

McGladrey & Pullen

Certified Public Accountants

State of Illinois Illinois Finance Authority

Compliance Examination
(In Accordance with the Single Audit Act
and OMB Circular A-133)
For the Year Ended June 30, 2008

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

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State of Illinois
Illinois Finance Authority

Compliance Examination
For the Year Ended June 30, 2008

Agency Officials

Executive Director	Ms. Kym Hubbard Mr. John Filan	05/08/2007 – 7/15/2008 11/17/2008 - Current
Chairman of the Board of Directors	Mr. David C. Gustman Mr. William A. Brandt	07/01/2007 – 12/31/2007 01/01/2008 - Current
Chief Financial Officer	Mr. Jose Garcia Ms. Yvonne Towers	07/01/2007 – 11/15/2007 2/23/2009 - Current
Interim Treasurer	Ms. Ximena Granda	11/16/2007 - Current
Chief Administrative Officer	Mr. Stuart Boldry	
Chief Credit Officer	Mr. Steven Trout	
General Counsel	Mr. Christopher Meister	08/20/2007 - Current
Board Member	William Barclay	
Board Member	Ronald E. DeNard	
Board Member	Michael W. Goetz	
Board Member	Dr. Roger D. Herrin	
Board Member	Edward H. Leonard, Sr.	
Board Member	Terrance M. O'Brien	
Board Member	Juan B. Rivera	
Board Member	April Verrett	
Board Member	Bradley A. Zeller	

Authority offices are located at:

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

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

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

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

MANAGEMENT ASSERTION LETTER

May 20, 2009

McGladrey & Pullen, LLP
Certified Public Accountants
20 North Martingale Road Suite 500
Schaumburg, Illinois 60173

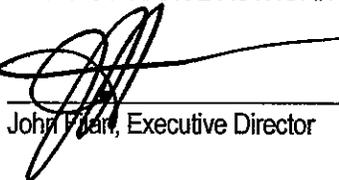
Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the Illinois Finance Authority (Authority). We are responsible for and we have established and maintained an effective system of, internal controls over compliance requirements. We have performed an evaluation of the Authority's compliance with the following assertions during the year ended June 30, 2008. Based on this evaluation, we assert that during the year ended June 30, 2008, the Authority has materially complied with the assertions below.

- A. The Authority has obligated, expended, received and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Authority has obligated, expended, received and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The Authority has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. The State revenues and receipts collected by the Authority are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.
- E. The money or negotiable securities or similar assets handled by the Authority on behalf of the State or held in trust by the Authority have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

Yours very truly,

ILLINOIS FINANCE AUTHORITY



John Flannery, Executive Director



Yvonne Towers, Chief Financial Officer



Chris Meister, Deputy Director General Counsel

COMPLIANCE REPORT

SUMMARY

The compliance testing performed during this examination was conducted in accordance with *Government Auditing Standards* and in accordance with the Illinois State Auditing Act.

ACCOUNTANTS' REPORTS

The Independent Accountants' Report on State Compliance, on Internal Control Over Compliance and on Supplementary Information for State Compliance Purposes does not contain scope limitations, disclaimers, or other significant non-standard language.

SUMMARY OF FINDINGS

<u>Number of</u>	<u>Current</u>	<u>Prior</u>
Findings	7	8
Repeated findings	4	1
Prior recommendations implemented or not repeated	4	6

Details of findings are presented in the separately tabbed report section of this report.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
<i>FINDINGS (GOVERNMENT AUDITING STANDARDS)</i>			
08-01	13	Draft Financial Statements Not Completely Timely	Significant Deficiency
08-02	14	Failure to Provide a Listing of Laws and Regulations Applicable to the Authority	Significant Deficiency
<i>FINDINGS AND QUESTIONED COSTS (FEDERAL COMPLIANCE)</i>			
08-03	15	Missing Policy on Nondiscrimination	Noncompliance and Significant Deficiency
<i>FINDINGS (STATE COMPLIANCE)</i>			
08-04	16	Failure to Report Revenue Bond Information to the Illinois Office of the Comptroller	Noncompliance and Significant Deficiency
08-05	18	No Established Rules to Administer Loan Program	Noncompliance and Significant Deficiency
08-06	19	Failure to Administer the Exporter Award Program	Noncompliance and Significant Deficiency
08-07	20	No Formal Record Retention Plan	Noncompliance and Significant Deficiency

State of Illinois
Illinois Finance Authority

Compliance Examination
For the Year Ended June 30, 2008

SUMMARY OF FINDINGS AND QUESTIONED COSTS (Continued)

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
In addition, the following findings which are reported as current findings relating to <i>Government Auditing Standards</i> also meet the reporting requirements for State Compliance.			
08-01	13	Draft Financial Statements Not Completely Timely	Noncompliance and Significant Deficiency
08-02	14	Failure to Provide a Listing of Laws and Regulations Applicable to the Authority	Noncompliance and Significant Deficiency

PRIOR FINDINGS NOT REPEATED

A	21	Bad Debts Not Referred to the Illinois Office of the Comptroller's Offset System	
B	21	Noncompliance with the Illinois Procurement Code and SAMS Procedures	
C	21	Lack of Segregation of Duties in Managing Property and Equipment	
D	21	Authority is Not a Member of the Illinois Forestry Development Council	

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Authority personnel at an exit conference on March 9, 2009. Attending were:

ILLINOIS FINANCE AUTHORITY

John Filan	Executive Director
Chris Meister	Deputy Director-General Counsel
Stuart Boldry	Chief Operating Officer
Yvonne Towers	Chief Financial Officer
Ximena Granda	Accounting Manager

AUDITOR GENERAL

Jon Fox	Audit Manager
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MCGLADREY & PULLEN, LLP

Joe Evans	Partner
Sean Hickey	Manager

Responses to the recommendations were provided by Yvonne Towers in correspondence dated March 19, 2009.

McGladrey & Pullen

Certified Public Accountants

Independent Accountants' Report on State Compliance, on Internal Control Over Compliance, and on Supplementary Information for State Compliance Purposes

Honorable William G. Holland
Auditor General
State of Illinois
and

Mr. William A. Brandt, Jr.
Honorable Chairman of the Board of Directors
Illinois Finance Authority

Compliance

As Special Assistant Auditors for the Auditor General, we have examined the State of Illinois, Illinois Finance Authority's compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the year ended June 30, 2008. The management of the State of Illinois, Illinois Finance Authority is responsible for compliance with these requirements. Our responsibility is to express an opinion on the State of Illinois, Illinois Finance Authority's compliance based on our examination.

- A. The State of Illinois, Illinois Finance Authority has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The State of Illinois, Illinois Finance Authority has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The State of Illinois, Illinois Finance Authority has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. State revenues and receipts collected by the State of Illinois, Illinois Finance Authority are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.
- E. Money or negotiable securities or similar assets handled by the State of Illinois, Illinois Finance Authority on behalf of the State or held in trust by the State of Illinois, Illinois Finance Authority have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the Audit Guide as adopted by the Auditor General pursuant to the Act; and, accordingly, included examining, on a test basis, evidence about the State of Illinois, Illinois Finance Authority's compliance with those requirements listed in the first paragraph of this report and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the State of Illinois, Illinois Finance Authority's compliance with specified requirements.

In our opinion, the State of Illinois, Illinois Finance Authority complied, in all material respects, with the requirements listed in the first paragraph of this report during the year ended June 30, 2008. However, the results of our procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of findings and questioned costs as findings 08-01, 08-02, 08-04, 08-05, 08-06 and 08-07.

Internal Control

The management of the State of Illinois, Illinois Finance Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements listed in the first paragraph of this report. In planning and performing our examination, we considered the State of Illinois, Illinois Finance Authority's internal control over compliance with the requirements listed in the first paragraph of this report in order to determine our examination procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide, issued by the Illinois Office of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of the State of Illinois, Illinois Finance Authority's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois, Illinois Finance Authority's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with the requirements listed in the first paragraph of this report on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to comply with the requirements listed in the first paragraph of this report such that there is more than a remote likelihood that noncompliance with a requirement that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as findings 08-01, 08-02, 08-04, 08-05, 08-06 and 08-07 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that a material noncompliance with a requirement listed in the first paragraph of this report will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

The State of Illinois, Illinois Finance Authority's responses to the findings identified in our examination are described in the accompanying schedule of findings and questioned costs. We did not examine the State of Illinois, Illinois Finance Authority's responses and, accordingly, we express no opinion on them.

As required by the Audit Guide, immaterial findings excluded from this report have been reported in a separate letter to your office.

Supplementary Information for State Compliance Purposes

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of each major fund and the aggregate remaining fund information of the State of Illinois, Illinois Finance Authority as of and for the year ended June 30, 2008, which collectively comprise the State of Illinois, Illinois Finance Authority's basic financial statements, and have issued our report thereon dated May 20, 2009. Our report was modified as to consistency because of a change in accounting principle. The accompanying supplementary information, as listed in the table of contents as Supplementary Information for State Compliance Purposes, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the State of Illinois, Illinois Finance Authority. The 2008 Supplementary Information for State Compliance Purposes, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2008, taken as a whole. We have also previously audited, in accordance with auditing standards generally accepted in the United States, the State of Illinois, Illinois Finance Authority's basic financial statements for the years ended June 30, 2007 and June 30, 2006. In our reports dated January 25, 2008 and December 7, 2006, we expressed unqualified opinions on the respective financial statements of each major fund and the aggregate remaining fund information. In our opinion, the 2007 and 2006 Supplementary Information for State Compliance Purposes, except for the portion marked "unaudited" is fairly stated in all material respects in relation to the basic financial statements for the years ended June 30, 2007 and June 30, 2006, taken as a whole.

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

McGladrey & Pullen, LLP

Schaumburg, Illinois
May 20, 2009

McGladrey & Pullen

Certified Public Accountants

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

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

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of each major fund and the aggregate remaining fund information of the State of Illinois, Illinois Finance Authority (Authority), a component unit of the State of Illinois, as of and for the year ended June 30, 2008, which collectively comprise the State of Illinois, Illinois Finance Authority's basic financial statements, and have issued our report thereon dated May 20, 2009. Our report was modified as to consistency because of a change in accounting principle. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies described as findings 08-01 and 08-02 in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above are material weaknesses.

Compliance and Other Matters

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

The Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Authority's responses and, accordingly, we express no opinion on them.

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

McGladrey & Pullen, LLP

Schaumburg, Illinois
May 20, 2009

McGladrey & Pullen

Certified Public Accountants

Independent Auditors' Report On Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133

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

Compliance

We have audited the compliance of the State of Illinois, Illinois Finance Authority, a component unit of the State of Illinois, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The State of Illinois, Illinois Finance Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the State of Illinois, Illinois Finance Authority's management. Our responsibility is to express an opinion on the State of Illinois, Illinois Finance Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State of Illinois, Illinois Finance Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the State of Illinois, Illinois Finance Authority's compliance with those requirements.

In our opinion, the State of Illinois, Illinois Finance Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as finding 08-03.

Internal Control Over Compliance

The management of the State of Illinois, Illinois Finance Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the State of Illinois, Illinois Finance Authority's internal

control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois, Illinois Finance Authority's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as finding 08-03 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness.

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of each major fund and the aggregate remaining fund information of the State of Illinois, Illinois Finance Authority, a component unit of the State of Illinois, as of and for the year ended June 30, 2008, and have issued our report thereon dated May 20, 2009. Our report was modified as to consistency because of a change in accounting principle. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the State of Illinois, Illinois Finance Authority's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

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

McGladrey & Pullen, LLP

Schaumburg, Illinois
May 20, 2009

State of Illinois
 Illinois Finance Authority

Compliance Examination
 For the Year Ended June 30, 2008

Schedule of Findings and Questioned Costs
 Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? X Yes None reported
- Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? X Yes None reported

Type of auditors' report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

 X Yes No

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

10.767

Intermediary Relending Program

Dollar threshold used to distinguish between type A and type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

 Yes X No

State of Illinois
Illinois Finance Authority

Compliance Examination
For the Year Ended June 30, 2008

CURRENT FINDINGS – *GOVERNMENT AUDITING STANDARDS*

Finding #08-01 Draft Financial Statements Not Completed Timely

The Illinois Finance Authority (Authority) did not provide the auditors with complete financial statements on a timely basis.

During the audit entrance conference on May 27, 2008 a deadline for submission of the Authority's draft financial statements for timely completion of the financial audit was determined and agreed to by the auditors and Authority management. The deadline for delivery of the complete draft financial statements to the auditors for fiscal year 2008 was September 30, 2008. Although an initial draft was provided to the auditors on September 30, 2008, the draft was incomplete and had not been fully reviewed by all parties involved with the preparation and approval of the financial statements.

On November 13, 2008, the Illinois Office of the Comptroller notified the Authority of a change in accounting for conduit debt. The Authority was contemplating the inclusion of cash, notes receivable, bond indebtedness and the related premiums, discounts, issuance cost and amortization totaling approximately \$265 million in their financial statements and note disclosures. Changes and adjustments to the draft were occurring as late as February 20, 2009, 99 days after the Authority was notified of this change by the Illinois Office of the Comptroller.

The Fiscal Control and Internal Auditing Act, 30 ILCS 10/3001 requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls, which shall provide assurance that revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources. In addition, a good system of internal control ensures that financial statements are prepared timely to benefit users of those financial statements.

According to Authority management, the delay was due to a late change to the financial statements required by government accounting rules brought to the Authority's attention in November 2008 by the Illinois Office of the Comptroller.

Submitting incomplete and unadjusted draft financial statements delays completion of the audit process and the timely release of the Authority's financial report to users. (Finding Code No. 08-01)

Recommendation

We recommend the Authority take a comprehensive look at the entire financial reporting process and make changes needed to timely prepare financial reports for the auditors and other users.

Authority Response

The Authority accepts the auditor's recommendation. The delay was due to performance of due diligence by the Authority, including working with bond counsel, regarding the implementation of GASB Interpretation No. 2, Disclosure of Conduit Debt Obligations, which required disclosure of outstanding bonds issued to benefit other State agencies, entities, and component units. The Authority will continue to work closely with both internal and external auditors to ensure delivery of financial statements on a timely basis.

State of Illinois
Illinois Finance Authority

Compliance Examination
For the Year Ended June 30, 2008

CURRENT FINDINGS – *GOVERNMENT AUDITING STANDARDS*

Finding # 08-02 Failure to Provide a Listing of Laws and Regulations Applicable to the Authority

The Authority did not have a complete listing of statutory mandates that are applicable to the Authority.

During our audit, we requested the Authority to provide us with a list of laws and regulations applicable to the Authority. The Authority was unable to provide us with the requested list.

Adequate controls over compliance with laws and regulations would require the Authority to develop a process to identify and monitor federal, state and local laws and regulations that apply to the Authority in order to ensure that the Authority is complying with those laws and regulations.

Authority management stated it only maintains a comprehensive list of substantive statutes most directly applicable to its regular operations, including but limited to the Illinois Finance Authority Act, the Open Meetings Act, the Freedom of Information Act, the Prevailing Wage Act and the Illinois Environmental Facilities Financing Act.

Failure to monitor laws and regulations applicable to the Authority increases the risk that the Authority would not comply with those laws and regulations and could potentially result in the Authority incurring unexpected costs. (Finding Code No. 08-02)

Recommendation

We recommend that the Authority establish procedures to monitor laws and regulations applicable to the Authority.

Authority Response

The Authority accepts the auditor's recommendation. The Authority currently monitors legislative changes by way of the "ilga.gov" website. The Authority is working to create and maintain a more complete system to track and monitor the applicable statutory mandates. Once this process is complete, the Authority will document its procedures accordingly.

State of Illinois
Illinois Finance Authority

Compliance Examination
For the Year Ended June 30, 2008

CURRENT FINDINGS – FEDERAL COMPLIANCE

Finding # 08-03 Missing Policy on Nondiscrimination

Federal Agency: U.S. Department of Agriculture Rural Development
Program Title: Intermediary Relending Program
CFDA #: 10.767
Questioned costs: None

The Authority did not have a policy to comply with the Farmers Home Administration program requirements for nondiscrimination.

During our testing of compliance with the Farmers Home Administration program, we noted the Authority did not have a formal policy to notify applicants of the requirements for nondiscrimination. During fiscal year 2008 the Authority made three loans totaling \$516,250 under this program.

The Farmers Home Administration program guidelines Section 4274.337(c) sets equal opportunity and nondiscrimination requirements for the intermediary, which applies to the Authority. The Authority can not discriminate on the basis of sex, marital status, race, color, religion, national origin, age, physical illness or mental illness.

Authority management stated that posting of the policy was implemented after the audit period.

Failure to notify applicants regarding the nondiscrimination practices may prevent applicants from applying for loans. Also, failure to comply with the program requirements may disqualify the Authority from making loans in the future. (Finding Code No. 08-03, 07-01)

Recommendation

We recommend that the Authority implement a formal policy against discrimination that will inform applicants that the Authority does not discriminate based on the requirements of the program.

Authority Response

The Authority accepts the auditor's recommendation. The Authority has revised its policies and applications to reflect the non-discrimination policy. The posting of the policy was implemented after the audit period.

State of Illinois
Illinois Finance Authority

Compliance Examination
For the Year Ended June 30, 2008

CURRENT FINDINGS – STATE COMPLIANCE

Finding # 08-04 Failure to Report Revenue Bond Information to the Illinois Office of the Comptroller

The Authority did not report all of the required revenue bond information to the Illinois Office of the Comptroller.

During the fiscal year ended June 30, 2008, the total outstanding balance of conduit debt that was in the care of the Authority was \$22 billion.

Section 31.30.10 of the Statewide Accounting Management System (SAMS) requires that a copy of the Prospectus/Official Statement and the form C-05 "Bond Interest and Redemption Schedule" be submitted by the agency that issued the revenue bonds within 30 days subsequent to the closing date, or the beginning date of borrowing, whichever is later, to the Comptroller. In addition, section 31.30.20 of the SAMS manual requires the form C-08, "Notice of Payment of Bond Interest and/or Principal" be submitted within 30 days from the date the voucher is processed for payment, or within 15 days from the Agency's receipt of the trustee's monthly statement.

During our detailed testing, we selected a sample of 23 delinquent records from the Comptroller's listing. We noted that according to the Authority's records 8 (35%) of the C-08 notice forms were not submitted to the Comptroller timely.

We also selected 30 newly issued bonds for detailed testing. We noted the following:

- For 2 of the 30 (7%) bonds tested the bond issue dates did not match the C-05.
- For 2 of the 30 (7%) bonds tested 2 of 11 required C-08's forms were missing.
- For 1 of the 30 (3%) bonds tested the interest payments reported to the Comptroller on the form C-08's were paid monthly or weekly yet the C-05 reported that interest was only due at maturity.
- 2 of the 30 (7%) bonds tested were missing the bond interest and redemption schedule required to be filed with the Comptroller on form C-05.
- 1 of the 30 (3%) bonds tested was missing the tax exempt certificate required to be filed as part of the Prospectus/Official Statement with the Comptroller.

Authority management stated that this repeat finding is due to discrepancies among records and receipt dates maintained by the Illinois Office of the Comptroller, the individual bond trustees and the Authority. Authority management stated that they are in weekly or bi-weekly contact with the Comptroller's office in an effort to resolve these differences.

By not providing information on new revenue bonds issued and the dates and amount of principal payments made to the Comptroller, it inhibits the Comptroller from performing its responsibilities to record and monitor State debt. (Finding Code No. 08-04, 07-02, 06-02, 05-03)

State of Illinois
Illinois Finance Authority

Compliance Examination
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Recommendation

We recommend the Authority review its procedures to ensure that the C-05 forms and other information submitted to the Comptroller's office for newly issued bonds is submitted timely and that the information is complete and accurate. Further, the Authority should ensure that the C-08 forms are submitted to the Comptroller's office timely.

Authority Response

The Authority accepts the auditor's recommendation. The Authority receives information from and regularly communicates with several different trustees, all hired by the issuer, regarding the deadlines. All correspondence with Trustees, Paying Agents and/or Borrowers stress the importance of submitting required information within the 30-day period to both the Illinois Office of the Comptroller and the Illinois Finance Authority. The Authority continues to work with the Illinois Office of the Comptroller on at least a monthly basis, to provide the timely, accurate and complete information required under the SAMS manual to support bonds issued by the Authority.

CURRENT FINDINGS – STATE COMPLIANCE

Finding # 08-05 No Established Rules to Administer Loan Program

The Authority has not adopted rules for the fire sprinkler dormitory revolving loan program.

The Fire Sprinkler Dormitory Act (110 ILCS 47/15) effective January 1, 2005 states that the Authority and the State Fire Marshal shall jointly administer a fire sprinkler dormitory revolving loan program to provide low-interest loans for the installation of fire sprinkler systems in college dormitories to post-secondary educational institutions. The Fire Sprinkler Dormitory Act (110 ILCS 47/25) further states that the Authority and the State Fire Marshal shall adopt rules to administer the revolving loan program.

As of June 30, 2008, the Authority had not adopted rules to administer the fire sprinkler dormitory loan program. No appropriation was requested by the Authority for the program in fiscal year 2008 and the program was not appropriated funds in fiscal year 2008. During fiscal year 2008 the Authority adopted rules for the ambulance revolving loan program that was part of the prior year's finding.

Authority management stated that no rules have been adopted because the program has never received any state appropriation and, therefore, the Fire Sprinkler Dormitory program never became an operational program. Management stated that they did not request an appropriation in fiscal year 2008 because in consultation with the Governor's Office of Management and Budget, they determined that because of the difficult budget circumstances at the State level at the time it was not the appropriate time to request funds. Management believes an appropriation of \$1 million will be necessary to fund this program.

The lack of established rules could result in a delay of implementing the program once the fund receives an appropriation. (Finding Code No. 08-05, 07-06)

Recommendation

We recommend that the Authority prepare rules to administer the fire sprinkler dormitory revolving loan program.

Authority Response

The Authority accepts the auditor's recommendation. The fire sprinkler dormitory revolving loan program was not funded this year. The Authority will work with the State Fire Marshal to prepare rules to administer the fire sprinkler dormitory revolving loan program.

State of Illinois
Illinois Finance Authority

Compliance Examination
For the Year Ended June 30, 2008

CURRENT FINDINGS – STATE COMPLIANCE

Finding # 08-06 Failure to Administer the Exporter Award Program

The Authority failed to operate an annual awards program for Illinois-based exporters during the examination period.

The Illinois Civil Administrative Code (20 ILCS 605/605-675) states that the Authority shall cooperate with the Department of Agriculture and the Department of Commerce and Economic Opportunity to establish and operate an annual awards program to recognize Illinois-based exporters.

During the fiscal year ended 2008, the Authority did not participate in establishing an Exporter Award Program as required by the statute. According to the *World Institute for Strategic Economic Research* website (www.wisertrade.org), Illinois exports for calendar year 2007 totaled \$49 billion.

Authority management stated the Department of Commerce and Economic Opportunity is, by statute, the lead on this program. The program was implemented by the Department of Commerce and Economic Opportunity, in conjunction with the Authority after the end of the audit period.

An awards program to recognize Illinois-based exporters encourages the growth of exports of Illinois products around the world. Failure to administer the program hinders efforts to promote exports from the State of Illinois. (Finding Code No. 08-06, 07-08)

Recommendation

We recommend that the Authority work with the other agencies as required to administer the annual awards program.

Authority Response

The Authority accepts the auditor's recommendation. The Authority will continue efforts with the Department of Commerce and Economic Opportunity to administer the Exporter Award program.

CURRENT FINDINGS – STATE COMPLIANCE

Finding # 08-07 No Formal Record Retention Plan

The Authority did not have a formal records retention plan.

During our audit, we noted the Authority had not established a formal plan for the maintenance and retention of its records as required by the State Records Act.

The State Records Act (Act) (5 ILCS 160/9) requires that the head of each agency establish, and maintain an active, continuing program for the economical and efficient management of the records of the agency. Further the Act (5 ILCS 160-18) states that the head of each agency shall submit to the State Records Commission, in accordance with its regulations, lists of schedules or records in his or her custody and his or her proposal for the length of time each record series warrants retention for administrative, legal or fiscal purposes after it has been created or received by the agency.

Authority management stated that prior Authority management as well as the management of predecessor entities decided to store Authority records as well as those of predecessor entities in a privately-owned storage facility, not the State Archive. Prior to the identification of this finding, the Authority had initiated a program that will lead to the storage of Authority records as well as those of predecessor entities, in the State Archive consistent with best practices and the State Records Act.

Failure to have a formal record retention plan could result in unauthorized destruction of State records in violation of the Act. (Finding Code No. 08-07)

Recommendation

We recommend the Executive Director of the Authority develop a formal records retention plan and submit the plan to the State Records Commission as required by the Act.

Authority Response

The Authority accepts the auditor's recommendation. The Authority has completed a review of the State Records Act, visited the records storage facility located in Springfield, met with the State Archivist in person and via conference call, and developed a high level task plan for complying with this finding. Work on developing a formal records retention plan has begun and will be submitted to the State Records Commission for review. It should be noted that the Authority is in possession of an estimated 1,500 boxes of records relating to the work of its seven (7) predecessor entities. Given the consolidation that formed the Authority, applying a records retention plan will be difficult and will require a material amount of staff time and financial resources from the Authority. The Authority will submit its formal records retention plan to the State Records Commission on or before June 30, 2009.

State of Illinois
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Compliance Examination
For the Year Ended June 30, 2008

PRIOR FINDINGS NOT REPEATED – STATE COMPLIANCE

A. Bad Debts Not Referred to the Illinois Office of the Comptroller's Offset System

The Authority did not refer bad debts to the Illinois Office of the Comptroller's offset system. (Finding Code No. 07-03)

During our current year examination our sample testing indicated the Authority submitted delinquent debts to the Comptroller's offset system in accordance with SAMS procedures.

B. Noncompliance with the Illinois Procurement Code and SAMS Procedures

The Authority did not publish its contracts in the Illinois Procurement Bulletin and did not file Real Estate Lease Disclosure forms with the Illinois Office of the Comptroller. (Finding Code No. 07-04)

During our current year examination, our sample testing indicated the Authority published contracts in the Illinois Procurement Bulletin and filed Real Estate Lease Disclosures in accordance with the Illinois Procurement Code and SAMS procedures.

C. Lack of Segregation of Duties in Managing Property and Equipment

The Authority did not properly segregate the duties of managing its property and equipment. (Finding Code No. 07-05)

During our current year examination, we noted the Authority implemented procedures to properly segregate the duties for managing property and equipment.

D. Authority is Not a Member of the Illinois Forestry Development Council

The Executive Director of the Authority, or his/her designee, was not a member of the Illinois Forestry Development Council. (Finding Code No. 07-07)

During our current year examination, we noted a representative from the Authority was appointed a member of the Illinois Forestry Development Council.

SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

SUMMARY

Supplementary Information for State Compliance Purposes presented in this section of the report includes the following:

- Fiscal Schedules and Analysis:
 - Schedule of Expenditures of Federal Awards
 - Notes to the Schedule of Expenditures of Federal Awards
 - Schedule of Appropriations, Expenditures and Lapsed Balances
 - Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances
 - Comparative Schedule of Revenues and Expenses
 - Schedule of Changes in State Property
 - Reconciliation Schedule of Cash Receipts to Deposits Remitted to the State Comptroller
 - Analysis of Significant Variations in Expenses
 - Analysis of Significant Variations in Revenues
 - Analysis of Significant Lapse Period Spending
 - Analysis of Significant Account Balances
 - Analysis of Accounts Receivable
 - Schedule of Cash Funds and Depositories
 - Schedule of Investments
 - Schedule of Contracts
 - Schedule of Conduit Debt

- Analysis of Operations:
 - Agency Functions and Planning Program
 - Employee Compensation Plan
 - Average Number of Employees
 - Ten-Year Schedule of Jobs Created or Retained by Loans, Revenue Bonds, and Investments Made by the Authority (Unaudited)
 - Summary of Agriculture, Fire Truck and Ambulance Loan Programs:
 - Agricultural Development Bonds
 - State Guarantee Program for Restructuring Agricultural Debt
 - Farmer and Agri-Business Loan Guarantee Program
 - Young Farmer Loan Guarantee Program
 - Specialized Livestock Loan Guarantee Program
 - Fire Truck Revolving Loan Program
 - Ambulance Revolving Loan Program
 - Historical Summary of Agricultural Loans Issued by Program by County (Unaudited)
 - Service Efforts and Accomplishments (Unaudited)
 - Schedule of Federal and Nonfederal Expenditures

The accountants' report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states that it has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in the accountants' opinion, except for that portion marked "unaudited," on which they express no opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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 Illinois Finance Authority

Compliance Examination
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2008

Federal Grant/Program Title	Federal CFDA Number	Project Number	Program or Award Amount	Grant Proceeds	Program Loan Outstanding	Federal Portion of Interest/ Other Income	Expenditures
U.S. Department of Commerce: Department of Commerce and Economic Opportunity: Economic Adjustment Assistance Program	11.307	06-19-01916	\$ 424,000	\$ -	\$ 91,484	\$ 15,281	\$ 54,570
U.S. Department of Agriculture: Intermediary Relending Program	10.767		1,500,000	-	729,332	41,034	35,076
Total			\$ 1,924,000	\$ -	\$ 820,816	\$ 56,315	\$ 89,646

See Notes to Schedule of Expenditures of Federal Awards.

Notes to Schedule of Expenditures of Federal Awards

Note 1. Organization

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

The mission of the Illinois Finance Authority is to foster economic development to the public and private institutions that create and retain jobs, and improve the quality of life in Illinois by providing access to capital.

The Authority sponsors a variety of lending programs including direct lending and direct lending participation loans. The Authority also makes loans through its two federal programs, the Economic Adjustment Assistance Program and the Intermediary Relending Program.

The Schedule of Expenditures of Federal Awards includes federal programs related to the following agencies:

U.S. Department of Commerce
U.S. Department of Agriculture

Note 2. Summary of Significant Accounting Policies

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of measurements made, regardless of the measurement focus applied.

The Schedule of Expenditures of Federal Awards is prepared using the accrual basis of accounting. Under the accrual basis of accounting, revenues and expenditures are recognized when incurred.

Terms of Agreements

Economic Adjustment Assistance Program (Non-major Program)

The Economic Adjustment Assistance Program provides low-cost supplemental financing to manufacturing companies located in areas declared eligible for Title IX assistance by the Economic Development Administration. Loans under this program are up to \$100,000 for small and mid-sized manufacturers, and carry a fixed interest rate of 7.5% with maturity dates up to ten years. Total loans outstanding as of June 30, 2008, were \$91,484. The Economic Adjustment Assistance Program loans are fully reserved.

Notes to Schedule of Expenditures of Federal Awards (Continued)

Note 2. Summary of Significant Accounting Policies (Continued)

Intermediary Relending Program (Major Program)

The Intermediary Relending Program participates with the Rural Development Administration's (the former Farmers Home Administrations') Intermediary Relending Program to provide loans to business facilities and community development projects in rural areas for land acquisitions, facility construction and renovation, and machinery and equipment purchases. The Authority will contribute up to 75% or \$250,000 of fixed asset costs at a 6% interest rate with maturity dates up to ten years. Total loans outstanding as of June 30, 2008 were \$729,332.

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 Illinois Finance Authority

Compliance Examination
 For the Year Ended June 30, 2008

Schedule of Appropriations, Expenditures and Lapsed Balances
 Appropriations for Fiscal Year 2008

P.A. 95-0348	Appropriation (Net After Transfers)	Expenditures Through 06/30/08	Lapse Period Expenditures 07/01/08 to 08/31/08	Total Expenditures	Balance Reappropriated 7/1/08
<u>Appropriated Funds</u>					
0572 - Fire Truck Revolving Loan Fund					
Loans to fire departments	\$ 3,344,371	\$ 1,713,564	\$ -	\$ 1,713,564	\$ 1,630,807
<u>Non-Appropriated Funds</u>					
205 - Illinois Farmer and Agri-Business Guarantee Fund					
Awards and grants		656,550	-	656,550	
Grand Total - All Funds		\$ 2,370,114	\$ -	\$ 2,370,114	

Note: Appropriations, expenditures and lapsed balances were obtained from Authority records and have been reconciled to records at the State Comptroller.

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 Illinois Finance Authority

Compliance Examination
 For the Year Ended June 30, 2008

Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances
 Years Ended June 30, 2008, 2007 and 2006

	2008 Public Act 95-0348 and 95-0717	2007 Public Act 94-0798	2006 Public Act 94-0015
0572 - Fire Truck Revolving Loan Fund			
Appropriations (Net of Transfers)	\$ 3,344,371	\$ 1,144,371	\$ 4,932,057
<u>Expenditures</u>			
Loans to Fire Departments	1,713,564	-	4,287,686
Total Expenditures	1,713,564	-	4,287,686
Reappropriated Balances	\$ 1,630,807	\$ 1,144,371	\$ 644,371
0971-Build Illinois Bond Fund			
Appropriations (Net of Transfers)	\$ -	\$ -	\$ 3,800,000
<u>Expenditures</u>			
Transfer to Fire Truck Revolving Loan Fund	-	-	3,800,000
Total Expenditures	-	-	3,800,000
Lapsed Balances	\$ -	\$ -	\$ -

State of Illinois
 Illinois Finance Authority

Compliance Examination
 For the Year Ended June 30, 2008

Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances (Continued)
 Years Ended June 30, 2008, 2007 and 2006

	2008 Public Act 95-0348 and 95-0717	2007 Public Act 94-0798	2006 Public Act 94-0015
All Funds			
Appropriations (Net of Transfers)	\$ 3,344,371	\$ 1,144,371	\$ 8,732,057
Total Expenditures	1,713,564	-	8,087,686
Reappropriated Balances	\$ 1,630,807	\$ 1,144,371	\$ 644,371
Non-appropriated Expenditures			
205 - Illinois Farmer and Agri-Business Guarantee Fund			
<u>Expenditures</u>			
Awards and Grants	\$ 656,550	\$ -	\$ -
Total Expenditures	\$ 656,550	\$ -	\$ -

State of Illinois
 Illinois Finance Authority

Compliance Examination
 For the Year Ended June 30, 2008

Comparative Schedule of Revenues and Expenses

	2008	2007	Increase (Decrease)	% Variance
Revenues				
Transfers from other State funds	\$ 13,000,000	-	\$ 13,000,000	- %
Interest on loans	10,121,129	3,666,594	6,454,535	176
Interest and investment income	8,942,648	2,793,615	6,149,033	220
Administrative service fees	7,140,725	6,632,365	508,360	8
Grants	2,000,000	-	2,000,000	-
Annual fees	1,128,340	1,154,011	(25,671)	(2)
Application fees	159,525	273,400	(113,875)	(42)
Bad debt recoveries	156,894	31,839	125,055	393
Miscellaneous	42,974	9,197	33,777	367
Appreciation (depreciation) in fair value of investments	(54,213)	178,070	(232,283)	(130)
Total Revenues	42,638,022	14,739,091	27,898,931	189 %
Expenses				
Interest expense	15,401,759	2,767,195	12,634,564	457 %
Employee related expenses	3,444,591	3,638,102	(193,511)	(5)
Professional services	1,837,280	2,642,074	(804,794)	(30)
Occupancy costs	452,473	467,917	(15,444)	(3)
General and administrative	410,772	410,676	96	0
Loan loss provision	235,911	769,039	(533,128)	(69)
Depreciation	76,974	54,739	22,235	41
Total Expenses	21,859,760	10,749,742	11,110,018	103 %
Excess of Revenues over Expenses	\$ 20,778,262	\$ 3,989,349	\$ 16,788,913	421 %

State of Illinois
Illinois Finance Authority

Compliance Examination
For the Year Ended June 30, 2008

Schedule of Changes in State Property

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Cost				
Capital Assets Being Depreciated:				
Leasehold Improvements	\$ 2,000	\$ -	\$ -	\$ 2,000
Furniture and Equipment	307,359	6,784	(51,470)	262,673
Computers and Software	224,708	-	(11,631)	213,077
Total Capital Assets Being Depreciated	534,067	6,784	(63,101)	477,750
Accumulated Depreciation				
Leasehold Improvements	2,000	-	-	2,000
Furniture and Equipment	168,507	24,682	(20,153)	173,036
Computers and Software	103,053	52,292	(11,631)	143,714
Total Accumulated Depreciation	273,560	76,974	(31,784)	318,750
Capital Assets, Net of Accumulated Depreciation	\$ 260,507	\$ (70,190)	\$ (31,317)	\$ 159,000

This summary schedule was prepared using State property records required by the Illinois Administrative Code. The capitalization policy in the Code is different than the capitalization policy established by the Office of the Comptroller for financial reporting in accordance with generally accepted accounting principles.

This schedule has been reconciled to property reports submitted to the Office of the Comptroller.

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Illinois Finance Authority

Compliance Examination
For the Year Ended June 30, 2008

Reconciliation Schedule of Cash Receipts to Deposits Remitted to the State Comptroller

Fire Truck Revolving Loan Fund #572

Repayment of loans	<u>\$ 493,750</u>
Cash Receipts per Agency Records	493,750
Add cash in transit, beginning of period	-
Less cash in transit, end of period	<u>-</u>
Deposits Remitted to the Comptroller	<u><u>\$ 493,750</u></u>

State of Illinois
 Illinois Finance Authority

Compliance Examination
 For the Year Ended June 30, 2008

Analysis of Significant Variations in Expenses

	June 30, 2008	June 30, 2007	Increase (Decrease)	% Variance	Explanation of Significant Variations (Variance of 20% and \$100,000 or more)
Professional services	\$ 1,837,280	\$ 2,642,074	\$ (804,794)	(30) %	Decrease is due to a drop in outside legal expenses.
Loan loss provision	235,911	769,039	(533,128)	(69)	Decrease is due to a decrease in participation loan Portfolio.
Interest expense	15,401,759	2,767,195	12,634,564	457	Increase is due to the Implementation of GASB Interpretation No. 2 which required the Authority to record debt and interest expense to other funds and component units of the State that had not previously been recorded.

* Information obtained from the Comparative Schedule of Revenues and Expenses

State of Illinois
Illinois Finance Authority

Compliance Examination
For the Year Ended June 30, 2008

Analysis of Significant Variations in Revenues

	June 30, 2008	June 30, 2007	Increase (Decrease)	% Variance	Explanation of Significant Variations (Variance of 20% and \$100,000 or more)
Interest on loans	\$ 10,121,129	\$ 3,666,594	\$ 6,454,535	176 %	Increase is due to the Implementation of GASB Interpretation No. 2, which required the Authority to record bonds receivable and interest income from other funds and component units of the State that had not previously been recorded.
Application Fees	159,525	273,400	(113,875)	(42)	The Authority received fewer loan applications for use of the Authority's services in FY2008.
Interest and investment income	8,942,648	2,793,615	6,149,033	220	The increase is due to the Implementation of GASB Interpretation No., 2, which required the Authority to record interest and investment income to other funds and component units of the State that had not previously been recorded.
Grants	2,000,000	-	2,000,000	-	The increase is due to a grant received from the Illinois Clean Energy Community Foundation. This program provides loans to qualified borrowers who construct community scale wind projects for use as alternative energy.
Bad debt recoveries	156,894	31,839	125,055	393	The Authority collected on two large loans which were fully reserved.
Appreciation (depreciation) in fair value of investments	(54,213)	178,070	(232,283)	(130)	Decrease due to the write down of a venture capital investment in FY 2008 and the realization of a gain on the sale of a venture capital investment in FY 2007.
Transfers from other State funds	13,000,000	-	13,000,000	-	Increase due to transfers received by State of Illinois to fund Fire Truck and Ambulance Revolving Loan Programs.

* Information obtained from the Comparative Schedule of Revenues and Expenses

State of Illinois
Illinois Finance Authority

Compliance Examination
For the Year Ended June 30, 2008

Analysis of Significant Lapse Period Spending

There was no significant lapse period spending (20% or more of the total expenditures) made by the Authority during the examination period.

State of Illinois
 Illinois Finance Authority

Compliance Examination
 For the Year Ended June 30, 2008

Analysis of Significant Account Balances

Following are the account balances with significant change (greater than \$2 million) between June 30, 2007 and June 30, 2008

	June 30, 2008	June 30 2007	Increase (Decrease)	% Variance	Analysis of Significant Change
Assets					
Cash and Cash equivalents	\$ 75,675,753	\$ 41,125,776	\$ 34,549,977	84 %	Increase is due to the transfers received from the other State funds, the sale of investments and the implementation of GASB Interpretation No. 2, which required the Authority to record cash held by trustees not previously recorded.
Investments	136,170,456	18,997,064	117,173,392	617	Increase is due to the implementation of GASB Interpretation No. 2, which required the Authority to record investments held by trustees that had not previously been recorded.
Receivables, net	239,244,933	90,230,190	149,014,743	165	Increase is due to the implementation of GASB Interpretation No. 2, which required the Authority to record bonds receivable from other funds and component units of the State that had not previously been recorded.
Liabilities					
Accrued interest payable	5,666,363	1,039,022	4,627,341	445	Increase is due to the implementation of GASB Interpretation No. 2, which required the Authority to record accrued interest payable held by trustees that had not previously been recorded.
Unamortized issuance premium	7,381,758	-	7,381,758	-	Increase is due to the implementation of GASB Interpretation No. 2, which required the Authority to record unamortized issuance premium held by trustees that had not previously been recorded.
Bonds payable	323,555,189	55,350,000	268,205,189	485	Increase is due to the implementation of GASB Interpretation No. 2, which required the Authority to record bonds payable held by trustees that had not previously been recorded.

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Compliance Examination
For the Year Ended June 30, 2008

Analysis of Accounts Receivable

The Authority's past-due accounts receivable at June 30, 2008 totaled \$16,521. An aging of the past-due accounts receivable by number of days is as follows:

<u>1 - 30 Days</u>	<u>31 - 90 Days</u>	<u>91 - 180 Days</u>	<u>Over 180 Days</u>
\$6,000	-	-	\$10,521

The Authority used private collection services to collect delinquent receivable balances.

Analysis of Loans Receivable

The Authority's past-due loans receivable at June 30, 2008 totaled \$1,698,448. An aging of the past-due loans receivable by number of days is as follows:

<u>1 - 30 Days</u>	<u>31 - 90 Days</u>	<u>91 - 180 Days</u>	<u>Over 180 Days</u>
-	-	-	\$1,698,448

The Authority used private collection services to collect delinquent receivable balances.

Analysis of Fees Receivable

The Authority's past-due fees receivable at June 30, 2008 totaled \$231,253. An aging of the past-due fees receivable by number of days is as follows:

<u>1 - 30 Days</u>	<u>31 - 90 Days</u>	<u>91 - 180 Days</u>	<u>Over 180 Days</u>
\$79,505	-	-	\$151,748

The Authority used private collection services to collect delinquent receivable balances.

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Compliance Examination
For the Year Ended June 30, 2008

Schedule of Cash Funds and Depositories

General Operating Fund:

Banterra Bank of Marion, Illinois - Money Market	\$	574,693
Bank of America in Chicago, Illinois		120,823
Morgan Stanley – Money Market		980
Shore Bank - Money Market		529,117
The Illinois Funds – Money Market		9,233,610
The Illinois Funds – Prime Fund		370,738

Industrial Revenue Bond Insurance Fund:

Banterra Bank of Marion, Illinois – Money Market		2,801,815
JP Morgan in Chicago, Illinois - Prime Money Market Fund		1,839,063
The Illinois Funds – Money Market		6,368,728

Credit Enhancement Fund:

JP Morgan in Chicago, Illinois – Money Market		222
US Bank - First American Government Obligation Fund		600,000
Federated Government Obligations - Tax Managed		40,500

E.D.A. Title IX Restricted Revolving Loan Fund:

Banterra Bank of Marion, Illinois – Savings		743,122
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Rural Development Revolving Loan Fund:

Banterra Bank of Marion, Illinois – Money Market		92,037
Bank of America in Chicago Illinois		1,573,302

Illinois Agricultural Loan Guarantee Fund:

Illinois Treasurer's - Cash		11,590,062
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State of Illinois
Illinois Finance Authority

Compliance Examination
June 30, 2008

Schedule of Cash Funds and Depositories (Continued)

Bond Fund:

US Bank in Minneapolis, Minnesota	\$	18,698
First American Treasury Obligations Fund		948,233
Short-Term Investments Treasury		12,926
U.S. Bank Corporate Trust		117
Amalgamated Bank of Chicago		11,770,877

Illinois Farmer Agribusiness Loan Guarantee Fund:

Illinois Treasurer's – Cash		8,098,221
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Illinois Housing Partnership Program Fund:

The Illinois Funds – Money Market		1,823,794
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IRBB Special Reserve Fund:

The Illinois Funds – Prime Fund		2,555,814
The Illinois Funds – Money Market		6,473

Fire Truck Revolving Loan Fund

Illinois Treasurer's – Cash		9,847,569
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Ambulance Revolving Loan Fund

Illinois Treasurer's-Cash		4,002,925
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Renewable Energy Development Fund

Bank of America in Chicago, Illinois		111,294
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\$ 75,675,753

State of Illinois
Illinois Finance Authority

Compliance Examination
For the Year Ended June 30, 2008

Schedule of Investments

Description	Type	Interest Rate	Maturity Date	Recorded Value June 30, 2008
General Operating Fund:				
LaSalle Bank	Certificate of Deposit	3.21%	06/26/2009	\$ 85,000
Industrial Revenue Bond Insurance Fund:				
Morgan Stanley-Government Securities	Federal Home Loan Bank Bond	5.25%	08/14/2008	501,565
Venture Investment Fund:				
Clearstack	Venture Capital			450,000
Firefly Energy, Inc.	Venture Capital			975,000
Harmonic Vision	Venture Capital			261,000
Illinois Arch Fund Partnership	Venture Capital			165,032
Influx, Inc. (now Protez Pharmaceuticals)	Venture Capital			148,500
Jaros Technologies Corporation	Venture Capital			211,984
Lemko Corporation	Venture Capital			300,000
Metalconforming Controls	Venture Capital			575,000
Moire, Inc.	Venture Capital			600,000
Nephrx	Venture Capital			110,000
Neuronautics	Venture Capital			300,000
Ohmx Corporation	Venture Capital			300,000
Open Channel Software	Venture Capital			250,000
Smart Signal	Venture Capital			293,848
Stonewater Software	Venture Capital			4,759
Video Home Tour	Venture Capital			250,000
Zuchem, Inc.	Venture Capital			543,100
Bond Fund:				
US Bank in Minneapolis, Minnesota	Pooled Investment			8,820,469
Amalgamated Bank of Chicago	Conduit Debt			121,025,199
				\$ 136,170,456

State of Illinois
Illinois Finance Authority

Compliance Examination
For the Year Ended June 30, 2008

Schedule of Contracts

Contractor	Services Provided	Contract Amount	Total Expenses Incurred
427 E. Monroe, LLC	Office Rent - Springfield		\$ 40,845
Accountemps	Temp Services		10,116
ADP Total Source	Payroll and HR	Payroll Services	198,586
Anthes, Pruyn & Associates	Accounting Services	\$65 per hour	40,721
Arthur J. Gallagher	Brokerage/Risk Management		177,614
BFPRU I, LLC	Office Rent - Chicago		262,068
Blackwell Consulting	Computer Consulting		480
Bloomberg, LLP	Financial Information Database		21,370
Burke Burns & Pinelli	Issuers Counsel		25,939
CBIZ Information Systems	Computer Systems		22,394
CCC Technologies, Inc.	Telephone Hardware Maintenance		980
Chicago Office Technology Group	Copy Machine Repair		4,609
DA Davidson	Senior Financial Advisor		92,411
Data Tel Communications	Telecommunications Provider		20,328
Deloitte Consulting LLP	Professional - Accounting		15,125
DLS Internet Services	Chicago Internet Access		6,255
Dykema Gossett Law Offices	Legal		116,310
Franzek & Sullivan	Legal		3,891
GE Capital	Copier Lease		40,259
Illinois Technology Development Alliance	Investment Review Services		9,000
Klatt Employment Services	Temp Services		65,388
Laner Muchin	Legal Services - 457 Plan		67,358
Mabsco Capital	Loan Management Services		122,589
Manpower	HR Recruitment		12,953
Mayer, Brown, Rowe & Maw LLP	Legal		22,461
McGuire Woods, LLP	Legal		25,394
Paetec Communications	Telecommunications Provider		15,295
Pitney Bowes	Mail Services		6,968
Rider Dickerson, Inc.	Printing Services		3,255
Scott Balice Strategies	Senior Financial Advisor		129,682
Shefsky & Froelich Ltd.	Legal Services		545,785
Shred-it	Document Disposal Services		1,532
Southern Illinois University	Office Rent - Carbondale		3,321
Sterling Network	Professional - Network		92,960
Swanson Property Mgmt.	Office Rent - Mt. Vernon		7,035
The Heartland Partnership	Office Rent - Peoria		6,577
Welsh & Katz, Ltd	Legal		4,297
		Total	\$ 2,242,151

State of Illinois
 Illinois Finance Authority

Compliance Examination
 For the Year Ended June 30, 2008

Schedule of Conduit Debt

	Principal Outstanding	Number of Issues Outstanding
Illinois Finance Authority		
Revenue Bonds	\$ 11,704,063,811	399
Environmental Bonds	267,716,000	11
Notes	262,883,000	16
Total Illinois Finance Authority	<u>12,234,662,811</u>	<u>426</u>
Predecessor Authorities		
Illinois Development Finance Authority		
Total 501(c)3 Not-for-Profit Bonds and Leases	1,872,032,000	135
Total Environmental Bonds	680,990,000	29
Total Industrial Revenue Bonds	681,986,000	106
Total Infrastructure Bonds	607,842,000	41
Total Housing Bonds	201,585,000	19
Total Leases, Notes and Certificates of Participation	3,283,000	3
Total Distressed Bonds	6,735,000	1
Total Illinois Development Finance Authority	<u>4,054,453,000</u>	<u>334</u>
Illinois Health Facilities Authority	4,416,505,000	154
Illinois Educational Facilities Authority	1,784,366,000	64
Illinois Farm Development Authority	84,737,000	24
Illinois Rural Bond Bank	38,490,000	21
Total Predecessor Authorities	<u>10,378,551,000</u>	<u>597</u>
Grand Total Illinois Finance Authority	<u>\$ 22,613,213,811</u>	<u>1,023</u>

**State of Illinois
Illinois Finance Authority**

**Compliance Examination
For the Year Ended June 30, 2008**

Authority Functions and Planning Program

The Authority maintains offices at 180 North Stetson Avenue, Suite 2555, Chicago, Illinois 60601; 427 E. Monroe Street, Suite 202, Springfield, Illinois 62701; 100 S.W. Water Street, Peoria, Illinois 61602; and 2929 Broadway Street # 7B, Mt. Vernon, Illinois 62864. The Authority's Board consists of 10 members (below), appointed by the Governor, and Mr. John Filan is the Executive Director.

Following are the Members of the Board of Directors:

1. William A. Brandt
2. William Barclay
3. Ronald E. DeNard
4. Michael W. Goetz
5. Dr. Roger D. Herrin
6. Edward H. Leonard, Sr.
7. Terrance M. O'Brien
8. Juan B. Rivera
9. April Verrett
10. Bradley A. Zeller

Functions

On May 31, 2003 the 93rd General Assembly passed Senate Bill 1075 which became Public Act 93-0205 on July 17, 2003. This act repeals the enabling legislation of the Illinois Health Facilities Authority, the Illinois Educational Facilities Authority, the Illinois Development Finance Authority, the Illinois Rural Bond Bank, and the Illinois Farm Development Authority, effective January 1, 2004 and created the Illinois Finance Authority. The activities of each of the bonding authorities named above were transferred to the Illinois Finance Authority on January 1, 2004.

The Illinois Finance Authority Act (20 ILCS 3501 et. seq.) effective January 1, 2004, created the following objectives for the Authority:

1. Retain jobs in Illinois by assisting existing businesses considering relocation or plant expansion in obtaining low cost financing. This will be accomplished by providing the ability to respond to business situations that might result in job loss within Illinois on a specially tailored basis as required. Although the situations cannot be accurately predicted, it is the objective of the Authority to make its staff and programs available as individual situations develop.

State of Illinois
Illinois Finance Authority

Compliance Examination
For the Year Ended June 30, 2008

Authority Functions and Planning Program (Continued)

2. Assist in the creation of new jobs in Illinois by assisting new emerging or expanding businesses in securing project financing. In order to meet this objective, the Authority utilized three direct loan programs and three industrial revenue bond programs.
3. Assist municipalities in their financing of road, water and sewer projects necessary for economic development.
4. Induce enterprises to remain, expand, and locate in Illinois by helping to provide seed and investment capital.
5. Facilitate employee acquisition of individual and manufacturing facilities about to close or relocate outside Illinois.
6. Provide zero-interest loans to municipalities for rehabilitation and improvement of affordable multi-unit housing for low and moderate-income residents.
7. Improve economic conditions of severely depressed municipalities by making grants to support housing, industrial, and commercial projects.
8. Expand their programs to monitor State bonding activity, initiate favorable legislation at the State and federal level, and communicate information to help inform the public.
9. Devote resources to help not-for-profit organizations address housing and service needs of the mentally ill and disabled.
10. Assist in providing low cost capital to for-profit and not-for-profit organizations for the financing of day care facilities.
11. Work with the General Assembly, the Governor, and other agencies to develop an integrated plan for waste management and to develop a funding mechanism to assist communities in financing of day care facilities.
12. Assist women, low income, and minority entrepreneurs, and business owners, and other such individuals possessing the capability to operate successful business concerns and to assist small business concerns in those areas suffering from lack of credit due to economic downturn.

Planning Program

The policy of the Authority is to offer the broadest possible services to the borrower within the State consistent with the Authority's legislation and resources. This commitment is reflected by using the direct placement of the Authority bonds and notes and short-term revenue bonds, by the issuance of tax-exempt commercial paper, through the public sale of tax-exempt long-term bonds, and through the loan participation program.

Employee Compensation Plan

IFA Performance Incentive Compensation Plan

The Authority has adopted a Merit Compensation Plan (the "Plan") on February 12, 2008, that rewards its employees based on certain performance standards and measures. The Plan replaces the IFA Performance Incentive Plan, which was suspended on October 10, 2007. The suspension covered the time period beginning July 1, 2007, until such time a replacement plan was developed, adopted by the Board of Directors and reinstated by the Executive Director. The Plan is a performance based plan that provides a Flat Dollar increase to employees, based on the employees' overall performance rating during the fiscal year.

Funding Managers are eligible for an Award Percentage based on both the Funding Manager's overall performance as well as the degree to which the Funding Manager meets or exceeds their Sales Revenue Target. The maximum total annual salary and bonuses that an employee can earn is \$150,000. For fiscal year 2008, total bonuses paid to 21 employees were \$95,801.

Defined Contribution Deferred Compensation Plan

The Authority created a new defined contribution deferred compensation plan for its employees on October 1, 2006, called the Illinois Finance Authority Individual Account Plan. The purpose of the plan is to provide incentive to employees to save for their retirement and serves as an effective recruiting tool for the Authority. Under the terms of the plan, the Authority will match 200% of employee contributions into their deferred compensation accounts up to 5% of their compensation. Total contributions by the Authority into the plan accounts for fiscal year 2008 were \$208,429.

State of Illinois
Illinois Finance Authority

Compliance Examination
For the Year Ended June 30, 2008

Average Number of Employees

The following is a summary of the average number of employees employed at the Authority for the year ended June 30, 2008:

	June 30, 2008	June 30, 2007
Executive Director	1	1
General Counsel	1	0
Administrative Assistant	7	5
Executive Management Staff	4	5
Funding Manager	11	11
Accountant/ Finance/ Compliance	4	3
IT Manager/ MIS Administrator	1	1
Public Information/ Marketing Administrator	1	1
Database Administrator	1	1
Total average number of employees	31	28

State of Illinois
 Illinois Finance Authority

Compliance Examination
 For the Year Ended June 30, 2008

Ten-Year Schedule of Jobs Created or Retained by Loans, Revenue Bonds
 and Investments Made by the Authority (Unaudited)

Fiscal Year	Healthcare Bond Amounts Closed	Jobs Created and/or Retained	Educational Bond Amounts Closed	Jobs Created and/or Retained
2008	\$ 3,755,647,778	2,438	\$ 872,831,000	283
2007	1,925,140,000	684	582,306,100	679
2006	968,185,000	821	231,410,000	101
2005	937,800,000	229	842,460,000	577
2004	1,819,401,340	790	563,445,000	802
2003	-	-	-	-
2002	-	-	-	-
2001	-	-	-	-
2000	-	-	-	-
1999	-	-	-	-

Note: Information for the former Illinois Health Facilities Authority and the Illinois Educational Facilities Authority from 1999 through 2003 is not available.

State of Illinois
 Illinois Finance Authority

Compliance Examination
 For the Year Ended June 30, 2008

Ten-Year Schedule of Jobs Created or Retained by Loans, Revenue Bonds
 and Investments Made by the Authority (Unaudited)

Fiscal Year	Direct/ Participation Loan Amounts Closed	Jobs Created and/or Retained	Industrial Revenue Bond Amounts Closed	Jobs Created and/or Retained
2008	\$ 7,273,579	59	\$ 100,525,005	756
2007	12,275,734	259	138,187,750	688
2006	9,019,869	141	25,931,000	118
2005	3,670,727	133	53,218,000	224
2004	1,224,878	82	437,339,500	799
2003	1,342,383	55	92,555,000	170
2002	1,902,658	180	253,645,000	665
2001	2,663,378	332	71,535,000	861
2000	1,928,833	222	59,814,990	837
1999	1,810,157	109	107,010,000	1,123

Note: Information from 1999 through 2003 were obtained from the former Illinois Development Finance Authority, while 2004 information represents July 1, 2003 through December 31, 2003 obtained from the former Illinois Development Finance Authority and January 1, 2004 through June 30, 2004 provided by Illinois Finance Authority.

State of Illinois
 Illinois Finance Authority

Compliance Examination
 For the Year Ended June 30, 2008

Ten-Year Schedule of Jobs Created or Retained by Loans, Revenue Bonds
 and Investments Made by the Authority (Unaudited)

Fiscal Year	FmHA & E.D.A. Title IX Amounts Closed	Jobs Created and/or Retained	Investments in Venture Capital Companies	Jobs Created and/or Retained
2008	\$ 516,250	4	\$ 300,000	10
2007	317,000	12	600,000	108
2006	109,000	6	875,000	27
2005	-	-	841,697	52
2004	-	-	2,124,098	28
2003	-	-	390,100	20
2002	-	-	1,934,270	85
2001	220,000	22	2,951,000	474
2000	-	-	1,150,000	44
1999	300,000	33	1,217,380	46

Note: Information from 1999 through 2003 were obtained from the former Illinois Development Finance Authority, while 2004 information represents July 1, 2003 through December 31, 2003 obtained from the former Illinois Development Finance Authority and January 1, 2004 through June 30, 2004 provided by Illinois Finance Authority.

State of Illinois
 Illinois Finance Authority

Compliance Examination
 For the Year Ended June 30, 2008

Ten-Year Schedule of Jobs Created or Retained by Loans, Revenue Bonds
 and Investments Made by the Authority (Unaudited)

Fiscal Year	Other Projects Closed	Jobs Created and/or Retained	Total Construction Jobs
2008	\$ 707,188,230	727	12,112
2007	315,834,330	621	6,181
2006	294,337,360	341	7,151
2005	220,767,900	447	3,946
2004	-	-	8,147
2003	-	-	826
2002	-	-	579
2001	-	-	1,880
2000	-	-	3,528
1999	-	-	3,063

Note: Information from 1999 through 2003 were obtained from the former Illinois Development Finance Authority, while 2004 information represents July 1, 2003 through December 31, 2003 obtained from the former Illinois Development Finance Authority and January 1, 2004 through June 30, 2004 provided by Illinois Finance Authority.

Summary of Agriculture, Fire Truck and Ambulance Loan Programs

I. Agricultural Development Bonds

Overview:

The Authority had three Agricultural Development Bond Programs in operation, the Beginning Farmer Bond, Agriculture Manufacturing Bond and Beginning Farmer Contract Bond. Through these programs, individuals and businesses ("participants") were screened for eligibility. If they were found to qualify, the Authority, the participants, and the lenders (local banks) entered into loan agreements whereby the proceeds from the issuance of a tax exempt bond were loaned to the participant for prequalified expenditures.

The loan agreements delineated the rights and responsibilities of each of the parties. The banks were considered trustees and were responsible for the receipt of the bond proceeds, payment of qualified expenditures, payment of bond interest and principal and maintenance of necessary records. The Authority had no equity interest in any of the property or equipment, and it was not liable in any way for payment due to bond holders.

This program benefited the participants by allowing them to borrow money at tax-exempt rates, which were generally around 2% below taxable rates.

Interest Rates:

Because interest on the bonds was exempt from federal income taxes, the interest rates were below the general market. To date, the rates charged ranged from 3.2% to 11.5%. Some of the bonds had variable rates, while others had fixed rates.

Revenues of the Program:

The Authority's Operating Fund received \$100 for an application fee and at closing, a fee of one and one-half percent of the principal amount of the bond (net of application fee).

Bonds Issued:

A predecessor of the Authority began issuing bonds in December 1982. The following tables detail the bonds issued by purpose and by year.

State of Illinois
Illinois Finance Authority

Compliance Examination
For the Year Ended June 30, 2008

Summary of Agriculture, Fire Truck and Ambulance Loan Programs (Continued)

I. Agricultural Development Bonds (Continued)

Bonds issued and outstanding by purpose as of June 30, 2008:

Purpose	Number	Amount	Percent of Total
Land and depreciable property	224	\$ 26,830,875	9.43%
Farmland loans	1961	214,107,149	75.27%
New equipment	484	15,379,768	5.41%
Used equipment	91	2,460,490	0.87%
New improvements	179	10,558,830	3.71%
Used improvements	2	46,000	0.02%
Breeding stock	47	1,536,650	0.54%
Soil conservation-permanent	28	584,763	0.21%
Agri-Business	79	10,386,203	3.65%
Tiling	52	1,549,276	0.54%
New no-till equipment	55	998,271	0.35%
	<u>3,202</u>	<u>\$ 284,438,275</u>	<u>100.00%</u>
Principal payments to June 30,		<u>201,656,871</u>	
Principal outstanding at June 30,		<u>\$ 82,781,404</u>	

Bonds issued by year:

Fiscal Year Ended June 30*	Number	Amount
1983	322	\$ 13,580,269
1984	620	32,518,257
1985	459	29,628,084
1986	221	18,414,717
1987	55	4,554,117
1988	69	6,212,934
1989	52	4,078,217
1990	75	7,939,779
1991	90	9,018,835
1992	96	9,594,370
1994	101	11,835,969
1995	81	8,236,393
1996	99	11,899,866
1997	108	14,262,251
1998	118	14,138,025
1999	78	9,284,274
2000	92	12,085,703
2001	98	11,756,702
2002	63	8,639,030
2003	83	12,428,828
2004	49	6,565,001
2005	50	7,607,515
2006	24	3,488,437
2007	51	8,511,039
2008	48	8,159,662
	<u>3,202</u>	<u>\$ 284,438,275</u>

* Information for years prior to 2004 obtained from former Illinois Farm Development Authority.

Summary of Agriculture, Fire Truck and Ambulance Loan Programs (Continued)

II. State Guarantee Program For Restructuring Agricultural Debt

Overview:

The Loan Guarantee Program was authorized by Legislation and passed in November 1985. It was designed to consolidate and spread out farmer's existing debt over a longer period of time at a reduced interest rate. This was accomplished by having the State of Illinois guarantee repayment of 85% of the amounts loaned under this program. Qualifications under the program dictated that a farmer must be credit-worthy, must have a debt-asset ration of between 40% and 65%, must have sufficient collateral to secure the State guarantee and must be a principal operator of a farm.

Loans were made through participating banks that were responsible for processing a farmer's application and for servicing the loan once it was approved by the Authority. These lenders were liable for the first 15% of loss on any loan. Loans could not exceed \$500,000. Repayment schedules were tailored to suit the borrowers' collateral and financial position with a maximum of a thirty-year amortized payment schedule. The procedures for extending a loan were similar to the procedures for taking out a loan. Terms of the loan could be altered during the extension process. All extended loans must have been approved by the Authority's Board. Interest rates were adjusted annually and must have been less than the market rate of interest generally available to the borrower.

Amount of Loans:

During the year ended June 30, 2008, two (2) loans were approved totaling \$532,000. New loan amounts ranged from \$184,000 to \$348,000. Total outstanding loans at June 30, 2008, amounted to \$26,680,071. There was a statutory limit of \$160,000,000 for this guarantee program. A breakdown of loans issued by county immediately follows this section.

Revenues and Expenses of the Program:

The Authority's Operating Fund received \$300 for an application fee and at closing, a fee of one-half percent of the principal amount of the bond (net of application fee). The Authority also received an annual fee of one-quarter percent on the outstanding principal amount of these loans.

The expenses incurred in the program were administrative costs that were paid out of the Authority's Operating Fund.

Benefits to the Participants and Estimated Costs to the State:

Projected benefits included lower interest rates on loans and a more readily available source of long-term financing. These benefits lowered operating costs to the farmer, as well as provided stability to his operations.

Summary of Agriculture, Fire Truck and Ambulance Loan Programs (Continued)

II. State Guarantee Program For Restructuring Agricultural Debt (Continued)

Benefits to the Participants and Estimated Costs to the State (Continued):

Financial activities of this Fund are detailed in the Illinois Agricultural Loan Guarantee Fund. This program was originally funded in fiscal year 1986 by capital contributions from the General Revenue Fund and by transfers from the Farm Emergency Assistance Fund, totaling \$14,063,009. Operating revenues and operating expenses were recorded in the Authority's Operating Fund.

III. Farmer and Agri-Business Loan Guarantee Program

Overview:

This Loan Guarantee Program was authorized by legislation passed in November 1985. Its guarantee was similar to the State Guarantee Program for Restructuring Agricultural Debt. Its target population was both agri-business and individual farmers. Its purpose was to encourage diversification and vertical integration of Illinois agriculture. The State issued an 85% guarantee for farmers/agri-business and lenders who met the qualifications of the program. Loans were made through participating banks that were responsible for processing a farmer's application and for servicing the loan once it was approved by the Authority. These lenders were liable for the first 15% of loss on any loan. There was no maximum loan amount for agri-business loans but loans shall not exceed \$500,000 per farmer or an amount as determined by the Authority on a case-by-case basis for an agribusiness. Loans must be repaid within fifteen years. Interest rates were adjusted annually and must have been less than the market rate of interest generally available to the borrower.

Amount of Loans:

During the year ended June 30, 2008, three (3) loans were approved totaling \$25,200,000. The amount of loans outstanding as of June 30, 2008 was \$38,908,084. A breakdown of loans issued by county immediately follows this section.

Revenues and Expenses of the Program:

The Authority's Operating Fund received \$300 for an application fee and at closing, a fee of one-half percent of the principal amount of the loan (net of the application fee). The Authority also received an annual fee of one-quarter percent on the outstanding principal amount of these loans.

The program's administrative costs were paid out of the Authority's Operating Fund.

Benefits to the Participants and Estimated Costs to the State:

Benefits to the participants were the same as the Illinois Agricultural Loan Guarantee Program. Additionally, this program sought to diversify the Illinois farm economy.

Summary of Agriculture, Fire Truck and Ambulance Loan Programs (Continued)

III. Farmer and Agri-Business Loan Guarantee Program (Continued)

Enterprise Fund:

Financial activities of this Fund were accounted for in the Farmer and Agri-Business Loan Guarantee Fund. This program, the Young Farmer Loan Guarantee Program and the Specialized Livestock Loan Guarantee Program, were funded by an operating transfer from the Farm Emergency Assistance Fund totaling \$8,110,000 during fiscal year 1987. These monies were to secure State guarantees issued under these three programs. Operating revenues and operating expenses were recorded in the Authority's Operating Fund.

IV. Young Farmer Loan Guarantee Program

Overview:

During fiscal year 1993 the Young Farmer Loan Guarantee Program was authorized by the Legislature.

The Young Farmer Loan Guarantee Program was a guarantee program designed to enhance credit availability for younger farmers who were purchasing capital assets. Loan funds could be used for new purchases of capital assets such as land, buildings, machinery, equipment, breeding livestock, soil and water conservation projects, etc. In some cases, the loan proceeds could be used to refinance existing debt as needed to improve lien positions.

All Young Farmer Loans Guarantee Program loans were made through conventional lenders. The Authority provided an 85% guarantee of principal and interest on the loan made to a qualified borrower by a qualified lender. The lender, in consideration for the 85% guarantee, agreed to charge an interest rate lower than conventional. This rate could be fixed or variable as agreed between the applicant and lender.

The applicant must have been able to provide sufficient collateral to adequately secure the Young Farmer Loan Guarantee Program loan. The maximum term for a Young Farmer Loan Guarantee Program loan was fifteen years. Loans collateralized by real estate could be amortized up to twenty-five years with a fifteen year balloon. Loans collateralized by depreciable property were amortized over a shorter period.

The eligible applicant must:

- Have been a resident of the State of Illinois
- Have been at least eighteen years of age
- Have been the principal operator of a farm who derived or would derive at least 50% of annual gross income from farming
- Have had a debt to asset ration of between 40% and 70% after purchase of the capital item
- Have had a net worth in excess of \$10,000
- The borrower must have provided collateral sufficient to have secured the loan and kept the loan collateral through its term. The borrower must have also demonstrated the ability to have adequately serviced the proposed debt.

Summary of Agriculture, Fire Truck and Ambulance Loan Programs (Continued)

IV. Young Farmer Loan Guarantee Program (Continued)

The maximum loan per applicant was \$500,000. An eligible applicant could use the program more than once provided that the totals of the original loan amounts did not exceed \$500,000. Any losses incurred under the State guarantees were paid from the Illinois Farmer and Agri-Business Loan Guarantee Fund.

Amount of Loans:

During the year ended June 30, 2008, one (1) loan was approved totaling \$225,000. The amount of loans outstanding as of June 30, 2008 was \$2,804,897. A breakdown of loans issued by county immediately follows this section.

Revenues and Expenses of the Program:

A nonrefundable application fee of \$300 must have been paid to the Authority at the time of application. The applicant paid a fee of 1% of the loan amount at closing. This closing fee was the net of the \$300 application fee; however, the minimum fee was \$300. The Authority received $\frac{3}{4}\%$ and the lender received $\frac{1}{4}\%$. The lender could charge no additional fees or points other than the fee received at closing. The applicant was liable for normal and customary attorney's fees, abstracting costs, filing fees, appraisal fees and other costs of the loan. The lender agreed to pay the Authority an annual administrative fee equal to $\frac{1}{4}\%$ of the outstanding balance of the Young Farmer Loan Guarantee Program loan on the payment date. The fee was not passed on to the borrower.

The program's administrative costs were paid out of the Authority's Operating Fund.

Benefits to the Participants and Estimated Costs to the State:

Benefits included lower interest rates on loans and a more readily available source of long term financing. These benefits lowered costs to the farmer, as well as provided stability to his operations.

V. Specialized Livestock Loan Guarantee Program

Overview:

This Loan Guarantee Program was authorized by legislation passed in July 1996 and is similar to the Farmers and Agri-Business Loan Guarantee Program. Its target population was both agri-business and individual farmers and was designed to encourage the development of the Illinois livestock industry, by spreading out over a longer term at a reduced interest rate. The State issued an 85% guarantee for farmers/agri-business and lenders who met the qualifications of the program. Loans were made through participating banks that were responsible for processing a farmer's application and for servicing the loan once it was approved by the Authority. These lenders were liable for the first 15% of loss on any loan. Loans could not exceed a maximum of \$1,000,000 per farmer. Loans must have been repaid within fifteen years. Interest rates were adjusted annually and must have been less than the market rate of interest generally available to the borrower.

Any losses incurred under State guarantees were paid from the Illinois Farmer and Agri-Business Loan Guarantee Fund.

Summary of Agriculture, Fire Truck and Ambulance Loan Programs (Continued)

V. Specialized Livestock Loan Guarantee Program (Continued)

The total outstanding loan balance under the Young Farmer Loan Guarantee Program, Farmer and Agri-Business Loan Guarantee Program and the Specialized Livestock Loan Guarantee Program could not exceed \$75 million. The total outstanding loan balance for these three programs at June 30, 2008 was \$57,140,163.

Amount of Loans:

During the year ended June 30, 2008, two (2) loans were approved totaling \$693,500. The amount of loans outstanding as of June 30, 2008 was \$15,427,182. A breakdown of loans issued by county immediately follows this section.

Revenues and Expenses of the Program:

The Authority's Operating Fund received \$300 for an application fee and at closing, a fee of $\frac{3}{4}\%$ of the principal amount of the loan (net of the application fee). The Authority also received an annual fee of one-quarter percent on the outstanding principal amount of these loans.

The program's administrative costs were paid out of the Authority's Operating Fund.

VI. Fire Truck Revolving Loan Program

The fire truck revolving loan program was authorized by Public Act 94-221 as a continuation and re-enactment of the fire truck revolving loan program originally enacted by Public Act 93-35, and later repealed by Public Act 93-205. The loan program provides zero-interest loans for the purchase of fire trucks by fire departments, fire protection districts, or township fire departments based on need, as determined by the State Fire Marshal.

Under the terms of the program the loans may not exceed \$250,000 to any fire department or district. The repayment period for each loan may not exceed 20 years and requires a minimum repayment of 5% of the principal amount borrowed each year.

The loan funds are made out of the fire truck revolving loan fund, a special fund in the State Treasury. During the year ended June 30, 2008 ten (10) were approved totaling \$1,713,564. The amounts of loans outstanding as of June 30, 2008 were \$9,467,529.

VII. Ambulance Revolving Loan Program

The ambulance revolving loan program was authorized by Public Act 94-829. This program was funded by a \$4,000,000 transfer from the State of Illinois. This program was established to provide zero-interest loans for the purchase of ambulances by a fire department, a fire protection district, a township fire department or a non-profit ambulance service based on need, as determined by the State Fire Marshal. Under the terms of the program the loans may not exceed \$100,000 to any fire department, fire protection district or non-profit ambulance service. The repayment period may not exceed 10 years and requires a minimum repayment of 5% of the principal borrowed each year. As of June 30, 2008 the Authority had no loans outstanding.

State of Illinois
Illinois Finance Authority

Compliance Examination
For the Year Ended June 30, 2008

Historical Summary of Agricultural Loans Issued by Program by County (Unaudited)

Program:	Agricultural Development Bonds (Issued)		State Guarantee Program of Restructuring Agricultural Debt Loans (Issued)		Farmer and Agri-Business Loan Guarantee Program Loans (Issued)		Young Farmer Loan Guarantee Program Loans (Issued)		Specialized Livestock Loan Guarantee Program Loans (Issued)	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
County	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
Adams	73	\$ 6,477,068	27	\$ 4,304,838	1	\$ 36,000	4	\$ 526,000	3	\$ 1,917,000
Alexander	-	-	1	180,000						
Bond	57	4,403,668	10	1,532,000			1	192,000	2	1,184,000
Boone	10	1,306,100	5	1,443,000						
Brown	2	160,000	14	3,436,000					1	840,000
Bureau	133	10,427,607	21	4,422,014			2	356,000	4	1,246,000
Calhoun	2	181,000	5	936,110			2	340,000		
Carroll	46	5,243,655	7	1,608,000					3	1,144,000
Cass	11	1,331,276	8	1,663,043	2	2,244,330			3	1,475,000
Champaign	66	4,498,464	22	3,831,011	1	362,000				
Christian	83	8,257,292	11	2,611,500			3	445,000	2	1,572,000
Clark	9	497,000	12	1,718,000						
Clay	46	2,997,679	6	1,079,000			1	85,000	1	780,000
Clinton	65	5,844,042	10	2,541,101	5	10,990,000	2	77,000	5	2,670,000

State of Illinois
 Illinois Finance Authority

Compliance Examination
 For the Year Ended June 30, 2008

Historical Summary of Agricultural Loans Issued by Program by County (Unaudited) (Continued)

Program:	Agricultural Development Bonds (Issued)		State Guarantee Program of Restructuring Agricultural Debt Loans (Issued)		Farmer and Agri-Business Loan Guarantee Program Loans (Issued)		Young Farmer Loan Guarantee Program Loans (Issued)		Specialized Livestock Loan Guarantee Program Loans (Issued)	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
County	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
Coles	20	\$ 1,347,944	14	\$ 2,317,000						
Cook										
Crawford	40	2,763,455	33	8,189,625	6	\$ 2,676,000	3	\$ 51,500	4	\$ 501,500
Cumberland	18	1,447,788	3	606,000	1	150,000				
DeKalb	62	5,510,839	36	10,057,000			1	40,000	8	4,032,000
DeWitt	14	685,675	3	940,000	1	225,000				
Douglas	43	2,892,011	17	2,712,750			1	124,000	1	700,000
Edgar	42	3,706,843	28	5,770,164	1	625,000	4	513,000	1	75,000
Edwards	10	493,100	1	135,000						
Effingham	36	3,415,000	1	85,000						
Fayette	40	2,753,230	8	2,060,000						
Ford	50	5,684,000	8	1,440,000			1	250,000	3	1,925,000
Franklin	48	2,779,365	16	3,892,000	2	3,695,000				
Fulton	30	3,796,600	13	2,211,900	2	172,000			1	88,000

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Compliance Examination
For the Year Ended June 30, 2008

Historical Summary of Agricultural Loans Issued by Program by County (Unaudited) (Continued)

Program:	Agricultural Development Bonds (Issued)		State Guarantee Program of Restructuring Agricultural Debt Loans (Issued)		Farmer and Agri-Business Loan Guarantee Program Loans (Issued)		Young Farmer Loan Guarantee Program Loans (Issued)		Specialized Livestock Loan Guarantee Program Loans (Issued)	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Gallatin	10	\$ 1,643,750	6	\$ 1,298,000	1	\$ 450,000	2	\$ 650,000		
Greene	1	250,000	10	1,896,000						
Grundy	11	903,375	11	2,408,000	1	160,000				
Hamilton	40	3,580,050	2	840,000			1	171,000	2	\$ 1,280,000
Hancock	42	4,314,897	38	5,914,888					4	782,000
Hardin					2	1,900,000				
Henderson	27	3,062,480	17	3,273,500	1	45,000	2	262,000	5	2,015,000
Henry	41	4,973,828	29	5,043,000			1	57,000	3	1,140,000
Iroquois	97	7,966,216	13	2,733,000					1	170,000
Jackson	6	607,780	7	1,246,000			1	71,000		
Jasper	81	4,876,387	44	8,122,200			2	240,000	12	2,155,000
Jefferson	19	1,091,800	10	1,787,000			2	265,000	1	790,000
Jersey	4	433,500	1	300,000						
JoDaviess	9	716,561	26	6,710,547	2	907,000			3	1,180,000

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Compliance Examination
 For the Year Ended June 30, 2008

Historical Summary of Agricultural Loans Issued by Program by County (Unaudited) (Continued)

Program:	Agricultural Development Bonds (Issued)		State Guarantee Program of Restructuring Agricultural Debt Loans (Issued)		Farmer and Agri-Business Loan Guarantee Program Loans (Issued)		Young Farmer Loan Guarantee Program Loans (Issued)		Specialized Livestock Loan Guarantee Program Loans (Issued)	
County	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
Johnson	4	\$ 413,650	7	\$ 1,990,000						
Kane	4	351,200	18	4,616,000					3	\$ 1,915,000
Kankakee	10	1,269,270	2	438,000			1	\$ 46,000		
Kendall	3	273,000	9	1,642,000						
Knox	35	3,506,554	15	2,979,460	1	\$ 65,000	2	232,000	2	434,000
Lake			-							
LaSalle	108	10,839,730	33	6,571,300			1	54,000	1	1,000,000
Lawrence	46	3,225,338	9	1,945,500					3	3,000,000
Lee	58	6,827,792	22	5,599,000			1	110,000	1	455,000
Livingston	143	13,528,941	24	6,176,210	9	7,939,000	2	388,000	4	1,230,000
Logan	38	2,376,460	13	2,200,000			2	190,000	1	520,000
Macon	11	1,035,000	5	700,000			1	75,000		
Macoupin	30	3,692,120	22	4,453,000			3	416,000	6	3,400,000
Madison	21	2,326,940	16	4,359,000			9	1,756,000		

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Compliance Examination
 For the Year Ended June 30, 2008

Historical Summary of Agricultural Loans Issued by Program by County (Unaudited) (Continued)

Program:	Agricultural Development Bonds (Issued)		State Guarantee Program of Restructuring Agricultural Debt Loans (Issued)		Farmer and Agri-Business Loan Guarantee Program Loans (Issued)		Young Farmer Loan Guarantee Program Loans (Issued)		Specialized Livestock Loan Guarantee Program Loans (Issued)	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
County	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
Marion	12	\$ 960,510	31	\$ 6,022,160	1	\$ 3,200,000	3	\$ 640,000	2	\$ 507,000
Marshall	24	2,029,081	8	1,611,000			3	513,000		
Mason	54	4,357,809	9	2,212,702	1	137,000				
Massac	2	30,000	2	435,000						
McDonough	12	1,272,550	14	3,116,000	1	300,000	1	87,000	1	520,000
McHenry	3	440,000	8	2,060,000			1	190,000	1	69,000
McLean	114	8,671,535	32	5,371,734	1	175,000	7	1,015,000	2	1,250,000
Menard	14	1,097,965	16	3,384,000	1	375,000	1	72,000		
Mercer	28	3,315,861	17	3,304,600			7	707,000	11	5,838,300
Monroe	35	3,880,075	26	5,758,707					1	51,000
Montgomery	78	9,903,540	15	3,458,577					5	1,952,000
Morgan	14	1,193,830	25	5,433,319	1	1,000,000	1	194,000	1	668,000
Moultrie	30	1,627,250	6	995,500	1	40,000			1	250,000
Ogle	70	6,780,047	10	2,335,000			4	751,000	2	375,000

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Compliance Examination
 For the Year Ended June 30, 2008

Historical Summary of Agricultural Loans Issued by Program by County (Unaudited) (Continued)

Program:	Agricultural Development Bonds (Issued)		State Guarantee Program of Restructuring Agricultural Debt Loans (Issued)		Farmer and Agri-Business Loan Guarantee Program Loans (Issued)		Young Farmer Loan Guarantee Program Loans (Issued)		Specialized Livestock Loan Guarantee Program Loans (Issued)	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Peoria	23	\$ 2,310,520	25	\$ 6,037,000			2	\$ 322,000	1	\$ 150,000
Perry	10	636,256	19	3,672,900	3	\$ 1,020,000				
Platt	36	1,702,807	9	1,638,000						
Pike	6	945,111	47	10,167,519	1	250,000	9	1,814,000	7	4,990,000
Pope			1	500,000						
Pulaski			3	940,000						
Putnam	11	1,222,859	5	568,681					1	615,000
Randolph	6	552,400	14	2,583,010			2	165,000	2	380,000
Richland	32	1,724,704	5	1,523,000	8	2,353,000	2	285,000	2	605,000
Rock Island	6	1,046,623	6	1,282,000					3	1,285,000
Saline	11	677,835	3	1,082,000			1	150,000		
Sangamon	37	2,840,315	41	7,679,043			1	300,000	2	925,000
Schuyler	8	698,780	-							
Scott	6	783,300	8	1,379,538			1	181,000		

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Compliance Examination
For the Year Ended June 30, 2008

Historical Summary of Agricultural Loans Issued by Program by County (Unaudited) (Continued)

Program:	Agricultural Development Bonds (Issued)		State Guarantee Program of Restructuring Agricultural Debt Loans (Issued)		Farmer and Agri-Business Loan Guarantee Program Loans (Issued)		Young Farmer Loan Guarantee Program Loans (Issued)		Specialized Livestock Loan Guarantee Program Loans (Issued)	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Shelby	74	\$ 5,362,279	18	\$ 3,770,267	1	\$ 47,000	1	\$ 81,000		
St. Clair	29	2,163,180	5	1,156,000	1	40,000				
Stark	22	2,521,200	15	3,612,000			1	300,000		
Stephenson	30	2,729,210	28	6,304,498	13	17,184,495	2	176,000	4	\$ 2,317,000
Tazewell	80	6,572,336	23	4,515,049			1	255,000	1	218,000
Union	21	1,131,036	2	800,000	1	860,000				
Vermillion	29	3,380,140	26	3,978,640	3	24,848,000	1	89,000		
Wabash	5	181,300	3	676,000						
Warren	49	5,780,246	17	3,507,000	1	4,000,000	3	589,000	8	3,845,000
Washington	36	2,453,570	10	2,045,000					2	1,250,000
Wayne	16	1,430,125	4	1,008,000	1	2,651,000			1	643,000
White	1	30,000	5	1,442,500						
Whiteside	93	10,457,345	27	5,338,000					6	2,552,000
Will	17	1,307,940	1	300,000						

State of Illinois
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Compliance Examination
 For the Year Ended June 30, 2008

Historical Summary of Agricultural Loans Issued by Program by County (Unaudited) (Continued)

Program:	Agricultural Development Bonds (Issued)		State Guarantee Program of Restructuring Agricultural Debt Loans (Issued)		Farmer and Agri-Business Loan Guarantee Program Loans (Issued)		Young Farmer Loan Guarantee Program Loans (Issued)		Specialized Livestock Loan Guarantee Program Loans (Issued)	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
County										
Williamson	2	\$ 132,000	-		1	\$ 1,750,000				
Winnebago	9	944,750	8	1,343,000	2	305,412	1	\$ 500,000		
Woodford	52	4,172,735	18	3,011,810	2	635,000	1	100,000	3	\$ 227,000
	<u>3,202</u>	<u>\$ 284,438,275</u>	<u>1,364</u>	<u>\$ 284,322,415</u>	<u>84</u>	<u>\$ 93,812,237</u>	<u>115</u>	<u>\$ 17,458,500</u>	<u>164</u>	<u>\$ 73,097,800</u>

State of Illinois
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Compliance Examination
For the Year Ended June 30, 2008

Service Efforts and Accomplishments (Unaudited)

Issuance Performance

Total number of new issues		88
New issue value	\$	5,909,780,629
Application fees	\$	159,525
Administrative service fees	\$	7,140,725

Operating Performance

Total number of issues		1,023
Total outstanding issue value	\$	22,613,213,811
Annual fees	\$	1,128,340
Annual fees/total outstanding issue value		0.0050%
Total expenses	\$	21,859,760
Total expenses/total outstanding issue value		0.10%
Total expenses/total number of issues	\$	21,368

State of Illinois
 Illinois Finance Authority

Compliance Examination
 Year Ended June 30, 2008

Schedule of Federal and Nonfederal Expenditures
 (expressed in thousands)

Schedule A - Federal Financial Component

Total Federal Expenditures Reported on SEFA Schedule	\$ 89,646
Total New Loans Made not included on SEFA Schedule	516,250
Amount of Federal Loan Balances at Beginning of the Year (not included on the SEFA schedule and continued compliance is required)	546,455
Other noncash Federal Award Expenditures (not included on SEFA Schedule)	-
	<hr/>
Total Schedule A	<u><u>\$ 1,152,351</u></u>

Schedule B - Total Financial Component

Total Operating Expenses (from Financial Statements)	\$ 21,859,760
Total Nonoperating Expenses (from Financial Statements)	-
Total New Loans Made	516,250
Amount of Federal Loan Balances at Beginning of the Year	546,455
Other noncash Federal Award Expenditures	-
	<hr/>
Total Schedule B	<u><u>\$ 22,922,465</u></u>

Schedule C

		<u>Percent</u>
Total Schedule A	\$ 1,152,351	5.0 %
Total Nonfederal Expenses	<hr/>	<hr/>
	21,770,114	95.0
Total Schedule B	<u><u>\$ 22,922,465</u></u>	<u>100.00 %</u>