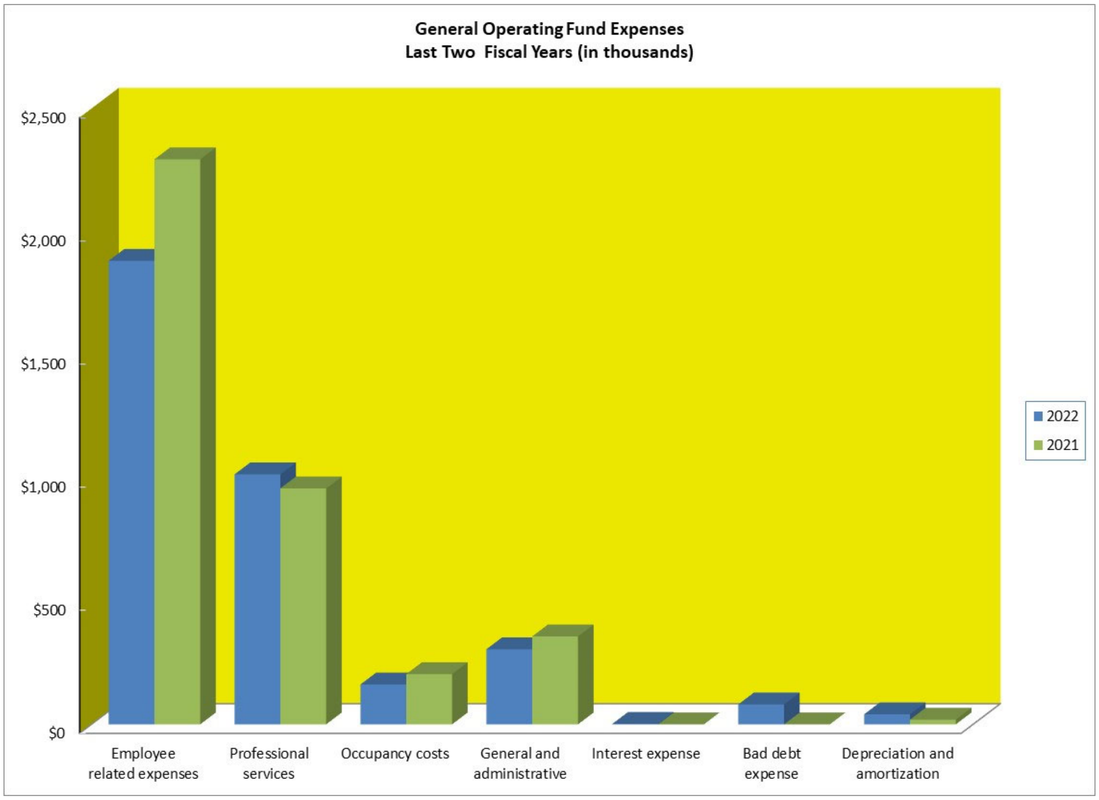
	2022	2021	2022 % of Total	Increase/ (Decrease) from 2021 ($)	Increase/ (Decrease) from 2021 (%)
Closing fees	$ 2,155	$ 2,309	76.3%	$ (154)	-6.7%
Annual fees	187	208	6.6%	(21)	-10.1%
Administrative service fees	206	164	7.3%	42	25.6%
Application fees	23	25	0.8%	(2)	-8.0%
Miscellaneous fees	2	-	0.1%	2	N/A
Interest income - loans	364	440	12.9%	(76)	-17.3%
Bad debt recoveries and other	-	56	0.0%	(56)	-100.0%
Interest and investment income	(114)	106	-4.0%	(220)	-207.5%
Total revenues	$ 2,823	$ 3,308	100.0%	$ (485)	-14.7%



Employee related expenses decreased $412 thousand or 18.0% from Fiscal Year 2021. The majority of the decline in the employee related expense line is attributable to the departure of various employees. Professional services costs increased by $57 thousand or 5.9%. The increase in professional services was attributable to product and program start-up costs attributable to the February 2018 Authority Transformation Initiative as well as unanticipated and unrecoverable costs due to a series of federally tax-exempt bond issues. Overall, expenses in the general operating fund decreased by $344 thousand or 9.0%.

Amounts in Thousands

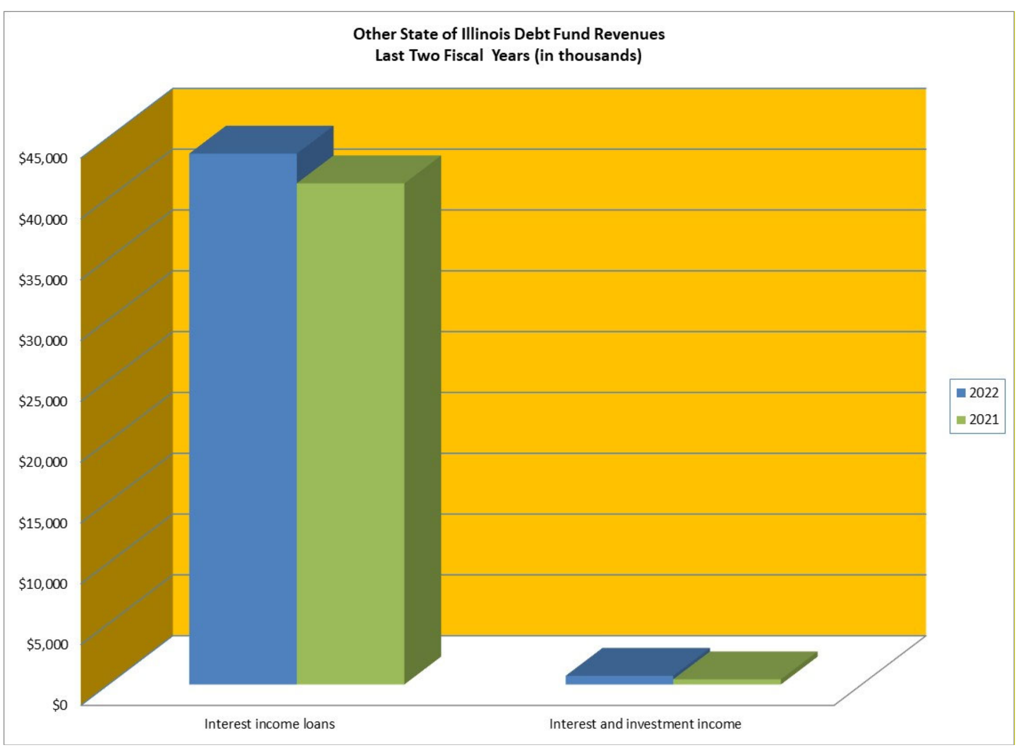
	2022	2021	2022 % of Total	Increase/ (Decrease) from 2021 ($)	Increase/ (Decrease) from 2021 (%)
Employee related expenses	$ 1,882	$ 2,294	54.0%	$ (412)	-18.0%
Professional services	1,015	958	29.1%	57	5.9%
Occupancy costs	162	204	4.6%	(42)	-20.6%
General and administrative	305	357	8.7%	(52)	-14.6%
Interest expense	2	-	0.1%	2	100.0%
Bad debt expense	81	-	2.3%	81	100.0%
Depreciation and amortization	41	19	1.2%	22	115.8%
Total expenses	$ 3,488	$ 3,832	100.0%	$ (344)	-9.0%



Other State of Illinois Debt Fund – The purpose of this fund is to account for bond proceeds, principal and interest payments, bonds and notes receivable transactions, and other debt related activity for other entities within the State of Illinois' reporting entity. The vast majority of the transactions of this debt fund are attributable to the SRF Bonds conduit bonds. The fund also collects interest and principal payments from the participating borrowers and makes debt service payments on the bonds. All activity in this fund is of a conduit nature (but not within the definition of conduit debt under GAAP) on behalf of the other State agencies and/or component units. Interest income from loans totaled $43.6 million versus $41.2 million from Fiscal Year 2021, an increase of $2.4 million or 5.9%. This increase results from the additional loans made in 2022 to the IEPA using SRF Bond proceeds. Interest and investment income increased in this fund by $288 thousand or 67.3%, due to the increase in interest rates. Overall, revenues in this fund were $44.4 million or 6.6% higher than Fiscal Year 2021. The ending net position for this fund is zero.

Amounts in Thousands

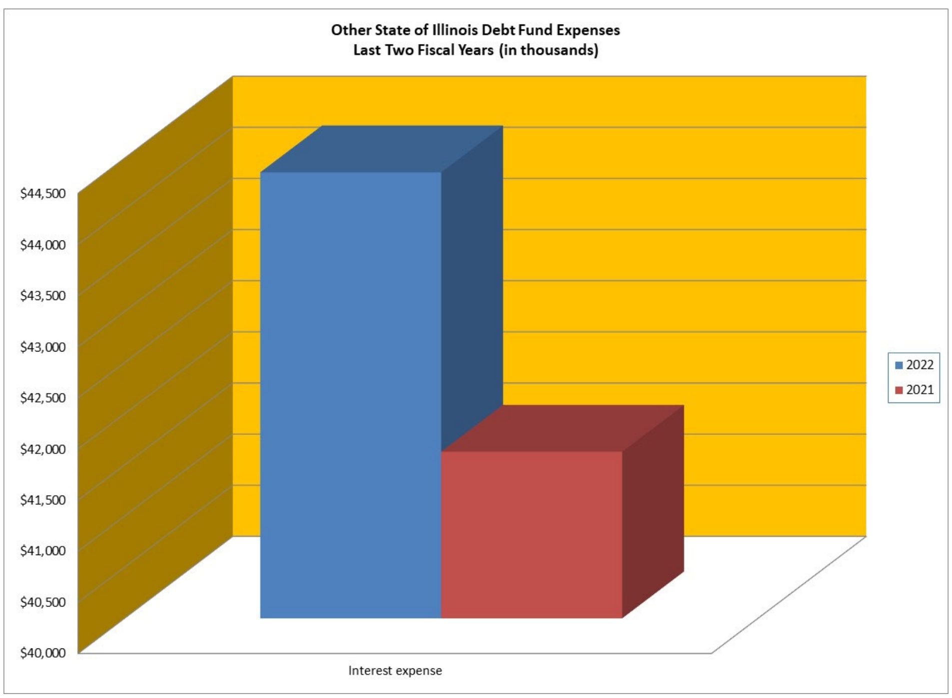
	2022	2021	2022 % of Total	Increase from 2021 ($)	Increase from 2021 (%)
Interest income loans	$ 43,645	$ 41,201	98.4%	$ 2,444	5.9%
Interest and investment income	716	428	1.6%	288	67.3%
Total revenues	$ 44,361	$ 41,629	100.00%	$ 2,732	6.6%



Interest expense in the fund totaled $44.4 million, which is an increase of $2.7 million from Fiscal Year 2021. The increase is attributable to the issuance of the 2020 SRF Green Bonds. Other financial activity of these State agencies is included on the financial statements of the primary government.

Amounts in Thousands

	2022	2021	2022 % of Total	Increase from 2021 ($)	Increase from 2021 (%)
Interest expense	$ 44,361	$ 41,629	100.0%	$ 2,732	6.6%
Total expenses	$ 44,361	$ 41,629	100.0%	$ 2,732	6.6%



<u>Nonmajor Funds</u> - As of June 30, 2022, the Authority's nonmajor funds in aggregate reported unrestricted net position of $4.6 million and restricted net position of $60.8 million, for a total net position of $65.4 million. The net position restricted in the nonmajor funds is for locally held agricultural guarantees, public safety, and low-income community investments.

Economic Factors, Decisions and Conditions

All Funds - The Authority receives revenues from the issuance of conduit bonds, generally federally tax-exempt; the occasional issuance of taxable conduit bonds; interest on loans; and investment income. Other than PACE bonds and the occasional taxable conduit bond, the economic benefit of conduit bonds issued by the Authority is federal, not State: interest paid on conduit bonds qualified under the federal tax code is exempt from federal income tax, generally resulting in a lower interest rate for the conduit borrower and federally tax-exempt income for the bondholder. Conduit bond debt does not constitute indebtedness or an obligation, general or moral, or a pledge of the full faith or a loan of credit of the Authority, the State, or any political subdivision thereof.

During this fiscal year, the Authority issued more than $2.3 billion of conduit debt. Despite a challenging year for the issuance of conduit bonds, three new federally tax-exempt bond borrowers issued through the Authority: ***A.I.M (Art in Motion)***, a charter school, ***Howard Brown Health Center***, a human services & health provider, and ***Clark-Lindsey Village Inc., and Clark-Lindsey Holdings, Inc.,*** a senior living facility.

Taxable PACE bonds, issued by the Authority under the PACE Act and in accordance with the Act, represent an emerging conduit financial product for the Authority. Commercial Property Assessed Clean Energy ("C-PACE") financing provides enhanced security for the lender compared to the security provided by a mortgage, represented by a special assessment lien on parity with a property tax without relying on any federal or State public subsidy, and generally a lower interest rate for the borrower. As discussed in prior audits, C-PACE financing is a focus of the Authority's *Transformation Initiative* and *Climate Process*.

All record owners that utilize C-PACE financing are new borrowers to the Authority. Between November 2019 and June 30, 2022, the Authority issued PACE bonds in the aggregate principal amount of $72.4 million on behalf of eight PACE projects. Importantly, the Authority issued PACE bonds for four of these eight PACE projects between July 1, 2021 and June 30, 2022.

The Authority reported an ending Fiscal Year 2022 net position of $123.8 million representing a decline of $375 thousand or 0.3% from the previous fiscal year. The decline in the Authority's net position in Fiscal Year 2022 resulted from:

- the continuing negative impact of the COVID-19 Pandemic combined with longer-term trends across economic sectors served by the Authority;
- a decline in the Authority's investment earnings due to market volatility;
- the continuing negative impact on Authority revenues of certain provisions of the federal Tax Cuts and Jobs Act ("TCJA"; effective January 1, 2018) which partially eliminated the economic advantage of conduit bonds for both the borrowers and bondholders; and
- in the second half of the fiscal year, Russia's unilateral war against Ukraine, the rising inflation caused by Russia's war, and the rise in interest rates to combat inflation, all of which created uncertainty and volatility that negatively impacted the decisions of borrowers to move forward with conduit bond transactions, thus diminishing the Authority's revenues.

TCJA reduced the federal corporate income tax rate from 35% to 21% thereby substantially increasing the minimum principal amount of debt necessary to justify the issuance of tax-exempt bonds to finance a project. TCJA had a particularly adverse impact on Authority issuance volume and revenues for projects (both industrial and not-for-profit) of less than $10 million. Since TCJA, the Authority has issued no new industrial revenue bonds. TCJA's elimination of advance refunding, a way to refinance tax-exempt conduit bonds, also negatively impacted Authority revenues, particularly in the first half of the fiscal year before the interest rates increases by the Federal Reserve.

TCJA and the COVID-19 Pandemic exacerbated existing negative trends with respect to the issuance of conduit bonds across the Authority's various economic sectors. Not-for-profit healthcare traditionally is a major driver of the Authority's conduit bond issuance volume and revenues. The aftermath of the COVID-19 Pandemic has continued to generally challenge the healthcare sector. The years-long and ongoing

national trend towards consolidation in the non-profit healthcare sector as well as the shift in consumer preference from traditional hospital-based care to lower cost alternatives such as urgent or ambulatory care, has reduced the number of individual potential healthcare borrowers with projects that qualify for federally tax-exempt conduit bonds.

Not-for-profit education, both at the college/university level and the pre-K through grade 12 levels, continues to be strained due to rising costs/tuition and declining demographic trends.

On September 15, 2021, the Climate and Equitable Jobs Act ("CEJA"; Public Act 102-662) became State law. Generally, with respect to the Authority, CEJA designated the Authority as the Climate Bank and provided related powers discussed in the Transmittal Letter. The designation of the Authority as the Climate Bank represents the next step in the Authority's *Transformation Initiative* and *Climate Process* discussed in prior audits.

During this fiscal year, the Authority received no funds from the federal government. Other than the ongoing negative impact of TCJA on federally tax-exempt conduit bonds, changes to federal law did not impact the Authority. During this fiscal year, the Authority did not receive any State appropriations from the Illinois General Assembly in connection with CEJA or to otherwise support its operations, products, and programs[1].

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: https://www.il-fa.com/public-access/financial-reports/2022 for a complete copy of this report and other financial information.

[1] The Authority's locally-held General Fund represents both retained earnings since the creation of the Authority and funds transferred by operation of law from predecessor entities, both effective as of January 1, 2004. See, Public Act 93-205. The following Authority funds originated in legacy appropriations: (1) Illinois Housing Partnership, originally appropriated to predecessor, Illinois Development Finance Authority ("IDFA"); (2) Industrial Project Insurance Bond Fund, originally appropriated to predecessor, IDFA; (3) Illinois Agricultural Loan Guarantee Fund – with State Treasury, originally appropriated to predecessor, Illinois Farm Development Authority; (4) Illinois Farmer Agribusiness Loan Guarantee Fund – with State Treasury, originally appropriated to predecessor, Illinois Farm Development Authority; (5) Fire Truck Revolving Loan Fund; Public Act 097-091 with prior legislation, and (6) Ambulance Revolving Loan Fund; Public Act 097-091, with prior legislation.

State of Illinois
Illinois Finance Authority
(A Component Unit of the State of Illinois)

Statement of Net Position
June 30, 2022

	General Operating Fund	Other State of Illinois Debt Fund	Nonmajor Funds	Total Business-Type Activities
ASSETS				
Current assets:				
Current unrestricted assets:				
Cash and cash equivalents	$ 3,532,815	$ -	$ 22,909	$ 3,555,724
Investments	37,850,293	-	2,164,717	40,015,010
Accounts receivable, net	873	-	-	873
Loans receivable, net	590,650	-	1,032,203	1,622,853
Accrued interest receivable	302,612	-	8,991	311,603
Bonds and notes receivable	709,800	-	-	709,800
Due from other funds	787,031	-	-	787,031
Prepaid expenses	94,674	-	-	94,674
Total current unrestricted assets	43,868,748	-	3,228,820	47,097,568
Current restricted assets:				
Cash and cash equivalents	-	510,445,098	1,965,178	512,410,276
Investments	-	143,626,964	12,093,360	155,720,324
Securities lending collateral equity with the State Treasurer	-	-	3,020,000	3,020,000
Accrued interest receivable	-	245,851	86,064	331,915
Loans receivable, net	-	-	5,966,900	5,966,900
Total current restricted assets	-	654,317,913	23,131,502	677,449,415
Total current assets	43,868,748	654,317,913	26,360,322	724,546,983
Noncurrent assets:				
Noncurrent unrestricted assets:				
Investments	3,229,639	-	-	3,229,639
Loans receivable, net	7,394,657	-	1,720,340	9,114,997
Bonds and notes receivable	4,256,847	-	-	4,256,847
Capital assets, net of accumulated depreciation	13,261	-	-	13,261
Leases, right-of-use	37,454	-	-	37,454
Total noncurrent unrestricted assets	14,931,858	-	1,720,340	16,652,198
Noncurrent restricted assets:				
Cash and cash equivalents	-	-	19,202,080	19,202,080
Accrued interest receivable	-	-	18,000	18,000
Loans receivable, net	-	-	21,950,208	21,950,208
Bonds and notes receivable from primary government	-	1,370,727,787	-	1,370,727,787
Total noncurrent restricted assets	-	1,370,727,787	41,170,288	1,411,898,075
Total noncurrent assets	14,931,858	1,370,727,787	42,890,628	1,428,550,273
Total assets	$ 58,800,606	$ 2,025,045,700	$ 69,250,950	$ 2,153,097,256

(Continued)

State of Illinois
Illinois Finance Authority
(A Component Unit of the State of Illinois)

Statement of Net Position (Continued)
June 30, 2022

	General Operating Fund	Other State of Illinois Debt Fund	Nonmajor Funds	Total Business-Type Activities
LIABILITIES				
Current liabilities:				
Payable from unrestricted current assets:				
Accounts payable	$ 91,208	$ -	$ 313	$ 91,521
Accrued liabilities	61,023	-	-	61,023
Due to other funds	-	-	302,000	302,000
Due to employees	116,020	-	-	116,020
Lease liability	21,751	-	-	21,751
Due to primary government	1	-	-	1
Unearned revenue, net of accumulated amortization	95,601	-	-	95,601
Total current liabilities payable from unrestricted current assets	385,604	-	302,313	687,917
Payable from restricted current assets:				
Accounts payable	-	-	9,806	9,806
Due to other funds	-	-	485,031	485,031
Obligation under securities lending of the State Treasurer	-	-	3,020,000	3,020,000
Accrued interest payable	-	41,319,031	-	41,319,031
Bonds and notes payable, primary government	-	103,460,000	-	103,460,000
Other liabilities	-	85,515	-	85,515
Total current liabilities payable from restricted current assets	-	144,864,546	3,514,837	148,379,383
Total current liabilities	385,604	144,864,546	3,817,150	149,067,300
Noncurrent liabilities:				
Payable from unrestricted noncurrent assets:				
Lease liability	15,703	-	-	15,703
Noncurrent payables	585	-	-	585
Total noncurrent liabilities payable from unrestricted noncurrent assets	16,288	-	-	16,288
Payable from restricted noncurrent assets:				
Bonds and notes payable, primary government	-	1,621,595,000	-	1,621,595,000
Unamortized bond premium	-	258,586,154	-	258,586,154
Total noncurrent liabilities payable from restricted noncurrent assets	-	1,880,181,154	-	1,880,181,154
Total noncurrent liabilities	16,288	1,880,181,154	-	1,880,197,442
Total liabilities	401,892	2,025,045,700	3,817,150	2,029,264,742
NET POSITION				
Investment in capital assets	50,715	-	-	50,715
Restricted for:				
Industrial revenue debt and agricultural guarantees	-	-	12,341,538	12,341,538
Public safety loans	-	-	29,213,877	29,213,877
Agricultural and rural development loans	-	-	19,220,080	19,220,080
Low income community investments	-	-	11,458	11,458
Unrestricted	58,347,999	-	4,646,847	62,994,846
Total net position	$ 58,398,714	$ -	$ 65,433,800	$ 123,832,514

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, 2022

	General Operating Fund	Other State of Illinois Debt Fund	Nonmajor Funds	Total Business-Type Activities
Operating revenues:				
Closing fees	$ 2,154,723	$ -	$ -	$ 2,154,723
Annual fees	187,205	-	-	187,205
Administrative service fees	205,650	-	-	205,650
Application fees	23,400	-	-	23,400
Miscellaneous fees	450	-	-	450
Interest income - loans	363,735	43,645,263	189,921	44,198,919
Other revenue	1,097	-	-	1,097
Total operating revenues	2,936,260	43,645,263	189,921	46,771,444
Operating expenses:				
Employee related expenses	1,881,522	-	-	1,881,522
Professional services	1,015,162	-	20,652	1,035,814
Occupancy costs	162,471	-	-	162,471
General and administrative	305,399	-	-	305,399
Interest expense	1,493	44,361,123	-	44,362,616
Bad debt expense	80,967	-	-	80,967
Depreciation and amortization	41,121	-	-	41,121
Total operating expenses	3,488,135	44,361,123	20,652	47,869,910
Operating (loss) income	(551,875)	(715,860)	169,269	(1,098,466)
Nonoperating revenues:				
Transfers of funds and interest in program from the State of Illinois	-	-	48,450	48,450
Interest and investment income	(113,762)	715,860	72,592	674,690
Total nonoperating revenues	(113,762)	715,860	121,042	723,140
Change in net position	(665,637)	-	290,311	(375,326)
Net position - beginning of year	59,064,351	-	65,143,489	124,207,840
Net position - end of year	$ 58,398,714	$ -	$ 65,433,800	$ 123,832,514

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, 2022

	General Operating Fund	Other State of Illinois Debt Fund	Nonmajor Funds	Total Business-Type Activities
Cash flows from operating activities:				
Cash received for fees and other	$ 2,594,811	$ -	$ -	$ 2,594,811
Cash payments for employee services	(1,899,050)	-	-	(1,899,050)
Cash payments to suppliers for goods and services	(1,483,093)	-	(20,139)	(1,503,232)
Net cash used in operating activities	(787,332)	-	(20,139)	(807,471)
Cash flows from noncapital financing activities:				
Bonds and notes principal payments	-	(98,505,000)	-	(98,505,000)
Interest payments	-	(86,402,742)	-	(86,402,742)
Permanent capital transfer from the State	-	-	48,450	48,450
Due from other funds	(787,014)	-	-	(787,014)
Due to other funds	-	-	787,014	787,014
Net cash (used in) provided by noncapital financing activities	(787,014)	(184,907,742)	835,464	(184,859,292)
Cash flows from capital and related financing activities:				
Lease payments	(24,307)	-	-	(24,307)
Net cash used in capital and related financing activities	(24,307)	-	-	(24,307)
Cash flows from investing activities:				
Purchase of investments	(34,398,803)	(2,322,457,481)	(12,829,213)	(2,369,685,497)
Maturity and sales of investments	24,490,023	2,437,839,715	7,542,571	2,469,872,309
Interest and dividends on investments	435,628	3,171,290	199,444	3,806,362
Cash received for interest on loans	387,504	43,645,262	57,640	44,090,406
Cash received on loans receivable and guarantees	4,970,669	493,732,516	3,125,855	501,829,040
Cash payments on loans receivable and guarantees	(325,971)	(528,734,067)	(8,384,000)	(537,444,038)
Net cash provided by (used in) investing activities	(4,440,950)	127,197,235	(10,287,703)	112,468,582
Net decrease in cash and cash equivalents	(6,039,603)	(57,710,507)	(9,472,378)	(73,222,488)
Cash and cash equivalents - beginning of year	9,572,418	568,155,605	30,662,545	608,390,568
Cash and cash equivalents - end of year	$ 3,532,815	$ 510,445,098	$ 21,190,167	$ 535,168,080

(Continued)

State of Illinois
Illinois Finance Authority
(A Component Unit of the State of Illinois)

Statement of Cash Flows (Continued)
For the Year Ended June 30, 2022

	General Operating Fund	Other State of Illinois Debt Fund	Nonmajor Funds	Total Business-Type Activities
Reconciliation of operating (loss) income to net cash used in operating activities:				
Operating (loss) income	$ (551,875)	$ (715,860)	$ 169,269	$ (1,098,466)
Adjustments to reconcile operating (loss) income to net cash used in operating activities:				
Depreciation and amortization	41,121	-	-	41,121
Interest on loans	(363,735)	(43,645,263)	(189,921)	(44,198,919)
Interest expense	1,493	44,361,123	-	44,362,616
Bad debt recoveries	80,967	-	-	80,967
Changes in assets and liabilities:				
Accounts receivable	22,285	-	-	22,285
Prepaid expenses	39,937	-	-	39,937
Accounts payable and accrued liabilities	(51,889)	-	513	(51,376)
Due to employees	(5,636)	-	-	(5,636)
Net cash used in operating activities	$ (787,332)	$ -	$ (20,139)	$ (807,471)

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 - Custodial Fund
June 30, 2022

	Metro East Police District Commission Fund
Assets	
Current assets:	
Cash and cash equivalents	$ 5,027
Liabilities	
Current liabilities:	
Other liabilities	$ 5,027

See accompanying notes to the basic financial statements.

State of Illinois
Illinois Finance Authority
(A Component Unit of the State of Illinois)

Statement of Changes in Fiduciary Net Position - Custodial Fund
June 30, 2022

		Metro East Police District Commission Fund
Additions		
Fines	$	86
Interest income		9
Total additions		95
Deductions		-
Total deductions		-
Net Increase in fiduciary net position		95
Net position - July 1, 2021		4,932
Net position - June 30, 2022	$	5,027

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 composed of 15 volunteer Members appointed by the Governor and confirmed with the advice and consent of the Senate. The Governor directly appoints the Authority Chair.

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 Annual Comprehensive Financial Report. 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, as the Authority is the sole member of the corporation that compromises the activity of the fund.

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, liabilities, deferred inflows, net position, revenues, transfers, and expenses, as appropriate. The emphasis on fund financial statements is on major proprietary funds (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;
- 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; and
- Primary Government Borrowing Fund - Accounts for monies received from the state vendor receivables program.

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.

Note 1. Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

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 custodial fund of the Authority. All moneys received by the Metro East Police District Commission ("Commission") were deposited into the Fund. The Authority and the 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 custodial funds.

Custodial funds, such as the Fund are used to report resources held in a purely custodial capacity. Custodial funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. The Metro East Police District Act, Public Act 97-971, was repealed by operation of law on December 31, 2019. Public Act 97-971 did not provide for a successor entity following the repeal of this Act. The Authority maintains the remaining funds in the amount of $5,027 in a custodial capacity until such time as the General Assembly provides further direction to the Authority with respect to the disposition of the remaining funds originally authorized under Public Act 97-971. Neither the Authority Act nor Public Act 97-971 grant power to the Authority to use or direct the remaining funds following the repeal of Public Act 97-971.

Illinois Finance Authority Development Fund NFP - In August 2013, the Authority 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) members 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 one or more 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.

Note 1. Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

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.

The IFADF did not apply for an allocation in Fiscal Year 2022. As of June 30, 2022, restricted net position of the IFADF, which is presented as part of the nonmajor funds, is $11,458.

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 Money Market Mutual Funds and repurchase agreements 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 9 - long-term obligations and Note 11 - commitments and contingencies.

Investments

Investments in marketable securities are reported at fair value based on quoted market prices.

Note 1. Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, Deferred Inflows, Deferred Outflows and Net Position (Continued)

Issuance Costs and Premium and Revenue

Since 2013 the Authority received premiums on its Illinois Environmental Protection Agency Clean Water Bonds of $435,352,165. The Authority is amortizing these issuance premiums using the approximate effective interest method on all issued bond series except for the State of Illinois Revolving Fund, Series 2013 (Clean Water Initiative) for which the bond outstanding method is used. 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.

Activity related to unamortized premium for the year ended June 30, 2022, consisted of the following:

Balance June 30, 2021	Additions	Deletions	Balance June 30, 2022
$ 298,164,437	$ -	$ 39,578,284	$ 258,586,153

Interfund Transactions

The Authority has the following types of interfund transactions:

<u>Loans and Advances</u> – 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.

<u>Reimbursements</u> – This represents repayments from the funds responsible for particular expenses to the funds that initially paid for them. Reimbursements are reported as expenses in the reimbursing fund and as a reduction of expenses in the reimbursed fund.

<u>Transfers</u> – 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 8 to the financial statements.

Note 1. Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, Deferred Inflows, Deferred Outflows and Net Position (Continued)

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, 2022, consisted of the following:

Balance June 30, 2021	Earned	Paid	Balance June 30, 2022	Due Within One Year
$ 121,656	$ 92,745	$ 98,381	$ 116,020	$ 116,020

Full-time employees are awarded five full days of paid sick leave for use in that year. Full-time employees hired between July 1st and December 31st will receive five full days of paid sick leave for use in that year. Full-time employees hired between January 1st and June 30th will receive three full days of paid sick leave.

Healthcare Benefits

The Authority offers healthcare, dental, and vision benefits to employees and their dependents. Employees can choose either an HMO plan or a PPO plan. The Authority pays for a percentage of the cost of the premium ranging from 82.50% for employees choosing family coverage to 90% for employees choosing coverage for themselves only. The employees pay the remaining premium cost.

The Authority's retirees are not eligible to participate in the Authority's healthcare plan. Thus, the Authority does not have a post-employment benefit obligation.

Note 1. Summary of Significant Accounting Policies (Continued)

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 2022.

Net Position

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

Investment in Capital Assets - This component consists of capital assets, net of accumulated depreciation. As of June 30, 2022, the Authority had investments in capital assets of $50,715.

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, 2022, the Authority had restricted net position of $60,786,953 of which $60,775,495 is restricted by State law.

Unrestricted - This component consists of all other net position that do not meet the definition of "restricted" or "investment in capital assets." As of June 30, 2022, the Authority had unrestricted net position of $62,994,846.

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.

Note 1. Summary of Significant Accounting Policies (Continued)

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 participated 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, 2022, the aggregate amount of conduit debt outstanding is approximately $20.8 billion.

Adopted Accounting Standards

During Fiscal Year 2022, the Authority adopted the following governmental accounting standards:

- GASB Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of government's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. The effect of the changes incorporated in the Authority's financial statements are described in Note 8 and Note 10.

- GASB Statement No. 92, *Omnibus 2020*. This Statement addresses practice issues that have been identified during implementation and application of certain GASB statements and other technical pronouncements. The Statement addresses a variety of topics. The Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

- GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. This Statement will result in more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. The requirements also will enhance the relevance, consistency, and comparability of (1) the information related to Section 457 plans that meet the definition of a pension plan and the benefits provided through those plans and (2) investment information for all Section 457 plans. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

Note 1. Summary of Significant Accounting Policies (Continued)

New Accounting Standards

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

- GASB Statement No. 91, Conduit Debt Obligations. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issues, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. It clarifies the existing definition of a conduit debt obligation; established that a conduit debt obligation is not a liability of the issuer; established standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statements are effective for reporting periods beginning after December 15, 2021.

- GASB Statement No. 99, *Omnibus 2022.* This Statement addresses practice issues that have been identified during implementation and application of certain GASB Statements and accounting and financial reporting for financial guarantees. The Statement addresses a variety of topics. This Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022 except for the requirements related to financial guarantees and the classification and reporting of derivative instruments which are effective for reporting periods beginning after June 15, 2023.

- GASB Statement No. 100, *Accounting Changes and Error Corrections-An Amendment of GASB Statement No. 62.* The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. It will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections. The requirements of this Statement are effective for accounting changes and error corrections made in reporting periods beginning after June 15, 2023.

- GASB Statement No. 101, *Compensated Absences.* The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2023 and all reporting periods thereafter.

Note 2. Stewardship, Compliance and Accountability

The Authority does not receive any State-appropriated tax dollars to support its operations. The Authority supports its operations from fees charged when the Authority issues conduit, primarily federally tax-exempt bonds as well as from interest and fees collected from certain loans and investments. The Authority adopts an annual budget for the General Operating Fund at its June meeting in advance of the next fiscal year.

Note 2. Stewardship, Compliance and Accountability (Continued)

The Authority is the steward of two State of Illinois non-appropriated funds, the Illinois Agricultural Loan Guarantee Fund (Fund 994) and the Illinois Farmer Agribusiness Loan Guarantee Fund (Fund 205) held by the Illinois State Treasurer. Fund 994 and Fund 205 are restricted by State law and back the Authority's loan guarantee programs that support Illinois agriculture. The Authority is also the steward for the locally held Fire Truck Revolving Loan Fund and Ambulance Revolving Loan Fund also restricted by State law. The Authority administers the Illinois Housing Partnership Fund and the Industrial Project Insurance Fund which are locally held and restricted by State law.

The Authority participates in an annual financial audit and a biennial compliance examination conducted by the State of Illinois Office of the Auditor General. The Authority's full-time program of internal audit is conducted by the Bureau of Internal Audit of the Illinois Department of Central Management Services ("CMS") under an agreement between the Authority and CMS. It is an ongoing Authority priority to maintain and enhance appropriate internal controls and to appropriately comply with all regulatory and statutory mandates.

Note 3. Cash, Deposits and Investments

Cash, Deposits and Investments

Cash and investments as of June 30, 2022, are classified in the accompanying basic financial statements as follows:

Cash and cash equivalents - unrestricted	$ 3,555,724
Cash and cash equivalents - fiduciary fund	5,027
Cash and cash equivalents - restricted current assets	512,410,276
Cash and cash equivalents - restricted noncurrent assets	19,202,080
Investments - unrestricted current assets	40,015,010
Investments - unrestricted noncurrent assets	3,229,639
Investments - restricted current assets	155,720,324
Total	$ 734,138,080

Cash and investments as of June 30, 2022, consist of the following:

Deposits with financial institutions	$ 232,802
Deposits with State of Illinois Treasurer	19,855,767
Investments	714,049,511
Total	$ 734,138,080

Note 3. Cash, Deposits and Investments (Continued)

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 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:

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.

Note 3. Cash, Deposits and Investments (Continued)

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, 2022, the weighted average maturities of the Authority's investments were:

Investment Type	June 30, 2022	Weighted Average Maturity (in years)
U.S. Treasury notes	$ 7,910,682	0.43
U.S. Treasury bills	44,961,154	0.06
Cash management bills	2,791,091	0.21
U.S. Government agency securities	87,391,505	0.21
Money market mutual funds	513,657,367	N/A
Commercial paper	40,436,892	0.08
Corporate debt securities	15,473,652	0.35
Repurchase agreements	1,427,168	N/A
Total	$ 714,049,511	

Note 3. Cash, Deposits and Investments (Continued)

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, 2022	S & P	Moody's	Fitch
U.S. Treasury notes	$ 7,910,682	AA+	Aaa	-
U.S. Treasury bills	44,961,154	AA+	Aaa	-
U.S. Cash management bills	2,791,090	AA+	Aaa	-
U.S. Government agency securities	87,391,505	AA+	Aaa	-
Money market mutual funds	512,657,103	AAA	Aaa	-
Money market mutual funds	1,000,265	-	-	AAAmmf
Commercial paper	20,389,770	A-1+	P-1	-
Commercial paper	18,469,388	A-1	P-1	-
Commercial paper	1,577,734	A	A2	-
Corporate debt securities	2,825,000	A-1+	P-1	-
Corporate debt securities	2,709,665	A+	A2	-
Corporate debt securities	395,027	A+	A3	-
Corporate debt securities	3,248,889	A	A2	-
Corporate debt securities	543,867	A	A3	-
Corporate debt securities	2,254,822	A-	A1	-
Corporate debt securities	175,270	A-	A2	-
Corporate debt securities	2,276,010	A-	A3	-
Corporate debt securities	1,045,102	BBB+	A1	-
Repurchase agreements	1,427,168	AAA	Aaa	-
Total	$ 714,049,511			

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.

Note 3. Cash, Deposits and Investments (Continued)

Concentration of Credit Risk (Continued)

- 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, 2022, investments in any one issuer (other than U.S. Treasury securities 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	$ 80,269,586

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.

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, 2022, the Authority had invested $1,427,168 under this agreement. The underlying securities are held by Bank of America's safekeeping department.

Note 4. Fair Value Measurement

In accordance with GASB 72, the Authority's investments are measured and reported at fair value. 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. Investments are classified according to the following hierarchy.

Level 1 – Investments reflect prices quoted in active markets.
Level 2 – Investments reflect prices that are based on similar observable assets either directly or indirectly, which may include inputs in markets that are not considered to be active.
Level 3 – Investments reflect prices based upon unobservable sources.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

Fair value of the Authority's U.S. Treasury notes, repurchase agreements, and money market mutual funds are determined by the Authority from observable market quotations as provided by the Authority's custodian bank.

Fair value of the Authority's U.S. Government agency securities, municipal debt and corporate debt securities are provided by its custodial bank. The prices are derived from inputs that are directly observable for an asset based on similar assets, as well as inputs that are not directly observable and are derived from observable market data.

The following table presents the Authority's fair value hierarchy for those assets measured at fair value on a recurring basis as of June 30, 2022.

Assets Investments	Total	Level 1	Level 2	Level 3
U.S. Treasury notes	$ 7,910,682	$ 7,910,682	$ -	$ -
U.S. Treasury bills	44,961,154	44,961,154	-	-
Cash management bills	2,791,091	2,791,091	-	-
U.S. Government agency securities	87,391,505	-	87,391,505	-
Commercial paper	40,436,892	-	40,436,892	-
Corporate debt securities	15,473,652	-	15,473,652	-
Repurchase agreements	1,427,168	1,427,168	-	-
Money market mutual funds	513,657,367	513,657,367	-	-
Total Investments	$ 714,049,511	$ 570,747,462	$ 143,302,049	$ -

Note 5. Securities Lending Transactions

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

During fiscal year 2022, 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 2022 on the amount of the loans of available, 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. There were no losses during fiscal year 2022 resulting from a default of the borrowers or Deutsche Bank AG.

During fiscal year 2022, 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.

The securities lending collateral received that was invested in repurchase agreements allocated to the Illinois Agricultural Loan Guarantee and Illinois Farmer Agribusiness Loan Guarantee Fund was $1,693,000 and $1,327,000, respectively, as of June 30, 2022.

Note 6. Bonds, Notes and Loans Receivable

The Authority administers a variety of lending programs including direct lending and participation loans. 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 administers 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. The fund is also authorized to make loans per Public Act 100-919. On November 14, 2019, Senate Bill 1300 (Public Act 101-0610, effective date, January 1, 2020, "SB 1300") passed both chambers of the Illinois General Assembly. SB 1300 created two new investment funds: the Police Officers' Pension Investment Fund and the Firefighters' Pension Investment Fund. Through the creation of these funds, and the consolidation of the $14.2 billion of associated pension assets, the downstate and suburban police and fire fund system will go from 650 investment portfolios, to two. The Authority plays a critical role in consolidation of these funds. SB 1300 authorized the Authority to lend, and each of two funds to borrow, up to $7.5 million in capital (for a combined total up to $15 million) to be used for start-up expenses. Loans to the Police Officers' Pension Investment Fund and the Firefighters' Pension Investment Fund were made during the year and the total loan outstanding as of June 30, 2022 was $2,752,543.

Note 6. Bonds, Notes and Loans Receivable (Continued)

Industrial Project Insurance Fund - The Authority administers the Industrial Project Insurance Fund which was established to give small and midsize businesses access to Industrial Revenue Bond funds at advantageous rates as set forth in Public Act 93-205 (as originally established by Public Act 83-965) (the Fund). The Fund is also authorized to make loans per Public Act 100-919. Additionally, the Industrial Project Insurance Fund is one of the funds allowed to originate loans to the Police Officers' Pension Investment Fund and the Firefighters' Pension Investment Fund under SB 1300. Loans to the Firefighters' Pension Investment Fund were made during the year and the total loan outstanding as of June 30, 2022, was $9,768,825.

Participation Loan Program - The Authority allows for the purchase of a bank loan to finance the purchase of land and/or buildings or fixtures as well as the 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, 2022, were $401,059 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 direct loan pilot program designed to provide student loans for eligible applicants to medical and dental schools in Illinois. The loans are offered at zero percent interest provided a student meets a service obligation of practicing full-time in a qualified, medically underserved Illinois community in certain medical specialties for each year of medical school financed by the loan program. If the service obligation is not fulfilled, the interest rate of the loan increases to 10.82% retroactively to the date of each disbursement. Loan payments commence upon completion of a student's service obligation and full payment is due within 10 years of completion of the service obligation. There are no loan payments due yet under this program. This program was funded by $1.6 million in unrestricted monies transferred from the Authority's General Operating Fund, in July 2014, and another $1.2 million transferred in March 2016. Total loans outstanding as of June 30, 2022, were $3,143,031 within the General Operating Fund.

Natural Gas Loan Program - At a Special Board Meeting held on February 25, 2021, the Members of the Authority responded to Governor Pritzker's Gubernatorial Disaster Proclamation and a call to assist communities facing unprecedented spikes in natural gas prices during the month of February by passing a resolution authorizing the $15,000,000 Local Government Energy Loan Program. This loan program allows impacted municipalities to spread the payment across a more manageable timeframe without placing an overwhelming burden on their residents or businesses. This loan program provides 1% interest rate loans and must be repaid within 3 years. In Fiscal Year 2021, 14 loans were issued for an aggregate amount of $7,922,000. Total loans outstanding as of June 30, 2022, were $3,800,543.

Note 6. Bonds, Notes and Loans Receivable (Continued)

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. Public Act 100-987, effective August 20, 2018, amended the Illinois Vehicle Code by repealing, among others, Sections 16-104d, and 16-104d-1 (625 ILCS 5/16-104d and 25 ILCS 5/16-104d-1. During the fiscal year, no new loans were issued. Total loans outstanding as of June 30, 2022, were $16,177,488 within the Locally Held Fire Truck Revolving Loan Fund, a nonmajor fund.

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 $200,000 and must be repaid within 10 years. The program was originally funded by an appropriation of $4,000,000 received 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 debt. During the fiscal year, no new loans were issued. Total loans outstanding as of June 30, 2022, were $1,970,795 within the Locally Held Ambulance Revolving Loan Fund, a nonmajor fund.

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, 2022, were $736,663 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, which were fully paid off in a prior fiscal year. Total loans outstanding as of June 30, 2022, were $4,966,647 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 expand capacity for and to fund the Illinois Clean Water and Drinking Water revolving loan program administered by the State of Illinois, Environmental Protection Agency. This program was funded by the issuance of revenue bonds. Further information on these revenue bonds can be found in Note 9 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, 2022, were $1,370,727,787 in the Other State of Illinois Debt Fund.

Note 6. Bonds, Notes and Loans Receivable (Continued)

Allowance for Doubtful Accounts

The allowance for doubtful accounts for all loans and notes receivable on June 30, 2022, 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. Under the DACA Loan Program, the Authority provides a general reserve at approximately 2.7% of the principal balance. Loans in the Fire Truck Revolving Loan Program, Ambulance Revolving Loan Program, Local Government Financing Assistance Program, Local Government Borrowing Program, and Loans with Primary Government and Component Units of the State of Illinois 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, 2022, consisted of the following:

	Fund	All Receivables June 30, 2022	Allowance for Doubtful Accounts	Net Receivable June 30, 2022
Accounts Receivable	General Operating	$ 7,911	$ (7,038)	$ 873
DACA Loan Program	General Operating	3,143,031	(84,861)	3,058,170
Direct Lending Participation Program	General Operating	401,059	(11,128)	389,931
Local Government Financing Assistance Program	General Operating	4,966,647	-	4,966,647
Local Government Borrowing Program	General Operating	736,663	-	736,663
Natural Gas Loan Program	General Operating	3,800,543	-	3,800,543
Illinois Housing Partnership Program	Nonmajor	2,752,543	-	2,752,543
Industrial Project Insurance Fund	Nonmajor	9,768,825	-	9,768,825
Fire Truck Revolving Loan Program	Nonmajor	16,177,488	-	16,177,488
Ambulance Revolving Loan Program	Nonmajor	1,970,795	-	1,970,795
Loans with the Primary Government and Component Units of the State of Illinois	Other State of Illinois Debt	1,370,727,787	-	1,370,727,787
		$1,414,453,292	$ (103,027)	$1,414,350,265

Note 7. 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. There were no interfund transfers in the year ended June 30, 2022.

Balances Due From/To Other Funds

The following amounts represent balances due to/from major and also nonmajor funds as of June 30, 2022:

	Due from		
Funds	Major Funds	Nonmajor Funds	Description/Purpose
General Operating Fund	$ -	$ 485,000	Due from the Industrial Revenue Bond Fund for the issuance of loans to the Pension funds
General Operating Fund	-	302,000	Due from the Illinois Housing Partnership Fund for the issuance of loans to the Pension funds
General Operating Fund	-	31	Due to from the Illinois Finance Authority Development Not-for-Profit Fund for the payment of annual filing fees
Total	$ -	$ 787,031	

	Due to		
Funds	Major Funds	Nonmajor Funds	Description/Purpose
Nonmajor Funds	$ 787,000	$ -	Due to the General Operating Fund for the issuance of loans to the Pension funds
Nonmajor Funds	31	-	Due to the General Operating Fund for the payment of administrative costs
Total	$ 787,031	$ -	

Note 8. Capital Assets

Capital assets activity for the year ended June 30, 2022, was as follows:

	Balance June 30, 2021	Additions	Deletions	Balance June 30, 2022
Capital assets being depreciated:				
Furniture and equipment	$ 193,874	$ -	$ -	$ 193,874
Leases - Building	58,917	-	-	58,917
Leases - Equipment	33,373	-	-	33,373
Computers	152,450	-	-	152,450
Software	287,799	-	-	287,799
Total capital assets being depreciated	726,413	-	-	726,413
Less: Accumulated depreciation				
Furniture and equipment	192,655	1,440	-	194,095
Leases - Building	22,161	11,719	-	33,880
Leases - Equipment	9,861	11,095	-	20,956
Computers	122,188	16,867	-	139,055
Software	287,712	-	-	287,712
Total accumulated depreciation	634,577	41,121	-	675,698
Capital assets, net of depreciation	$ 91,836	$ (41,121)	$ -	$ 50,715

The Authority's records were reconciled to the records maintained by the Comptroller of the State of Illinois as of June 30, 2022. Depreciation and amortization expense was $41,121.

Note 9. Long-term Obligations

Revenue Bonds Payable

The following schedule details the changes of all revenue bonds payable as of June 30, 2022:

Revenue bonds payable:	Balance June 30, 2021	Additions	(Retirements)	Balance June 30, 2022	Amounts Due Within One Year
Illinois Environmental Protection Agency Clean Water Series 2013	$ 14,470,000	$ -	$ (6,850,000)	$ 7,620,000	$ 5,840,000
Illinois Environmental Protection Agency Clean Water Series 2016	387,105,000	-	(31,495,000)	355,610,000	31,190,000
Illinois Environmental Protection Agency Clean Water Series 2017	490,150,000	-	(29,595,000)	460,555,000	30,865,000
Illinois Environmental Protection Agency Clean Water Series 2019	431,835,000	-	(21,110,000)	410,725,000	22,070,000
Illinois Environmental Protection Agency Clean Water Series 2020	500,000,000		(9,455,000)	490,545,000	13,495,000
	$1,823,560,000	$ -	$ (98,505,000)	$1,725,055,000	$ 103,460,000

Note 9. Long-term Obligations (Continued)

Revenue Bonds Payable (Continued)

The future debt service requirements for revenue bonds as of June 30, 2022, including interest payments are as follows:

Fiscal Year Ending June 30,	Total Outstanding Revenue Bonds Principal	Interest	Total
2023	$ 103,460,000	$ 81,362,313	$ 184,822,313
2024	107,425,000	76,292,588	183,717,588
2025	109,330,000	70,877,088	180,207,088
2026	109,820,000	65,664,438	175,484,438
2027	113,660,000	60,290,763	173,950,763
2028-2032	565,455,000	216,489,588	781,944,588
2033-2037	454,205,000	90,536,919	544,741,919
2038-2042	161,700,000	11,337,725	173,037,725
	$ 1,725,055,000	$ 672,851,422	$ 2,397,906,422

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 of the 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 2042. Principal and interest payments on the bonds are expected to require approximately 100% of these loan revenues. All bonds outstanding at June 30, 2022, 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 - If the Governor has provided written approval, the Authority may issue revenue bonds with the State's pledge of moral obligation or additional security. This credit enhancement is a contingent State taxpayer guarantee. In the event that projected revenues with this pledge are insufficient to pay the principal and interest of or to restore the debt service reserve fund of bonds, the Authority Chair shall certify to the Governor the amount necessary to make up the shortfall. As soon as practicable, the Governor then must submit the certified amount to the General Assembly no later than the end of the current State fiscal year. The General Assembly, however, is under no obligation to appropriate the amount to make up the shortfall necessary to pay the principal and interest of or to restore the debt service reserve fund of bonds with such a pledge.

Note 9. Long-term Obligations (Continued)

Revenue Bonds Payable (Continued)

In Fiscal Year 2022, the Authority did not issue any bonds with a pledge of the State's moral obligation, additional security or any kind of contingent State taxpayer guarantee. As of June 30, 2022, the amount of outstanding bonds issued by the Authority with the State's pledge of moral obligation or additional security was zero.

Component Units and Primary Government - The revenue bonds of the component units and primary government of the State of Illinois issued by the Authority were not enhanced with the State Moral Obligation. Bonds issued by the Authority for the benefit of other agencies and component units of the State of Illinois follow:

State of Illinois Revolving Fund, Series 2020 (Clean Water Initiative/Green Bonds) – The original issue of $500,000,000 dated December 30, 2020, on behalf of the Illinois Environmental Protection Agency's State Revolving Program provides for serial retirement of principal beginning July 1, 2021, and every January 1 and July 1, thereafter, and interest payable on January 1 and July 1 of each year at rates of 4.00% to 5.00%. Final maturity is July 1, 2041.

State of Illinois Revolving Fund, Series 2019 (Clean Water Initiative/Green Bonds) – The original issue of $450,000,000 dated April 3, 2019, on behalf of the Illinois Environmental Protection Agency's State Revolving Program provides for serial retirement of principal beginning July 1, 2020, and every January 1 and July 1, thereafter, and interest payable on January 1 and July 1 of each year at rates of 5.00%. Final maturity is July 1, 2041.

State of Illinois Revolving Fund, Series 2017 (Clean Water Initiative) – The original issue of $560,025,000 dated September 12, 2017, on behalf of the Illinois Environmental Protection Agency's State Revolving Program provides for serial retirement of principal beginning July 1, 2018, and every January 1 and July 1, thereafter, and interest payable on January 1 and July 1 of each year at rates of 5.00%. Final maturity is July 1, 2037.

State of Illinois Revolving Fund, Series 2016 (Clean Water Initiative) – The original issue of $500,000,000 dated September 12, 2016, on behalf of the Illinois Environmental Protection Agency's State Revolving Program provides for serial retirement of principal beginning July 1, 2017, 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, 2036.

State of Illinois Revolving Fund, Series 2013 (Clean Water Initiative) – The original issue of $141,700,000 dated December 5, 2013, on behalf of the Illinois Environmental Protection Agency's State Revolving Program 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.

Note 9. Long-term Obligations (Continued)

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 $200,000. 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 2021, with regards to these deposits, the State of Illinois transferred capital of $120,448 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.

Note 10. Lease Commitments

Total rent expense for all three Illinois Finance Authority locations for the year ended June 30, 2022, was $124,384, including utilities.

State of Illinois, Department of Central Management Services/Michael A. Bilandic Building – The Authority leases on a month-to-month basis office space on 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. Total rent expense for the year ended June 30, 2022, was $108,414.

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, 2019, until June 30, 2023.

One Oaks - The Authority entered into a rental lease agreement for office space for its Mount Vernon Office at 2929 Broadway, Suite #7B in Mount Vernon, Illinois 62864. The initial term of the lease expires on June 30, 2024. 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 2024. Annual base rent payments are approximately $12,661, with utilities charged per the rental agreement.

Equipment Leases - The Authority entered into an equipment lease agreement. The annual base rental payments for this lease are approximately $11,646. 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 $14,730, for the year ended June 30, 2022.

At the time of the initial measurement of these leases, there was no interest rate specified in the original lease agreements. The Authority has used the Authority's effective interest rate of 3.0% to discount the annual lease payments to recognize the intangible right to use asset and the lease liabilities as of June 30, 2022.

At June 30, 2022, right-to-use assets under leases are as follows:

Buildings	$ 58,917
Equipment	33,373
Subtotal	92,290
Less accumulated amortization	(54,836)
Total	$ 37,454

Annual requirements to amortize these lease liabilities as of June 30, 2022, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2023	$ 21,751	$ 802	$ 22,553
2024	15,703	249	15,952
	$ 37,454	$ 1,051	$ 38,505

Note 11. Commitments and Contingencies

Current Federally Assisted Programs

Loan Guarantees

The Authority has a contingent liability regarding the loan guarantees outstanding at June 30, 2022. 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.

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, 2022		
	Illinois Agricultural Loan Guarantee Fund	Illinois Farmer Agribusiness Loan Guarantee Fund	Total
Cash Deposits	$ 10,762,288	$ 8,439,792	$ 19,202,080
<u>Maximum Outstanding Guarantees</u>:			
State Guarantee Program for Restructuring Agricultural Debt	641,707	-	641,707
Specialized Livestock Loan Guarantee Program	-	783,723	783,723
Total	$ 641,707	$ 783,723	$ 1,425,430

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 $3,045,654 at June 30, 2022.

Note 11. Commitments and Contingencies (Continued)

On February 23, 2021, plaintiffs, *Arlington Heights PPF, et al.* filed a complaint for declaratory, injunctive and other relief, in the Circuit Court of Kane County against Governor Pritzker, Authority Executive Director, Acting Department of Insurance Director Severinghaus, in their official capacities as well the two first responder pension investment funds created by SB 1300/Public Act 101-0610 in case no. 21-CH-000055 ("SB 1300 Litigation"). Under Public Act 101-0610, the Authority's role is limited to making loans from Authority funds to the two newly created first responder pension investment funds for start-up costs. Among other allegations, the plaintiffs in the SB 1300 Litigation allege that Public Act 101-0610 violates provisions of the Illinois Constitution of 1970. The complaint seeks a declaration that recent pension legislation be declared unconstitutional. The complaint does not seek monetary relief against the Authority or seek any relief with respect to the assets or property of the Authority. Accordingly, irrespective of the outcome of the case in its present form, the likelihood of a financial impact on the Authority, other than its own defense costs, is remote. As of June 30, 2022, despite ongoing litigation involving FPIF, POPIF, the Authority, and other parties, loans made by the Authority to FPIF and POPIF under P.A. 101-610 are anticipated to be repaid in full.

Note 12. 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 13. Defined Contribution Plan

The Authority's members approved the Illinois Finance Authority Deferred Compensation Plan ("Plan"). The Authority's members have 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 2021 are:

Maximum Contribution	Age 50 Catch Up
$19,500	$26,000

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 2022 were $122,101 and $126,859, respectively.

Note 14. Transactions with the Primary Government

The issuance of long-term debt is the primary public function of the Authority. The Authority supports its operations with fees charged in connection with the issuance of conduit bonds, as well as interest payments and investment returns, not with State tax dollars appropriated by the General Assembly. The Authority's ability to generate revenue without State tax dollars appropriated by the General Assembly generally limits the impact of any State budget issues on the Authority's operations, with the exception of certain specific finance programs and transactions (see agricultural guarantee programs; State component units; moral obligation/contingent State taxpayer guarantees; and fire truck and ambulance loan programs). Despite this degree of autonomy from the State budget, the Authority's financial operations are included within and reported as a component unit of the State of Illinois. Nevertheless, from time to time, the Authority engages in certain business transactions with the primary government of the State of Illinois as set forth below.

<u>Due to primary government ("CMS")</u> – 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 telecommunications costs for the Chicago Office have been incurred by the Authority and owed to CMS as of June 30, 2022. The Authority is indebted with CMS in the amount of $12,017. This amount is a component of the amount reported as accounts payable in the Authority's General Operating Fund.

Note 15. Subsequent Events

On August 16, 2022, Section 60103 of Public Law 117-169, 136 Stat. 1818, commonly known as the Inflation Reduction Act of 2022 (IRA), became federal law and added new section 134 to the Clean Air Act, 42 U.S.C. § 7434 ("Section 134"). Focused on benefitting and enabling low-income and disadvantaged communities, IRA Section 134 establishes the Greenhouse Gas Reduction Fund ("GGRF") competitive grant program within the United States Environmental Protection Agency (USEPA). USEPA will provide GGRF funding to States, municipalities, Tribal governments, and eligible recipients (not-for-profit organizations defined by IRA Section 134) for grants, loans and other forms of financial and technical assistance to deploy zero-emission technologies, including distributed technologies on residential roof tops, and to carry out other greenhouse gas (and other air pollution) emission reduction activities. Congress appropriated $27 billion in FY 2022 to USEPA to distribute funds under the new GGRF program between February 12, 2023, and September 30, 2024. As the Illinois Climate Bank, the Authority anticipates applying to USEPA for GGRF funds. If the Authority is successful in obtaining GGRF funds, the Authority would develop new organizational capacity and deploy new financial products in new economic sectors consistent with the directives of IRA Section 134 and CEJA.

After June 30, 2022, as the Climate Bank, the Authority may receive and/or apply for funds from the United States Department of Treasury and the United States Department of Energy.

As discussed in prior audit reports, PACE is a focus of Authority's *Transformation Initiative* and *Climate Process.* On October 11, 2022, Illinois C-PACE Open Market Initiative, an Illinois not-for-profit corporation and component unit of the Authority (the "Corporation"), authorized and approved the Illinois Finance Authority PACE Program. The Corporation was organized to administer a nonpartisan, nonpolitical property assessed clean energy program, as authorized pursuant to the PACE Act, 50 ILCS 50/1 *et seq.*, as amended, on behalf of or at the discretion of counties and municipalities in Illinois.

SUPPLEMENTARY INFORMATION

State of Illinois
Illinois Finance Authority
(A Component Unit of the State of Illinois)

Combining Statement of Net Position-Nonmajor Funds
June 30, 2022

	Industrial Project Insurance Fund	Locally Held Fire Truck Revolving Loan Fund	Locally Held Ambulance Revolving Loan Fund
ASSETS			
Current assets:			
Current unrestricted assets:			
Cash and cash equivalents	$ -	$ -	$ -
Investments	-	-	-
Loans receivables, net	-	-	-
Accrued interest receivable	-	-	-
Due from other funds	-	-	-
Total current unrestricted assets	-	-	-
Current restricted assets:			
Cash and cash equivalents	47,711	1,584,757	321,221
Investments	2,997,943	7,011,781	2,083,636
Securities lending collateral equity with the State Treasurer	-	-	-
Accrued interest receivable	12,524	58,878	14,662
Loans receivable, net	3,663,311	1,982,491	321,098
Total current restricted assets	6,721,489	10,637,907	2,740,617
Total current assets	6,721,489	10,637,907	2,740,617
Noncurrent assets:			
Noncurrent unrestricted assets:			
Investments	-	-	-
Loans receivable, net	-	-	-
Total noncurrent unrestricted assets	-	-	-
Noncurrent restricted assets:			
Cash and cash equivalents	-	-	-
Investments	-	-	-
Accrued interest receivable	-	-	-
Loans receivable, net	6,105,514	14,194,997	1,649,697
Total noncurrent restricted assets	6,105,514	14,194,997	1,649,697
Total noncurrent assets	6,105,514	14,194,997	1,649,697
Total assets	12,827,003	24,832,904	4,390,314

Illinois Agricultural Loan Guarantee Fund	Illinois Farmer Agribusiness Loan Guarantee Fund	Illinois Housing Partnership Program Fund	Illinois Finance Authority Development Not-for-Profit Fund	Total Nonmajor Funds
$ -	$ -	$ 22,909	$ -	$ 22,909
-	-	2,164,717	-	2,164,717
-	-	1,032,203	-	1,032,203
-	-	8,991	-	8,991
-	-	-	-	-
-	-	3,228,820	-	3,228,820
-	-	-	11,489	1,965,178
-	-	-	-	12,093,360
1,693,000	1,327,000	-	-	3,020,000
-	-	-	-	86,064
-	-	-	-	5,966,900
1,693,000	1,327,000	-	11,489	23,131,502
1,693,000	1,327,000	3,228,820	11,489	26,360,322
-	-	-	-	-
-	-	1,720,340	-	1,720,340
-	-	1,720,340	-	1,720,340
10,762,288	8,439,792	-	-	19,202,080
-	-	-	-	-
10,000	8,000	-	-	18,000
-	-	-	-	21,950,208
10,772,288	8,447,792	-	-	41,170,288
10,772,288	8,447,792	1,720,340	-	42,890,628
12,465,288	9,774,792	4,949,160	11,489	69,250,950

Illinois Finance Authority
(A Component Unit of the State of Illinois)

Combining Statement of Net Position-Nonmajor Funds (Continued)
June 30, 2022

	Industrial Project Insurance Fund	Locally Held Fire Truck Revolving Loan Fund	Locally Held Ambulance Revolving Loan Fund
LIABILITIES			
Current liabilities:			
Payable from unrestricted current assets:			
Accounts payable	$ -	$ -	$ -
Due to other funds	-	-	-
Total current liabilities payable from unrestricted current assets	-	-	-
Payable from restricted current assets:			
Accounts payable	465	9,041	300
Due to other funds	485,000	-	-
Obligation under securities lending of the State Treasurer	-	-	-
Total current liabilities payable from restricted current assets	485,465	9,041	300
Total current liabilities	485,465	9,041	300
NET POSITION			
Restricted for:			
Industrial revenue debt and agricultural guarantees	12,341,538	-	-
Public safety loans	-	24,823,863	4,390,014
Agricultural and rural development loans	-	-	-
Low income community investments	-	-	-
Unrestricted	-	-	-
Total net position	$ 12,341,538	$ 24,823,863	$ 4,390,014

Illinois Agricultural Loan Guarantee Fund	Illinois Farmer Agribusiness Loan Guarantee Fund	Illinois Housing Partnership Program Fund	Illinois Finance Authority Development Not-for-Profit Fund	Total Nonmajor Funds
$ -	$ -	$ 313	$ -	$ 313
-	-	302,000	-	302,000
-	-	302,313	-	302,313
-	-	-	-	9,806
-	-	-	31	485,031
1,693,000	1,327,000	-	-	3,020,000
1,693,000	1,327,000	-	31	3,514,837
1,693,000	1,327,000	302,313	31	3,817,150
-	-	-	-	12,341,538
-	-	-	-	29,213,877
10,772,288	8,447,792	-	-	19,220,080
-	-	-	11,458	11,458
-	-	4,646,847	-	4,646,847
$ 10,772,288	$ 8,447,792	$ 4,646,847	$ 11,458	$ 65,433,800

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, 2022

	Industrial Project Insurance Fund	Locally Held Fire Truck Revolving Loan Fund	Locally Held Ambulance Revolving Loan Fund
Operating revenues:			
Interest income - loans	$ 102,804	$ 44,948	$ 8,415
Total operating revenues	102,804	44,948	8,415
Operating expenses:			
Professional services	6,087	6,328	3,996
Total operating expenses	6,087	6,328	3,996
Operating (loss) income	96,717	38,620	4,419
Nonoperating revenues:			
Transfer of funds and interest in program from the State of Illinois	-	48,450	-
Interest and investment income	3,281	(7,018)	(2,125)
Total nonoperating revenues	3,281	41,432	(2,125)
Change in net position	99,998	80,052	2,294
Net position - beginning of year	12,241,540	24,743,811	4,387,720
Net position - end of year	$ 12,341,538	$ 24,823,863	$ 4,390,014

Illinois Agricultural Loan Guarantee Fund	Illinois Farmer Agribusiness Loan Guarantee Fund	Illinois Housing Partnership Program Fund	Illinois Finance Authority Development Not-for-Profit Fund	Total Nonmajor Funds
$ -	$ -	$ 33,754	$ -	$ 189,921
-	-	33,754	-	189,921
-	-	4,227	14	20,652
-	-	4,227	14	20,652
-	-	29,527	(14)	169,269
-	-	-	-	48,450
42,881	34,140	1,433	-	72,592
42,881	34,140	1,433	-	121,042
42,881	34,140	30,960	(14)	290,311
10,729,407	8,413,652	4,615,887	11,472	65,143,489
$ 10,772,288	$ 8,447,792	$ 4,646,847	$ 11,458	$ 65,433,800

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, 2022

	Industrial Project Insurance Fund	Locally Held Fire Truck Revolving Loan Fund	Locally Held Ambulance Revolving Loan Fund
Cash flows from operating activities:			
Cash payments to suppliers for goods and services	$ (6,048)	$ (6,052)	$ (3,945)
Net cash used in operating activities	(6,048)	(6,052)	(3,945)
Cash flows from noncapital financing activities:			
Permanent capital transfer from State	-	48,450	-
Due to other funds	485,000	-	-
Net cash provided by noncapital financing activities	485,000	48,450	-
Cash flows from investing activities:			
Purchase of investments	(3,230,365)	(5,569,486)	(1,689,132)
Maturity and sales of investments	2,464,903	3,041,824	1,110,922
Interest and dividends on investments	32,788	69,728	21,886
Cash received for interest on loans	-	48,075	9,565
Cash received on loans receivable and guarantees	-	2,704,757	421,098
Cash payments on loans receivable and guarantees	(7,189,500)	-	-
Net cash provided by (used in) investing activities	(7,922,174)	294,898	(125,661)
Net increase (decrease) in cash and cash equivalents	(7,443,222)	337,296	(129,606)
Cash and cash equivalents - beginning of year	7,490,933	1,247,461	450,827
Cash and cash equivalents - end of year	$ 47,711	$ 1,584,757	$ 321,221
Reconciliation of operating (loss) income to net cash used in operating activities:			
Operating (loss) income	$ 96,717	$ 38,620	$ 4,419
Adjustments to reconcile operating (loss) income to net cash used in operating activities:			
Interest on loans	(102,804)	(44,948)	(8,415)
Changes in assets and liabilities:			
Accounts payable	39	276	51
Net cash used in operating activities	$ (6,048)	$ (6,052)	$ (3,945)

Illinois Agricultural Loan Guarantee Fund	Illinois Farmer Agribusiness Loan Guarantee Fund	Illinois Housing Partnership Program Fund	Illinois Finance Authority Development Not-for-Profit Fund	Total Nonmajor Funds
$ -	$ -	$ (4,080)	$ (14)	$ (20,139)
-	-	(4,080)	(14)	(20,139)
-	-	-	-	48,450
-	-	302,000	14	787,014
-	-	302,000	14	835,464
-	-	(2,340,230)	-	(12,829,213)
-	-	924,922	-	7,542,571
35,881	28,140	11,021	-	199,444
-	-	-	-	57,640
-	-	-	-	3,125,855
-	-	(1,194,500)	-	(8,384,000)
35,881	28,140	(2,598,787)	-	(10,287,703)
35,881	28,140	(2,300,867)	-	(9,472,378)
10,726,407	8,411,652	2,323,776	11,489	30,662,545
$ 10,762,288	$ 8,439,792	$ 22,909	$ 11,489	$ 21,190,167
$ -	$ -	$ 29,527	$ (14)	$ 169,269
-	-	(33,754)	-	(189,921)
-	-	147	-	513
$ -	$ -	$ (4,080)	$ (14)	$ (20,139)

RSM

RSM US LLP

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*

Independent Auditor's Report

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 Illinois Finance Authority (Authority), a component unit of the State of Illinois, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and we have issued our report thereon dated December 14, 2022. Our report contains an emphasis of matter paragraph that the Authority adopted Governmental Accounting Standard Board's Statement No. 87, *Leases*. Our opinion was not modified with respect to this matter.

Report on Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered the Authority's internal control as a basis for designing 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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters
As part of obtaining reasonable assurance about whether the 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

Schaumburg, Illinois
December 14, 2022