McGladrey & Pullen
Certified Public Accountants

STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY

Financial Audit
For the Year Ended June 30, 2008

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

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

FINANCIAL AUDIT

For the Year Ended June 30, 2008

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

For the Year Ended June 30, 2008

AGENCY OFFICIALS

Executive Director	Ms. Kym Hubbard 5/8/2007 – 7/15/2008
	Mr. John Filan 11/17/2008 - Current
Chairman – Board of Directors	Mr. David C. Gustman 7/1/2007 – 12/31/2007
	Mr. William A. Brandt 1/1/2008 - Current
Chief Financial Officer and Treasurer	Mr. Jose Garcia 7/1/2007 – 11/15/2007
	Ms. Yvonne Towers 2/23/2009 - Current
Interim Treasurer/Accounting Manager	Ms. Ximena Granda 11/16/2007 - Current
Chief Administrative Officer	Mr. Stuart Boldry
Chief Credit Officer	Mr. Steven Trout
General Counsel	Mr. Christopher Meister 8/20/2007 – Current

Board Members

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

Agency offices are located at:

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

Mount Vernon Office
2929 Broadway Street #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

FINANCIAL STATEMENT REPORT

Summary

The audit of the accompanying financial statements of the State of Illinois, Illinois Finance Authority was performed by McGladrey & Pullen, LLP.

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

Summary of Findings

The auditors identified matters involving the Authority's internal control over financial reporting that they considered to be significant deficiencies. The significant deficiencies are described in the accompanying Schedule of Findings on pages 42 and 43 of this report as finding 08-1 (Draft Financial Statements Not Completed Timely), and finding 08-2 (Failure to Provide a Listing of Laws and Regulations Applicable to the Authority).

Exit Conference

The findings and recommendations appearing in this report were discussed with the Authority in 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
McGladrey & Pullen, LLP	
Joseph Evans	Partner
Sean Hickey	Manager
Office of the Auditor General	
Jon Fox	Audit Manager

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

McGladrey & Pullen
Certified Public Accountants

Independent Auditors' Report

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

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the State of Illinois, Illinois Finance Authority, a component unit of the State of Illinois, as of and for the year ended June 30, 2008, which collectively comprise the State of Illinois, Illinois Finance Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of Illinois, Illinois Finance Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the financial statements of the State of Illinois, Illinois Finance Authority are intended to present the financial position and changes in financial position and cash flows, where applicable, of only that portion of each major fund and the aggregate remaining fund information of the State that is attributable to the transactions of the State of Illinois, Illinois Finance Authority. They do not purport to, and do not, present fairly the financial position of the State of Illinois as of June 30, 2008, and its changes in financial position, including cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the financial statements, the State of Illinois, Illinois Finance Authority adopted GASB Interpretation No. 2, *Disclosure of Conduit Debt Obligations – an interpretation of the National Council on Governmental Accounting (NCGA) Statement 1 (August 1995)* as of and for the year ended June 30, 2008. The adoption of GASB Interpretation No. 2 required the State of Illinois, Illinois Finance Authority to change its method of accounting for certain cash, notes receivable and bonds payable attributable to bonds issued to benefit other funds and component units of the State of Illinois.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the State of Illinois, Illinois Finance Authority, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we will also issue a report dated May 20, 2009, on our consideration of the State of Illinois, Illinois Finance Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The State of Illinois, Illinois Finance Authority has not presented a management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Illinois, Illinois Finance Authority's basic financial statements. The accompanying supplementary information on pages 34 through 39 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

McGladrey & Pullen, LLP

Schaumburg, Illinois
May 20, 2009

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

Statement of Net Assets

June 30, 2008

Assets	General Operating Fund	Bond Fund	Fire Truck Revolving Loan Fund	Nonmajor funds	Total
Current assets:					
Cash and cash equivalents – unrestricted	$ 10,829,961	$ -	$ -	$ 15,395,687	$ 26,225,648
Investments – unrestricted	85,000	-	-	501,565	586,565
Restricted current assets					
Cash and cash equivalents (See Note 2(p))	-	12,750,851	9,847,569	4,754,941	27,353,361
Accrued interest receivable	-	2,126,246	9,000	3,105	2,138,351
Restricted investments	-	77,063,018	-	-	77,063,018
Bonds and notes receivable	-	4,471,500	-	-	4,471,500
Bonds and notes receivable from primary government (See Note 2(b) and 2(p))	-	9,698,530	-	-	9,698,530
Bonds and notes receivable from component units of State (See Note 2(b) and 2(p))	-	1,046,212	-	-	1,046,212
Loans receivable	-	-	567,428	289,737	857,165
Allowance for doubtful accounts	-	-	-	(91,484)	(91,484)
Current portion of deferred issuance costs	-	26,537	-	-	26,537
Receivables:					
Accounts	298,705	-	-	-	298,705
Allowance for doubtful accounts	(48,951)	-	-	-	(48,951)
Loans receivable	2,684,023	-	-	188,752	2,872,775
Interest and other	186,022	-	-	23,691	209,713
Current portion of deferred issuance costs	75,576	-	-	-	75,576
Prepaid expenses and deposits	173,328	-	-	-	173,328
Total current assets	14,283,664	107,182,894	10,423,997	21,065,994	152,956,549
Noncurrent assets:					
Restricted noncurrent assets					
Cash and cash equivalents	-	-	-	22,096,744	22,096,744
Interest receivable	-	191,348	-	41,231	232,579
Guarantee payments receivable	-	-	-	1,115,598	1,115,598
Allowance for doubtful accounts	-	-	-	(433,526)	(433,526)
Deferred issuance costs, net of accumulated amortization	-	148,533	-	-	148,533
Investments	-	52,782,650	-	-	52,782,650
Bonds and notes receivable	-	45,305,300	-	-	45,305,300
Bonds and notes receivable from primary government (See Note 2(b) and 2(p))	-	87,329,651	-	-	87,329,651
Bonds and notes receivable from component units of State (See Note 2(b) and 2(p))	-	45,671,356	-	-	45,671,356
Loans receivable	-	-	8,900,101	2,455,821	11,355,922
Allowance for doubtful accounts	-	-	-	(36,466)	(36,466)
Investments in partnerships and companies	-	-	-	5,738,223	5,738,223
Loans receivable	26,093,145	-	-	4,124,333	30,217,478
Allowance for doubtful accounts	(2,965,475)	-	-	-	(2,965,475)
Property and equipment, at cost	477,750	-	-	-	477,750
Accumulated depreciation	(318,750)	-	-	-	(318,750)
Deferred issuance costs, net of accumulated amortization	423,803	-	-	-	423,803
Total noncurrent assets	23,710,473	231,428,838	8,900,101	35,101,958	299,141,370
Total assets	37,994,137	338,611,732	19,324,098	56,167,952	452,097,919
Liabilities					
Current liabilities:					
Accounts payable	102,016	13,326	-	-	115,342
Accrued expenses	350,236	223,853	-	-	574,089
Accrued interest payable	-	5,662,500	-	3,863	5,666,363
Due to employees	50,471	-	-	-	50,471
Due to primary government	197,470	352,936	-	-	550,406
Bonds payable, current	-	4,525,000	-	-	4,525,000
Bonds payable, primary government	-	18,160,000			18,160,000
Bonds payable, component units of State	-	1,043,089	-	-	1,043,089
Current portion of long-term debt	-	-	-	55,948	55,948
Deferred loss on early extinguishment of debt - current	-	(8,729)	-	-	(8,729)
Deferred revenue, net of accumulated amortiziation	102,908	-	-	-	102,908
Unamortized issuance premium, current	-	1,240,183	-	-	1,240,183
Total current liabilities	803,101	31,212,158	-	59,811	32,075,070
Noncurrent liabilities:					
Noncurrent portion of long-term debt	-	-	-	716,718	716,718
Accrued expenses	-	2,824	-	-	2,824
Bonds payable, noncurrent	-	53,615,000	-	-	53,615,000
Bonds payable, primary government	-	184,770,000			184,770,000
Bonds payable, component units of State	-	61,442,100	-	-	61,442,100
Deferred revenue net of accumulated amortization	609,995	-	-	-	609,995
Deferred loss on early extinguishment of debt	-	(92,856)	-	-	(92,856)
Unamortized issuance premium	-	6,141,575	-	-	6,141,575
Total noncurrent liabilities	609,995	305,878,643	-	716,718	307,205,356
Total liabilities	1,413,096	337,090,801	-	776,529	339,280,426
Net Assets					
Invested in capital assets	159,000	-	-	-	159,000
Restricted	-	1,520,931	19,324,098	29,419,172	50,264,201
Unrestricted	36,422,041	-	-	25,972,251	62,394,292
Total net assets	$ 36,581,041	$ 1,520,931	$ 19,324,098	$ 55,391,423	$ 112,817,493

See accompanying notes to financial statements.

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

Statement of Revenues, Expenses, and Changes in Fund Net Assets

For the Year Ended June 30, 2008

	General Operating Fund	Bond Fund	Fire Truck Revolving Loan Fund	Nonmajor funds	Total
Operating revenues:					
Interest on loans	$ 1,532,078	$ -	$ -	$ 91,286	$ 1,623,364
Interest on loans (security for revenue bonds)	-	8,497,765	-	-	8,497,765
Application fees	158,800	-	-	725	159,525
Annual fees	1,068,228	60,112	-	-	1,128,340
Administrative service fees	7,140,275	-	-	450	7,140,725
Bad debt recoveries	63,000	-	-	93,894	156,894
Miscellaneous	17,992	-	24,982	-	42,974
Total operating revenues	9,980,373	8,557,877	24,982	186,355	18,749,587
Operating expenses:					
Employee related expenses	3,444,591	-	-	-	3,444,591
Professional services	1,674,221	70,229	-	92,830	1,837,280
Depreciation	76,974	-	-	-	76,974
Occupancy costs	452,473	-	-	-	452,473
Interest expense	-	15,393,755	-	8,004	15,401,759
General and administrative	410,772	-	-	-	410,772
Loan loss provision	222,448	-	-	13,463	235,911
Total operating expenses	6,281,479	15,463,984	-	114,297	21,859,760
Operating income (loss)	3,698,894	(6,906,107)	24,982	72,058	(3,110,173)
Nonoperating revenues (expenses):					
Grants	-	-	-	2,000,000	2,000,000
Mandatory transfers from primary government			9,000,000	4,000,000	13,000,000
Interest and investment income	339,802	7,015,050	102,284	1,485,512	8,942,648
Net appreciation (depreciation) in fair value of investments	20,364	-	-	(74,577)	(54,213)
Total nonoperating revenues (expenses), net	360,166	7,015,050	9,102,284	7,410,935	23,888,435
Income before transfers	4,059,060	108,943	9,127,266	7,482,993	20,778,262
Transfers					
Transfers from other funds	1,053,978	28,340	-	3,272,615	4,354,933
Transfers to other funds	(2,560,241)	-	-	(1,794,692)	(4,354,933)
Increase in net assets	2,552,797	137,283	9,127,266	8,960,916	20,778,262
Net assets – beginning of year	34,028,244	1,383,648	10,196,832	46,430,507	92,039,231
Net assets – end of year	$ 36,581,041	$ 1,520,931	$ 19,324,098	$ 55,391,423	$ 112,817,493

See accompanying notes to financial statements.

STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT
(A Component Unit of the State of Illinois)

Statement of Cash Flows

For the Year Ended June 30, 2008

	General Operating Fund	Bond Fund	Fire Truck Revolving Loan Fund	Nonmajor funds	Total
Cash flows from operating activities:					
Cash received for interest on loans	$ 1,511,144	$ 9,849,317	$ -	$ 98,790	$ 11,459,251
Cash received for fees and other	8,527,372	60,112	24,982	1,175	8,613,641
Cash received on loan receivables and guarantees	6,827,141	18,394,200	493,750	977,306	26,692,397
Cash payments on loan receivables and guarantees	(5,328,580)	(14,669,920)	(1,713,564)	(3,172,800)	(24,884,864)
Cash payments for employee services	(3,436,517)	-	-	-	(3,436,517)
Cash payments to suppliers for goods and services	(3,156,647)	(47,726)	-	(92,830)	(3,297,203)
Net cash provided by (used in) operating activities	4,943,913	13,585,983	(1,194,832)	(2,188,359)	15,146,705
Cash flows from noncapital financing activities:					
Due from other funds	(427,469)	-	-	(195,414)	(622,883)
Due to other funds	195,414	-	-	427,469	622,883
Transfers from other funds	1,053,978	28,340	-	-	1,082,318
Transfers to other funds	-	-	-	(1,082,318)	(1,082,318)
Bond and notes principal payments	-	(26,990,911)	-	(55,394)	(27,046,305)
Proceeds from issuance of revenue bonds	-	9,045,000	-	-	9,045,000
Cash received from grants	-	-	-	2,000,000	2,000,000
Cash received from mandatory transfers from primary government	-	-	9,000,000	4,000,000	13,000,000
Interest payments	-	(17,026,769)	-	(8,281)	(17,035,050)
Net cash provided by (used in) noncapital financing activities	821,923	(34,944,340)	9,000,000	5,086,062	(20,036,355)
Cash flows from capital and related financing activities:					
Sale of capital assets	31,317	-	-	-	31,317
Purchase of capital assets	(6,784)	-	-	-	(6,784)
Net cash provided by capital and related financing activities	24,533	-	-	-	24,533
Cash flows from investing activities:					
Purchase of investments	-	(272,159,262)	-	(300,000)	(272,459,262)
Maturity and sales of investments	2,872,490	298,480,374	-	1,538,171	302,891,035
Interest and dividends on investments	359,562	6,969,607	101,284	1,552,868	8,983,321
Net cash provided by investing activities	3,232,052	33,290,719	101,284	2,791,039	39,415,094
Net increase in cash and cash equivalents	9,022,421	11,932,362	7,906,452	5,688,742	34,549,977
Cash and cash equivalents at beginning of year	1,807,540	818,489	1,941,117	36,558,630	41,125,776
Cash and cash equivalents at end of year	$ 10,829,961	$ 12,750,851	$ 9,847,569	$ 42,247,372	$ 75,675,753
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	$ 3,698,894	$ (6,906,107)	$ 24,982	$ 72,058	$ (3,110,173)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	76,974	-	-	-	76,974
Interest expense	-	15,393,755	-	8,004	15,401,759
Amortiziation of bond issuance costs	97,215	28,609	-	-	125,824
Amortization of deferred revenue	(127,702)	-	-	-	(127,702)
Changes in assets and liabilities:					
Accrued interest	(20,934)	(6,302)	-	7,505	(19,731)
Loans receivable	1,658,008	-	(1,219,814)	(2,275,926)	(1,837,732)
Bonds and notes receivable	-	5,012,549			5,012,549
Accounts receivable	269,779	-	-	-	269,779
Prepaid expenses and deposits	(2,451)	-	-	-	(2,451)
Accounts payable and accrued expenses	(713,945)	63,479	-	-	(650,466)
Due to employees	8,075	-	-	-	8,075
Net cash provided by (used in) operating activities	$ 4,943,913	$ 13,585,983	$ (1,194,832)	$ (2,188,359)	$ 15,146,705

See accompanying notes to financial statements.

(1) Organization

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

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

The Authority is a body corporate and politic, of the State of Illinois. The Authority is governed by a 15-member board of directors, appointed by the Governor with the advice and consent of the Senate. As specified in the Illinois Finance Authority Act the amount of bonds issued by the Authority cannot exceed $26,650,000,000.

(2) Summary of Significant Accounting Policies

The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB). To facilitate the understanding of data included in the financial statements, summarized below are the more significant accounting policies.

(a) Financial Reporting Entity

As defined by GAAP, the financial reporting entity consists of a primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as:

(1) Appointment of a voting majority of the component unit's board and either (a) the primary government's ability to impose its will on the component unit or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or

(2) Fiscal dependency on the primary government.

For financial reporting purposes, the Authority is a component unit of the State of Illinois. The Authority does not treat any other reporting entities as component units.

(b) Basis of Presentation

The accounts of the Authority are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenses, as appropriate. The emphasis on fund financial statements is on a major proprietary fund (enterprise); each is displayed in a separate column. All remaining proprietary funds are aggregated and reported as nonmajor funds. Except for appropriations to fund the start-up of programs, all agency administered funds are non-appropriated.

The Authority has the following major proprietary funds:

General Operating Fund – The operating fund of the Authority which receives all revenues from program applications. All administrative expenses for establishing and monitoring the Authority's programs are paid out of this fund as set forth in the Illinois Finance Authority Act.

Bond Fund – Each bond issue is comprised of several accounts as required by the bond indenture. The accounts of all the issues have been aggregated and reported as the Bond Fund. These are non-appropriated accounts maintained by the trustee. The purpose of the fund and role of the trustees is to collect bond proceeds, purchase participating institutions' securities and remit bond issuance costs paid for with bond proceeds. The fund and its trustees also collect interest and principal payments from the participating institutions and makes payments and interest on the bonds payable.

Fire Truck Revolving Loan Fund – The fund of the Authority which accounts for the activity of the Fire Truck Revolving Loan Program. This program was established in 2005 to provide zero-interest loans for the purchase of fire trucks by a fire department, a fire protection district or a township fire department based on need, as determined by the State Fire Marshal.

(c) Basis of Accounting

The Authority financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The Authority also has the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The Authority has elected not to follow subsequent private-sector guidance.

(d) Cash and Cash Equivalents

For the purposes of the statements of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered cash equivalents.

(e) Restricted Assets

Certain resources have been classified as restricted assets on the statement of net assets because their use is limited by applicable bank and loan agreements. See notes on cash and investments (Note 3), long-term obligations (Note 8), revenue bonds payable (Note 9) and commitments and contingencies (Note 13) for additional disclosures.

(f) Investments

Investments in marketable securities are reported at fair value based on quoted market prices. Investments in venture capital companies are reported at fair value based upon the lower of cost or estimated market value, as determined by management based upon financial and operational information from the investee. Investment contracts are considered to be Guaranteed Investment Contracts. These contracts are reported at fair value based on quoted market prices.

(g) Deferred Issuance Costs and Deferred Revenue

The Authority is amortizing issuance costs, insurance premiums and fee revenue from bond issues over the life of the bond issues using the effective interest method. Amounts are presented net of accumulated amortization in the Statement of Net Assets.

(h) Deferred Loss on Early Extinguishment

The Authority is amortizing a loss on the refunding of several of its non-asset bonds in the Bond Fund over the lesser of the term of the old debt or the new debt using the straight-line method. The unamortized loss is presented as a contra liability to the new debt.

(i) Interfund Transactions

The Authority has the following types of interfund transactions:

Loans and Advances – amounts provided with a requirement for repayment. Interfund loans are reported as interfund receivables (i.e. due from other funds) in lender funds and interfund payables (i.e. due to other funds) in borrower funds.

Reimbursements – repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are reported as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

Transfers – Amounts provided to other funds which will not be repaid.

(j) Capital Assets

Capital assets, which include property and equipment, are reported at historical cost. Capital assets are depreciated using the straight-line method. Depreciation of property and equipment used by the Authority is charged as an expense against the Authority's General Operating Fund. Capital assets and accumulated depreciation is reported in Note 12 to the financial statements.

Capitalization thresholds and the estimated useful lives are as follows:

Furniture and equipment	$500	5 years
Computer equipment	$5,000	5 years
Software	$10,000	3 years

(k) Vacation and Sick Leave

The Authority's employees earn vacation and sick leave pay which generally may be either taken or accumulated. Employees are allowed to carry up to one week of earned vacation days into the next calendar year. Any days over this amount will be lost. Upon termination, any unused vacation days will be paid to the employee. Vacation and sick leave pay are accrued when earned. The current liability is recorded in the General Operating Fund.

Activity related to accrued vacation and sick leave for the year ended June 30, 2008 consisted of the following:

Accrued Leave June 30, 2007	Earned	Paid	Accrued Leave June 30, 2008	Due Within One Year
$ 42,396	$ 157,384	$ 149,309	$ 50,471	$ 50,471

(l) Net Assets

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

Invested in Capital Assets – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of these assets.

Restricted – This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the Authority's policy to use restricted resources first, then unrestricted resources when they are needed. As of June 30, 2008, the Authority had restricted net assets of $50,264,201, of which $43,730,984 is restricted by enabling legislation.

Unrestricted – This consists of net assets that do not meet the definition of "restricted" or "invested in capital assets."

(m) Classification of Revenues

The Authority has classified its revenues as either operating or nonoperating. Operating revenue includes activities that have the characteristics of exchange transactions including interest on loans, application fees, annual fees, and administrative service fees. Nonoperating revenue includes activities that have the characteristics of nonexchange transactions or activities that are ancillary to the operations of the Authority including interest and investment income.

(n) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(o) Conduit Debt Obligations

In accordance with Illinois Compiled Statutes, the Authority issues limited obligation revenue bonds and participates in lending and leasing agreements to provide low cost financing to businesses, agribusinesses, health care facilities, educational facilities, municipalities, and other organizations in order to stabilize and strengthen the Illinois economy in areas of job creation and job retention. The bonds and leases are secured by the property financed. Upon repayment of the debt, ownership of the acquired facilities transfers to the entity served by the issuance. Neither the Authority, State, nor any political subdivision thereof is obligated in any manner for repayment of the debt. Accordingly, the bonds and leases are not reported as liabilities in the Authority's basic financial statements. As of June 30, 2008, the aggregate amount of conduit debt outstanding is approximately $22.6 billion.

(p) Adoption of New Accounting Principles

The Authority implemented the following Governmental Accounting Standards Board (GASB) Statements effective July 1, 2007: Statement No. 45, *Accounting and Financial reporting by Employers for postemployment Benefits Other than Pensions*; Statement No. 50, *Pension Disclosures – an amendment to GASB Statements No. 25 and No. 27.*

The Authority implemented GASB Interpretation No. 2, *Disclosure of Conduit Debt Obligations – an interpretation of the National Council on Governmental Accounting (NCGA) Statement 1* (August 1995). The Interpretation requires disclosures of outstanding bonds issued to benefit other State funds and component units. The six (6) bond issues indicated below and premiums, if any, do not constitute an indebtedness or an obligation, general or moral, or a pledge of the faith or loan of credit of the Authority, but are special, limited obligations of the Authority, payable solely from the monies held by the bond trustee paid by the borrowers indicated below for each bond issue. For the six bond issues indicated below, payments under the bond documents are remitted to the trustee for each individual bond issue, not the Authority. Each trustee is independent of the Authority and receives no direction from the Authority. Any failure of the borrowers indicated below to make a payment to the trustee under the specific bond issue does not result in a non-performing asset of the Authority on the financial statements of the Authority. For the six (6) bond transactions below, the Authority has no liability for any payments in the event of a default by the borrower. The bonds, previously reported as conduit debt on the Authority's financial statements, have been recorded as noted below.

The original bond issues are as follows:

Northern Illinois University, Series 1999	$	20,000,000
Illinois Environmental Protection Agency Revolving Fund, Series 2002		150,000,000
Illinois Environmental Protection Agency Revolving Fund, Series 2004		130,000,000
Northern Illinois University, Foundation, Series 2006		9,206,100
Illinois Medical District Commission, Series 2006A		7,500,000
Illinois Medical District Commission, Series 2006B		32,500,000

The Authority has included $265 million of bonds issued and outstanding at June 30, 2008, and the corresponding unamortized premiums in "bonds payable" and "unamortized issuance premium," in the accompanying Statement of Net Assets. The bond liability is also reflected on the financial statements of the corresponding component units, payable to the Authority and offset by the Authority's corresponding receivable. The balances from the bonds issued are included in the bond fund as follows:

Cash and cash equivalents-Illinois Environmental Protection Agency	$ 9,098,455
Investments-Illinois Environmental Protection Agency	107,227,384
Bonds receivable-Illinois Environmental Protection Agency	97,028,181
Bonds receivable-Northern Illinois University Foundation	6,610,189
Cash and cash equivalents-Northern Illinois University	116
Bonds receivable-Northern Illinois University	15,905,635
Cash and cash equivalents-Illinois Medical District Commission	2,672,423
Investments-Illinois Medical District Commission	13,797,816
Bonds receivable-Illinois Medical District Commission	24,201,743
Interest receivable	1,187,901
	$ 277,729,843

Bonds Payable - Illinois Environmental Protection Agency	$ 202,930,000
Bonds Payable - Northern Illinois University, Foundation	6,610,189
Bonds Payable - Northern Illinois University	15,875,000
Bonds Payable - Illinois Medical District Commission	40,000,000
Unamortized issuance premium	7,381,758
Due to primary government	352,936
Interest payable	4,579,960
	$ 277,729,843

The Authority also included the related interest revenue and expenses and the corresponding amortization of the income and expense, reported for "interest on loans," "interest expense," and "interest and investments income" in the Statement of Revenues, Expenses and Changes in Fund Net Assets. The implementation of the accounting principle did not effect the beginning net asset balance.

The Authority receives no revenues. The revenues are paid to an independent trustee.

(3) Cash and Investments

Cash and Investments as of June 30, 2008 are classified in the accompanying financial statements as follows:

Cash and cash equivalents - unrestricted	$	26,225,648
Cash and cash equivalents - restricted current assets		27,353,361
Cash and cash equivalents - restricted noncurrent assets		22,096,744
Investments - unrestricted		586,565
Investments - restricted current assets		77,063,018
Investments - restricted noncurrent assets		52,782,650
Investments in partnership and companies		5,738,223
Total cash and investments	$	211,846,209

Cash and investments as of June 30, 2008 consist of the following:

Deposits with financial institutions	$	6,649,903
Deposits with State of Illinois Treasurer		33,538,777
Investments		171,657,529
	$	211,846,209

The Authority is permitted by Illinois Statutes and by its investment policy to invest any of its funds in:

(a) Federal Government Securities, including securities of the federal agencies.

(b) Securities guaranteed by the federal government.

(c) Savings accounts, certificates of deposit, time deposits in banks or savings and loans insured by the FDIC and any deposits in excess of amounts insured by the FDIC are collateralized.

(d) Short-term obligations of U.S. corporations with assets exceeding $500,000,000 and rated investment grade and which mature not later than 180 days from the date of purchase, provided that such obligations do not exceed 10% of the corporation’s outstanding obligations and no more than one-third of the Authority’s funds are invested in such obligations.

(e) Money market mutual funds registered under the Investment Company Act of 1940 provided the portfolio is limited to either U.S. government or government-backed securities.

(f) Shares of other forms of securities legally issued by savings banks or savings and loan associations, if such securities are insured by the FDIC.

(g) Dividend-bearing share accounts, share certificate accounts or class of share accounts of a credit union, if insured under applicable law.

(h) The Illinois Public Treasurer’s Investment Pool.

(i) A fund managed, operated, and administered by a bank, subsidiary of a bank, or subsidiary of a bank holding company or use the services of such an entity to hold and invest or advise regarding the investment.

(j) Repurchase agreements of government securities.

In addition, the Authority is authorized by its enabling legislation to invest in obligations issued by any State, unit of local government, or school district that carry investment grade ratings, and equity securities of a registered investment company.

The Authority's investment policy excludes funds committed to credit enhancement, federally assisted programs and funds held by bond trustees that are governed by the provisions of bond agreements. The investment of these funds is governed by the applicable authorizing statutes. The allowable investments are as follows:

Credit Enhancement Funds:

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

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

Federally Assisted Programs:

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

Bond Funds:

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

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Authority manages its exposure to interest rate risk by basing its investment decisions regarding maturity dates and rates on an analysis of the Authority's short-, mid-, and long-term cash needs and keeping the portfolio sufficiently liquid to enable the Authority to meet its operating requirements. In addition, the Authority's Investment policy limits any new investments to maturities of 5 years or less unless approved by the Executive Director.

As of June 30, 2008 the Weighted Average Maturity of the Authority's investments were:

Investment Type		Weighted Average Maturity (in years)
Federal Agency Securities	$ 69,261,692	3.60
State investment pool (Illinois Funds)	20,359,156	0.06
Money Market Funds	15,212,917	N/A
Investment Contracts (Bond Fund)	8,820,469	12.29
Commercial paper	52,265,072	0.25
Investments in partnerships and companies	5,738,223	N/A
	$ 171,657,529	

Credit Risk

Generally, credit risk is the risk that an issuer of a debt investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Authority's Investment policy on credit risk is limiting the investments to high rated securities and diversifying the portfolio to limit exposure. Presented below is the rating as of year end for each investment type:

Investment Type		Exempt From Disclosure	Ratings as of Year End AAA	A-1	Not Rated
Federal Agency Securities	$ 69,261,692	$ -	$ 69,261,692	$ -	$ -
State investment pool	20,359,156	-	20,359,156	-	-
Money Market Funds	2,480,764	-	2,480,764	-	-
Held by bond trustee:					
Money market funds	12,732,153	-	12,732,153	-	-
Investment contracts (Bond Fund)	8,820,469	-	-	-	8,820,469
Commercial paper	52,265,072	-	-	52,265,072	-
Investments in partnerships and companies	5,738,223	5,738,223	-	-	-
Total	$ 171,657,529	$ 5,738,223	$ 104,833,765	$ 52,265,072	$ 8,820,469

Concentration of Credit Risk

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

Certificates of Deposit from any single financial institution may not comprise more than 20% of the Authority's portfolio or 5% of the financial institution's total deposits.

Commercial Paper purchases may not exceed 20% of the IFA Portfolio in total and 5% of IFA Portfolio in any single issuer's name.

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

As of June 30, 2008, investments in any one issuer (other than US Treasury securities, mutual funds, and external investment pools) that represent 5% or more of the total Authority investments are as follows:

Issuer	Fund	Investment Type	Reported Amount
American Express Co.	Bond Fund	Commercial Paper	$ 52,265,072

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Authority will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Authority's investment policy requires that any deposits in excess of amounts insured by the FDIC or SAIF ("Savings Association Insurance Fund") be secured by an eligible form of collateral equal to 110% of the uninsured deposit. Eligible collateral instruments are any of the following:

1.) Federal government securities
2.) Securities guaranteed by the federal government
3.) Obligations of the State of Illinois
4.) Letters of Credit issued by the Federal Home Loan Bank of Chicago or equivalent entity
5.) Surety bonds issued by MBIA or equivalent entity.

Third party safekeeping is required for collateral items 1, 2 and 3 above. The Authority's investment policy does not specifically address the collateralization requirements for investments.

As of June 30, 2008 all of the Authority's deposits with financial institutions in excess of federal depository limits were collateralized. The securities pledged as collateral were held with third party safekeeping in the name of the Authority.

As of June 30, 2008 all of the Authority's investments were backed by U.S. Government Treasuries held in the name of the Authority, except for investments in partnerships and companies.

The Illinois Funds is an external investment pool administered by the Illinois State Treasurer. The fair value of the Authority's investment fund is the same as the value of pool shares. Although not subject to direct regulatory oversight, the fund is administered in accordance with the provisions of the Illinois Public Funds Investment Act, 30 ILCS 235.

(4) Bonds and Loans Receivable

The Authority sponsors a variety of lending programs including direct lending and direct lending participation loans. The Authority also makes loans through its two federal programs, the Economic Development Administration (E.D.A.) Title IX Revolving Loan Program and the Rural Development Loan Program. Bonds receivable from local governmental units represent amounts loaned to the units through the purchase of their securities.

Illinois Housing Partnership Program

The Authority participates in the Illinois Housing Partnership Program (IHPP) which was established by the Illinois General Assembly in 1985 in order to finance the acquisition and renovation of multi-family housing units. A predecessor Authority entered into the loan program with the City of Chicago in 1986 acting as a pass-through entity. The loan is non-interest bearing, with collections due as follows:

August 1, 2016	$3,000,000

Direct Lending Program

The Authority provides loans to Illinois businesses that cannot obtain sufficient financing through conventional sources, by lowering the amount of equity the borrower must contribute. Financing includes up to $250,000 to small and mid-size businesses for land, building, machinery, and equipment purchases. The Authority did not provide any new loans under this program for the year ending June 30, 2008. Loans under this program carry an interest rate of 1.5% with maturity dates up to ten years. This program has been superseded by the Direct Lending Participation Program. Total loans outstanding as of June 30, 2008, were $107,808.

Direct Lending Participation Program

Similar to the Direct Lending Program, the Authority allows for the purchase of land, building, construction or renovation of a building, and acquisition of machinery and equipment up to the lesser of $1,000,000 or 50% of the project. By purchasing a participation of the bank at a lower interest rate than the borrower would receive on its own, the Authority requires the bank to pass savings directly to the borrower. The Authority participations are on a pro rata 50/50 basis with the bank. Loans under this program carry a variable interest rate that is up to 200 basis points less than the bank's rate with maturity dates up to ten years. Total loans outstanding as of June 30, 2008, were $28,527,725.

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

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

The Rural Development Revolving Loan Program

The Rural Development Revolving Loan Program participates with the Rural Development Administration's (formerly the Farmers Home Administration's) Intermediary Relending Program to provide loans to business facilities and community development projects in rural areas for land acquisitions, facility construction and renovation, and machinery and equipment purchases. The Authority will contribute up to 75% or $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.

SBA Microloan Demonstration Program

This program of the Authority accounts for the activity of loans received under the Small Business Administration (SBA) Microloan Demonstration Program. The purpose of this program is to assist women, low income, and minority entrepreneurs, and business owners, and other such individuals possessing the capability to operate successful business concerns and to assist small business concerns in those areas suffering from a lack of credit due to economic downturn as set forth under the loan agreement and the Small Business Act, 15 U.S.C. 636. Total loans outstanding as of June 30, 2008, were $80,635. The SBA Microloans are fully reserved.

Employee Ownership Assistance Program

This program provides supplemental financing to help facilitate employee acquisition of industrial and manufacturing facilities about to close or relocate outside of Illinois. Loans are made to employee-owned enterprises and may be used to finance up to 50% of total acquisition costs. It is funded by an appropriation for these purposes of $2,000,000 received by the prior Illinois Development Finance Authority during 1986 as set forth in Public Act 82-991. Total loans outstanding as of June 30, 2008, were $1,000,000.

Fire Truck Revolving Loan Program

This program provides zero interest rate loans to fire departments and fire protection districts that may be used only to purchase fire trucks. The loans to each department or district may not exceed $250,000 and must be repaid within 20 years. The program is funded by an appropriation of $10,000,000 received by the State of Illinois and a transfer of funds from the Fire Prevention Fund of $9,000,000. Total loans outstanding as of June 30, 2008, were $9,467,529.

Ambulance Revolving Loan Program

This program provides zero interest rate loans to fire departments, fire protection districts, township fire departments and non-profit ambulance services that may be used to purchase ambulances. The loans may not exceed $100,000 and must be repaid within 10 years. The program is funded by a transfer of funds from the Fire Prevention Fund of $4,000,000. There were no outstanding loans as of June 30, 2008 for this program.

Local Government Financing Assistance Program

This program provides financing to units of local government located in the State of Illinois by purchasing the securities of the local governments. Total loans outstanding as of June 30, 2008, were $374,085.

Bond Bank Lending Program

This program facilitates the financing needs of a broad array of governmental units located through out the State. The Local Government units make payments on the loans from taxes, revenues, rates, charges or assessments, in an amount sufficient to pay the principal of and interest on its Local Government Securities when due. The program is funded by issuing Moral Obligation Revenue Bonds (Footnote 9). Total loans outstanding as of June 30, 2008 were $49,776,800.

Loans with the Primary Government and Component Units of the State

The Authority has provided financing to the State of Illinois and to component units of the State of Illinois. The borrowers make payments in an amount sufficient to pay the principal of and interest on the bonds when due. Total loans outstanding as of June 30, 2008 were $143,745,749.

Renewable Energy Development Program

This program provides loans to qualified borrowers who construct community scale wind projects for use as alternative energy. This program was funded by a $2,000,000 grant received from the Illinois Clean Energy Community Foundation. Total loans outstanding as of June 30, 2008 were $1,924,742.

Allowance for Doubtful Accounts

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

Program have not experienced a default, therefore, the allowance for doubtful accounts based on prior experience is zero.

(5) Guarantee Receivables

Guarantee receivables result from amounts due to the Authority after it has paid a guarantee claim. Activity related to guarantee receivables for the year ended June 30, 2008, consisted of the following:

	Illinois Farmers Agribusiness Loan Guarantee Fund	Illinois Agricultural Loan Guarantee Fund	Total
Guarantee receivables-beginning of year	$ 288,146	$ 170,902	$ 459,048
Disbursements on guarantee claims	656,550	-	656,550
Payments received	-	-	-
Receivables written off	-	-	-
Gross guarantee receivables - end of year	944,696	170,902	1,115,598
Allowance for doubtful accounts	(262,624)	(170,902)	(433,526)
Net receivables - end of year	$ 682,072	$ -	$ 682,072

Allowance for Doubtful Accounts

The allowance for doubtful accounts for all guarantee receivables at June 30, 2008, is the difference between the guarantee payments made and the Authority's estimation of the value of any collateral securing the guarantee.

(6) Investments in Partnerships and Companies

The Authority currently has investments in one (1) partnership and sixteen (16) companies. These investments were made to accomplish the statutory purpose of the Venture Investment Fund. There is no established market for the purchase or sale of the partnerships and company interests or the equity securities in which the partnerships have investments.

The valuation methods and significant assumptions used by the Authority include discounted cash flows and comparable data for businesses with similar products/services and/or similar market segments. The Authority also uses financial and operational information from the last investment round which is most appropriate when the firm is not publicly traded and the current cash flows are negative.

The fair value, which is reported at the lower of cost or market, of the Authority's investment in the partnerships and companies as of June 30, 2008, is reflected below:

Partnership/Company	Recorded Book Value
Clearstack	$ 450,000
Firefly Energy, Inc.	975,000
Harmonic Vision	261,000
Illinois Arch Fund Partnership	165,032
Influx, Inc. (now Protez Pharmaceuticals)	148,500
Jaros Technology Corporation	211,984
Lemko Corporation	300,000
Metalconforming Controls	575,000
Moire, Inc.	600,000
Nephrx	110,000
Neuronautics	300,000
Ohmx Corporation	300,000
Open Channel Software	250,000
Smart Signal	293,848
Stonewater Software	4,759
Video Home Tour	250,000
Zuchem, Inc.	543,100
Total	$ 5,738,223

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

(7) Interfund Transfers

Balances due to/from other funds and transfers made for the fiscal year ended June 30, 2008, were as follows:

Fund	Other major funds	Other nonmajor funds	Description/purpose
Transfer to:			Transfer from:
General Operating Fund	$ 272,768	$ -	Transfer from Industrial Revenue Bond Insurance Fund since these funds were no longer needed for program
General Operating Fund	715,991	-	Transfer from Credit Enhancement Fund since funds are no longer needed for program
General Operating Fund	65,219	-	Transfer from Illinois Housing Partnership Program for excess program fees
Bond Fund	28,340	-	Transfer from IRBB Special Reserve Fund to fund Reserve requirement
Venture Investment Fund		3,268,321	Transfers from the General Operating Fund, Illinois Housing Partnership Program and the Industrial Revenue Bond Insurance
Farmer Agribusiness Loan Guarantee Fund		4,294	Transfer from General Operating Fund
Total	$ 1,082,318	$ 3,272,615	
Transfer from:			Transfer to:
General Operating	$ 2,555,947	$ -	Venture Investment
	4,294	-	Farmer Agribusiness Loan Guarantee Fund
Industrial Revenue Bond Insurance Fund	-	272,768	General Operating Fund for excess program funds
	-	512,374	Venture Investment
Credit Enhancement Fund	-	715,991	General Operating Fund for excess program funds
Illinois Housing Partnership Fund	-	65,219	General Operating Fund for excess program funds
	-	200,000	Venture Investment
IRBB Special Reserve Fund	-	28,340	Bond fund to fund reserve requirement
Total	$ 2,560,241	$ 1,794,692	

(8) Long-term Obligations

The predecessor authorities (Note 1) entered into loan agreements, now a liability of the Authority, with the U.S. Authority of Agriculture/Farmers Home Administration (FmHA), a federal agency, on December 14, 1990, for funding for the FmHA Intermediary Relending Program (IRP). The funding was negotiated through a line of credit in the amount of $1,500,000.

The loan payable is collateralized by the existing outstanding and future loans receivable of the FmHA, by cash and investments recorded in the FMHA fund derived from the proceeds of this loan award.

Principal and interest on the December 14, 1990 loan, at the fixed rate of 1% per annum, are being paid in 27 equal annual amortized installments of $63,675, with any remaining balance due and payable 30 years from the date of the note.

Long-term debt is summarized as follows:

	Rural Development Revolving Loan Fund
Balance, June 30, 2007	$ 828,060
Less repayments	(55,394)
Balance, June 30, 2008	772,666
Less current portion	(55,948)
	$ 716,718

Principal and interest payments of long-term debt at June 30, 2008, are due as follows:

Year Ending June 30,	Principal	Interest	Total
2009	$ 55,948	$ 7,727	$ 63,675
2010	56,508	7,167	63,675
2011	57,073	6,602	63,675
2012	57,644	6,031	63,675
2013	58,220	5,455	63,675
2014-2018	299,951	18,424	318,375
2019-2021	187,322	3,703	191,025
Totals	$ 772,666	$ 55,109	$ 827,775

(9) Revenue Bonds Payable

Each revenue bond issue is payable only out of the trust estate established for each issue. The trust estate is comprised of all rights, title and interest of the Authority in the loan securities, the purchase agreements, the intercept proceedings and all moneys and securities held in all funds and accounts under the indenture, except moneys and securities on deposit in the redemption fund which are for the payment of the principal and interest of bonds called for redemption prior to maturity. The assets of the Bond Fund are therefore classified as restricted assets on the Statement of Net Assets.

All bonds outstanding at June 30, 2008, are revenue bonds of the Authority and are payable solely from the revenues or funds pledged or available for their payment as authorized by the Act. Neither the faith and credit nor the taxing power of the State of Illinois is pledged to the payment of the principal or interest on the bonds. Bonds payable at June 30, 2008, are comprised of the following individual issues:

1992A Revenue Bonds – original issue $8,915,000, dated May 1, 1992, provides for serial retirement of principal on February 1, and interest payable on February 1 and August 1 of each year at rates of 3.70-6.45%. Final maturity is February 1, 2012

1992B Revenue Bonds – original issue $4,975,000, dated December 1, 1992, provides for serial retirement of principal on February 1, and interest payable on February 1 and August 1 of each year at rates of 4.00-6.75%. Final maturity is February 1, 2018.

1993B Revenue Bonds – original issue $9,450,000, dated December 1, 1993, provides for serial retirement of principal on February 1, and interest payable on February 1 and August 1 of each year at rates of 3.75-5.75%. Final maturity is February 1, 2016.

1994A Revenue Bonds – original issue $5,005,000, dated May 1, 1994, provides for serial retirement of principal on February 1, and interest payable on February 1 and August 1 of each year at rates of 4.000-6.375%. Final maturity is February 1, 2014.

1995A Revenue Bonds – original issue $1,700,000, dated May 1, 1995, provides for serial retirement of principal on February 1, and interest payable on February 1 and August 1 of each year at rates of 4.40-6.10%. Final maturity is February 1, 2016.

1996C Revenue Bonds – original issue $3,765,000, dated December 30, 1996, provides for serial retirement of principal beginning February 1, 1997 and every February 1 thereafter, and interest payable on February 1 and August 1 of each year at rates of 4.10-5.65%. Final maturity is February 1, 2012.

1997A Revenue Bonds – original issue $6,285,000, dated June 1, 1997, provides for serial retirement of principal beginning February 1, 1998 and every February 1 thereafter, and interest payable on February 1 and August 1 of each year at rates of 4.40-5.80%. Final maturity is February 1, 2018.

1997B Revenue Bonds – original issue $2,935,000, dated December 1, 1997, provides for serial retirement of principal beginning February 1, 1999 and every February 1 thereafter, and interest payable on February 1 and August 1 of each year at rates of 4.05-5.35%. Final maturity is February 1, 2023.

1998A Revenue Bonds – original issue $9,940,000, dated June 1, 1998, provides for serial retirement of principal beginning February 1, 1999 and every February 1 thereafter, and interest payable on February 1 and August 1 of each year at rates of 3.80-5.32%. Final maturity is February 1, 2024.

1998B Revenue Bonds – original issue $3,710,000, dated December 1, 1998, provides for serial retirement of principal beginning February 1, 2000 and every February 1 thereafter, and interest payable on February 1 and August 1 of each year at rates of 3.50-5.15%. Final maturity is February 1, 2024.

1999A Revenue Bonds – original issue $2,520,000, dated June 1, 1999, provides for serial retirement of principal beginning February 1, 2000 and every February 1 thereafter, and interest payable on February 1 and August 1 of each year at rates of 3.45-5.40%. Final maturity is February 1, 2029.

1999B Revenue Bonds – original issue $4,520,000, dated September 1, 1999, provides for serial retirement of principal beginning February 1, 2000 and every February 1 thereafter, and interest payable on February 1 and August 1 of each year at rates of 3.70-5.75%. Final maturity is February 1, 2010.

2000A Revenue Bonds – original issue $5,145,000, dated June 1, 2000, provides for serial retirement of principal beginning February 1, 2001 and every February 1 thereafter, and interest payable on February 1 and August 1 of each year at rates of 4.65-6.00%. Final maturity is February 1, 2020.

2000B Revenue Bonds – original issue $735,000, dated December 1, 2000, provides for serial retirement of principal beginning February 1, 2001 and every February 1 thereafter, and interest payable on February 1 and August 1 of each year at rates of 4.40-4.75%. Final maturity is February1, 2025.

2001A Revenue Bonds – original issue $3,625,000, dated July 1, 2001, provides for serial retirement of principal beginning February 1, 2002 and every February 1 thereafter, and interest payable on February 1 and August 1 of each year at rates of 3.00-5.35%. Final maturity is February 1, 2024.

2001B Revenue Bonds – original issue $5,545,000, dated December 1, 2001, provides for serial retirement of principal beginning February 1, 2003 and every February 1 thereafter, and interest payable on February 1 and August 1 of each year at rates of 2.55-5.05%. Final maturity is February 1, 2031.

2002A Revenue Bonds – original issue $1,180,000, dated June 27, 2002, provides for serial retirement of principal beginning February 1, 2003 and every February 1 thereafter, and interest payable on February 1 and August 1 of each year at rates of 1.60-4.25%. Final maturity is February 1, 2022.

2003A Revenue Bonds – original issue $11,740,000, dated June 1, 2003, provides for serial retirement of principal beginning February 1, 2004 and every February 1 thereafter, and interest payable on February 1 and August 1 of each year at rates of 1.00-4.15%. Final maturity is February 1, 2021.

2003B Revenue Bonds – original issue $10,700,000, dated September 1, 2003, provides for serial retirement of principal beginning February 1, 2004 and every February 1 thereafter, and interest payable on February 1 and August 1 of each year at rates of 1.10-5.20%. Final maturity is February 1, 2024.

2004A Revenue Bonds – original issue $2,640,000, dated August 1, 2004, provides for serial retirement of principal beginning February 1, 2005 and every February 1 thereafter, and interest payable on February 1 and August 1 of each year at rates of 1.45-5.00%. Final maturity is February 2024.

2006A Revenue Bonds – original issue $11,505,000, dated January 1, 2006, provides for serial retirement of principal beginning February 1, 2007 and every February 1 thereafter, and interest payable on February 1 and August 1 of each year at rates of 3.30-4.85%. Final maturity is February 2031.

2006B Revenue Bonds – original issue $1,915,000, dated August 3, 2006, provides for serial retirement of principal beginning February 1, 2007 and every February 1 thereafter, and interest payable on February 1 and August 1 of each year at rates of 3.75-4.90%. Final maturity is February 2036.

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

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

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

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

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

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

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

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

The future debt service requirements for revenue bonds as of June 30, 2008, including interest payments is as follows:

Period Ending June 30	Principal	Interest	Total
2009	$ 23,728,089	$ 16,028,658	$ 39,756,747
2010	24,664,500	14,852,187	39,516,687
2011	25,602,500	13,650,174	39,252,674
2012	26,619,800	12,389,261	39,009,061
2013	24,354,500	11,084,906	35,439,406
2014-2018	107,565,800	38,193,752	145,759,552
2019-2023	56,515,000	15,202,331	71,717,331
2024-2028	19,075,000	6,248,453	25,323,453
2029-2033	13,960,000	1,906,702	15,866,702
2034-2038	1,200,000	243,705	1,443,705
2039	270,000	13,096	283,096
	$ 323,555,189	$ 129,813,225	$ 453,368,414

The following is a summary of the revenue bond transactions of the Authority for the year ended June 30, 2008:

	Balance June 30, 2007	Additions	Retirements	Balance June 30, 2008	Amounts Due Within One Year
1992 A Bonds	$ 75,000	$ -	$ (15,000)	$ 60,000	$ 15,000
1992 B Bonds	240,000	-	(30,000)	210,000	20,000
1993 A Bonds	45,000	-	(45,000)	-	-
1993 B Bonds	355,000	-	(45,000)	310,000	45,000
1994 A Bonds	390,000	-	(235,000)	155,000	105,000
1995 A Bonds	205,000	-	(45,000)	160,000	45,000
1996 C Bonds	715,000	-	(525,000)	190,000	45,000
1997 A Bonds	1,470,000	-	(1,005,000)	465,000	70,000
1997 B Bonds	1,630,000	-	(170,000)	1,460,000	165,000
1998 A Bonds	3,445,000	-	(745,000)	2,700,000	355,000
1998 B Bonds	2,360,000	-	(210,000)	2,150,000	215,000
1999 A Bonds	1,575,000	-	(105,000)	1,470,000	110,000
1999 B Bonds	945,000	-	(455,000)	490,000	475,000
2000 A Bonds	890,000	-	(155,000)	735,000	160,000
2000 B Bonds	600,000	-	(25,000)	575,000	25,000
2001 A Bonds	2,255,000	-	(160,000)	2,095,000	165,000
2001 B Bonds	4,515,000	-	(235,000)	4,280,000	245,000
2002 A Bonds	815,000	-	(90,000)	725,000	95,000
2003 A Bonds	8,850,000	-	(695,000)	8,155,000	630,000
2003 B Bonds	8,690,000	-	(620,000)	8,070,000	635,000
2004 A Bonds	2,220,000	-	(130,000)	2,090,000	135,000
2006 A Bonds	11,205,000	-	(350,000)	10,855,000	370,000
2006 B Bonds	1,860,000	-	(15,000)	1,845,000	15,000
2007 A Bonds	-	6,455,000	(150,000)	6,305,000	195,000
2007 B Bonds	-	2,590,000	-	2,590,000	190,000
Northern Illinois University					
Series 1999	16,480,000	-	(605,000)	15,875,000	635,000
Clean Water Series 2002	110,800,000	-	(10,280,000)	100,520,000	10,230,000
Clean Water Series 2004	110,080,000	-	(7,670,000)	102,410,000	7,930,000
Illinois Medical District Commission					
Series 2006 A	7,500,000	-	-	7,500,000	-
Series 2006 B	32,500,000	-	-	32,500,000	-
Northern Illinois University					
Foundation Series 2006	8,791,100	-	(2,180,911)	6,610,189	408,089
Unamortized issuance premium	8,739,612	-	(1,357,854)	7,381,758	1,240,183
	$ 350,240,712	$ 9,045,000	$ (28,348,765)	$ 330,936,947	$ 24,968,272

The bond issuance fees received from local governments are deferred and amortized over the term of the bond issues. The following changes in deferred revenue occurred during the period:

Deferred Revenue June 30, 2007	Additional Fees Collected	Amortized Revenue	Deferred Revenue June 30, 2008	Due Within One Year
$ 840,605	$ -	$ 127,702	$ 712,903	$ 102,908

(10) Advance Refunding of Debt

A portion of the proceeds from moral obligation bonds issued in 2006 by the Illinois Finance Authority were used to advance refund previously issued bonds. These proceeds were used to purchase escrowed securities in such amounts and maturities to meet scheduled payments of bond principal and interest when due. Since these proceeds have been placed in an irrevocable trust, the refunded bonds are considered defeased and the Authority has removed these liabilities from its accounts.

As a result of the advanced refunding, the Authority reduced its total debt service requirements by $684,489 resulting in an economic gain (difference between the present value of the debt service payments on the old and new debt) of $461,160. As of June 30, 2008 the amount of defeased moral obligation bonds outstanding is $4,425,000.

(11) Lease Commitments

The Authority is obligated under long-term operating leases for its three offices. The fourth is leased under a one year lease. The terms of the leases vary for each location. Total rent expense for the year ended June 30, 2008 was $289,784.

The Authority entered into a lease agreement to lease facilities at 180 N. Stetson Avenue, Suite 2555, Chicago, Illinois 60601. The term of the lease is through August 2014. No payments are required under the terms of the lease for the period from June 21, 2004 through June 30, 2006. Annual base rent payments, which begin on July 1, 2006, range from approximately $119,000 to $149,000. In accordance with accounting principles generally accepted in the United States of America (GAAP), the total lease payments have been amortized over the term of the lease. Included in rent expense for the year ended June 30, 2008 is $107,349, which represents the current year amortization.

The Authority entered into a lease agreement to lease facilities at 427 E. Monroe Street, Suite 202, Springfield, Illinois 62701. The term of the lease is through April 2014. Annual base rent payments range from approximately $36,800 to $38,300.

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

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

The future minimum lease commitments as of June 30, 2008 are as follows:

Fiscal Year Ending June 30,	Amount
2009	$ 177,241
2010	177,208
2011	173,317
2012	177,676
2013	182,035
2014-2015	204,812
	$ 1,092,289

Letter of Credit

The lease at Two Prudential Plaza requires a letter of credit of $85,000 as a security deposit. As of June 30, 2008 no amounts have been drawn against this letter of credit.

(12) Capital Assets

	Balance June 30, 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	50,554	-	11,631	38,923
Software	174,154	-	-	174,154
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	39,853	3,439	11,631	31,661
Software	63,200	48,853	-	112,053
Total Accumulated Depreciation	273,560	76,974	31,784	318,750
Capital Assets, Net of Depreciation	$ 260,507	$ (70,190)	$ 31,317	$ 159,000

Authority's records were reconciled to the records maintained by the Comptroller of the State of Illinois.

13) Commitments and Contingencies

(a) Debt Service Reserve

The Authority is contingently liable for any claims (maximum of amount held in the Debt Service Reserve in the non-major Credit Enhancement Fund) submitted by the respective Bond Trustees of the prior Illinois Development Finance Authority if the company liable under the bond indenture were to default on repayment of the bond. At June 30, 2008, restricted demand deposits totaling $640,722 were held in the Credit Enhancement Fund for this purpose.

(b) Federally Assisted Programs

The Authority participates in the following federally assisted programs:

E.D.A. Title IX–Restricted Revolving Loan Program
FmHA–Intermediary Relending Program

Demand deposits of $743,122 and $1,665,339 are held in the E.D.A. Title IX Restricted Revolving Loan Fund and the Rural Development Revolving Loan Fund, respectively, and are restricted due to federal program requirements. In addition, included in restricted assets is $578,343 in net loans receivable which secure the loans of the intermediary re-lending program.

(c) Loan Guarantees

The Authority has a contingent liability regarding the loan guarantees outstanding at June 30, 2008. When a guaranteed loan defaults, the Authority is responsible for 85% of the liability, with the participating lender being responsible for the remaining 15%. Any guarantee that must be paid out by the State of Illinois, because of a claim properly filed by a bank that has a guaranteed loan that has defaulted, becomes a receivable on the books of the Authority. The Authority must liquidate the loan collateral, and absorb any loss due to uncollectible amounts. Any recoveries on the defaulted loan are first used to repay the Authority's guarantee and then used to repay the lender. These future liabilities, if any, cannot be estimated. According to certifications received by the Authority from lenders, the maximum guarantees outstanding are:

State Guarantee Program for Restructuring Agricultural Debt	$ 26,680,071
Specialized Livestock Loan Guarantee Program	15,427,182
Young Farmer Loan Guarantee Program	2,804,897
Farmer and Agri-Business Loan Guarantee Program	38,908,084

(14) Risk Financing Activities

The Authority is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors or omissions; injuries to employees; and natural disasters which are covered through purchase of commercial insurance. The Authority accounts for its risk financing activities in the General Operating Fund. There has been no significant reduction or changes in coverage during the current year nor have settlements exceeded insurance coverage in any of the last three years.

(15) Defined Contribution Plan

The Authority's Board of Directors approved the Illinois Finance Authority Deferred Compensation Plan. The Authority's Board of Directors has the power to amend the plan. The plan is administered through the State of

Illinois Department of Central Management Services; this plan is considered a defined contribution plan. This plan allows an employee to invest a portion of their salary in a choice of investment programs. Federal and State income taxes are deferred on the total amount through the plan as well as on investment earnings. However, the total contributions are subject to FICA taxes. The program provides a tax sheltered retirement account. An employee may begin participating in the Deferred Compensation Plan after 90 days of employment have been completed.

The maximum contributions through the year 2008 are:

Year	Maximum Contribution	Age 50 Catch Up
2008	$15,500	$20,500

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

Total employer and employee contributions for fiscal year 2008 were $208,429.

(16) New Governmental Accounting Standards

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

Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations,* establishes uniform standards requiring more timely and complete reporting of pollution remediation obligations. The Authority is required to implement this Statement for the year ending June, 30, 2009.

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

Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments,* this statement requires endowments to report their land and other real estate investments at fair value. The Authority is required to implement this Statement for the year ended June 30, 2009

Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments,* addresses the recognition, measurement, and disclosure of information regarding derivative instruments. The Authority is required to implement this Statement for the year ended June 30, 2010.

Management has not yet completed its assessment of the impact of these GASB Statements on the Authority's financial statements.

(17) Subsequent Events

On July 22, 2008 the Authority issued its Bond Bank Revenue Bonds, Series 2008-A in the amount of $1,800,000. The proceeds from the issuance of these bonds were used to purchase the Local Government Securities from certain Local Governments located in the State of Illinois and to fund a Reserve Fund.

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

Combining Statement of Net Assets

Non-Major Funds

June 30, 2008

Assets	Industrial Revenue Bond Insurance Fund	Venture Investment Fund	Credit Enhancement Fund	Illinois Agricultrual Loan Guarantee Fund	Illinois Farmer Agribusiness Loan Guarantee Fund
Current assets:					
Cash and cash equivalents - unrestricted	$ 11,009,606	$ -	$ -	$ -	$ -
Investments - unrestricted	501,565	-	-	-	-
Restricted current assets					
Cash and cash equivalents	-	-	640,722	-	-
Accrued interest receivable	-	-	-	-	-
Loans receivable	-	-	-	-	-
Allowance for doubtful accounts	-	-	-	-	-
Receivables					
Loans Receivable	-	-	-	-	-
Interest and other	9,990	-	-	-	-
Total current assets	11,521,161	-	640,722	-	-
Noncurrent assets:					
Restricted noncurrent assets					
Cash and cash equivalents	-	-	-	11,590,062	8,098,221
Interest receivable	-	-	-	20,000	15,000
Guarantee payments receivable	-	-	-	170,902	944,696
Allowance for doubtful accounts	-	-	-	(170,902)	(262,624)
Loans receivable	-	-	-	-	-
Allowance for doubtful accounts	-	-	-	-	-
Investments in partnerships and companies	-	5,738,223	-	-	-
Loans receivable	-	-	-	-	-
Total noncurrent assets	-	5,738,223	-	11,610,062	8,795,293
Total assets	11,521,161	5,738,223	640,722	11,610,062	8,795,293
Liabilities					
Current liabilities:					
Accrued interest payable	-	-	-	-	-
Current portion of long term debt	-	-	-	-	-
Total current liabilities	-	-	-	-	-
Noncurrent liabilities					
Noncurrent portion of long-term debt	-	-	-	-	-
Total noncurrent liabilities	-	-	-	-	-
Total Liabilities	-	-	-	-	-
Net Assets					
Restricted	-	-	640,722	11,610,062	8,795,293
Unrestricted	11,521,161	5,738,223	-	-	-
Total net assets	$ 11,521,161	$ 5,738,223	$ 640,722	$ 11,610,062	$ 8,795,293

IRBB Special Reserve Fund	E.D.A. Title IX Restricted Revolving Loan Fund	Rural Development Revolving Loan Fund	Employee Ownership Assistance Loan Fund	Illinois Housing Partnership Program	Renewable Energy Development Fund	Ambulance Revolving Loan Fund	Total nonmajor
$ 2,562,287	$ -	$ -	$ -	$ 1,823,794	$ -	$ -	$ 15,395,687
-	-	-	-	-	-	-	501,565
-	-	-	-	-	111,294	4,002,925	4,754,941
-	-	-	-	-	205	2,900	3,105
-	91,484	114,523	-	-	83,730	-	289,737
-	(91,484)	-	-	-	-	-	(91,484)
188,752	-	-	-	-	-	-	188,752
13,701	-	-	-	-	-	-	23,691
2,764,740	-	114,523	-	1,823,794	195,229	4,005,825	21,065,994
-	743,122	1,665,339	-	-	-	-	22,096,744
-	-	6,231	-	-	-	-	41,231
-	-	-	-	-	-	-	1,115,598
-	-	-	-	-	-	-	(433,526)
-	-	614,809	-	-	1,841,012	-	2,455,821
-	-	(36,466)	-	-	-	-	(36,466)
-	-	-	-	-	-	-	5,738,223
124,333	-	-	1,000,000	3,000,000	-	-	4,124,333
124,333	743,122	2,249,913	1,000,000	3,000,000	1,841,012	-	35,101,958
2,889,073	743,122	2,364,436	1,000,000	4,823,794	2,036,241	4,005,825	56,167,952
-	-	3,863	-	-	-	-	3,863
-	-	55,948	-	-	-	-	55,948
-	-	59,811	-	-	-	-	59,811
-	-	716,718	-	-	-	-	716,718
-	-	716,718	-	-	-	-	716,718
-	-	776,529	-	-	-	-	776,529
-	743,122	1,587,907	-	-	2,036,241	4,005,825	29,419,172
2,889,073	-	-	1,000,000	4,823,794	-	-	25,972,251
$ 2,889,073	$ 743,122	$ 1,587,907	$ 1,000,000	$ 4,823,794	$ 2,036,241	$ 4,005,825	$ 55,391,423

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

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets

Non-Major Funds

For the Year Ended June 30, 2008

	Industrial Revenue Bond Insurance Fund	Venture Investment Fund	Credit Enhancement Fund	Illinois Agricultrual Loan Guarantee Fund	Illinois Farmer Agribusiness Loan Guarantee Fund
Operating revenues					
Interest on loans	$ -	$ -	$ -	$ -	$ -
Application fees	-	-	-	-	-
Administrative service fees	-	-	-	-	-
Bad debt recoveries	-	-	-	-	-
Total operating revenues	-	-	-	-	-
Operating expenses					
Professional services	-	24,654	-	-	-
Interest expense	-	-	-	-	-
Loan loss provision	-	-	-	-	-
Total operating expenses	-	24,654	-	-	-
Operating income (loss)	-	(24,654)	-	-	-
Nonoperating revenues:					
Grants	-	-	-	-	-
Mandatory transfers from primary government	-	-	-	-	-
Interest and investment income	327,174	72,116	3,333	501,129	360,816
Net appreciation (depreciaiton) in fair value of investments	3,275	(77,852)	-	-	-
Total nonoperating revenues	330,449	(5,736)	3,333	501,129	360,816
Income before transfers	330,449	(30,390)	3,333	501,129	360,816
Transfers					
Transfers from other funds	-	3,268,321	-	-	4,294
Transfers to other funds	(785,142)	-	(715,991)	-	-
Increase (decrease) in net assets	(454,693)	3,237,931	(712,658)	501,129	365,110
Net assets – beginning of period	11,975,854	2,500,292	1,353,380	11,108,933	8,430,183
Net assets – end of period	$ 11,521,161	$ 5,738,223	$ 640,722	$ 11,610,062	$ 8,795,293

IRBB Special Reserve Fund	E.D.A. Title IX Restricted Revolving Loan Fund	Rural Development Revolving Loan Fund	Employee Ownership Assistance Loan Fund	Illinois Housing Partnership Program	Renewable Energy Development Fund	Ambulance Revolving Loan Fund	Total nonmajor
$ 19,814	$ -	$ 35,331	$ -	$ -	$ 36,141	$ -	$ 91,286
-	-	725	-	-	-	-	725
-	-	450	-	-	-	-	450
-	-	93,894	-	-	-	-	93,894
19,814	-	130,400	-	-	36,141	-	186,355
-	54,570	13,606	-	-	-	-	92,830
-	-	8,004	-	-	-	-	8,004
-	-	13,463	-	-	-	-	13,463
-	54,570	35,073	-	-	-	-	114,297
19,814	(54,570)	95,327	-	-	36,141	-	72,058
-	-	-	-	-	2,000,000	-	2,000,000
-	-	-	-	-	-	4,000,000	4,000,000
93,486	15,280	41,034	-	65,219	100	5,825	1,485,512
-	-	-	-	-	-	-	(74,577)
93,486	15,280	41,034	-	65,219	2,000,100	4,005,825	7,410,935
113,300	(39,290)	136,361	-	65,219	2,036,241	4,005,825	7,482,993
-	-	-	-	-	-	-	3,272,615
(28,340)	-	-	-	(265,219)	-	-	(1,794,692)
84,960	(39,290)	136,361	-	(200,000)	2,036,241	4,005,825	8,960,916
2,804,113	782,412	1,451,546	1,000,000	5,023,794	-	-	46,430,507
$ 2,889,073	$ 743,122	$ 1,587,907	$ 1,000,000	$ 4,823,794	$ 2,036,241	$ 4,005,825	$ 55,391,423

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

Combining Statement of Cash Flows

Non-Major Funds

For the Year Ended June 30, 2008

	Industrial Revenue Bond Insurance Fund	Venture Investment Fund	Credit Enhancement Fund	Illinois Agricultrual Loan Guarantee Fund	Illinois Farmer Agribusiness Loan Guarantee Fund
Cash flows from operating activities:					
Cash received for interest on loans	$ -	$ -	$ -	$ -	$ -
Cash received for fees and other	-	-	-	-	-
Cash received on loan receivables and guarantees	-	-	-	-	-
Cash payments on loan receivables and guarantees	-	-	-	-	(656,550)
Cash payments to suppliers for goods and services	-	(24,654)	-	-	-
Net cash provided by (used in) operating activities	-	(24,654)	-	-	(656,550)
Cash flows from noncapital financing activities:					
Due from other funds	-	(110,132)	-	-	-
Due to other funds	-	324,654	-	-	-
Transfers to other funds	(272,768)	-	(715,991)	-	-
Bonds and notes principal payments	-	-	-	-	-
Cash received from grants	-	-	-	-	-
Cash received from mandatory transfers from primary government	-	-	-	-	-
Interest payments	-	-	-	-	-
Net cash provided by (used in) noncapital financing activities	(272,768)	214,522	(715,991)	-	-
Cash flows from investing activities:					
Purchase of investments	-	(300,000)	-	-	-
Sales and maturities of investments	1,500,155	38,016	-	-	-
Interest and dividends on investments	352,430	72,116	3,333	526,129	380,816
Net cash provided by (used in) investing activities	1,852,585	(189,868)	3,333	526,129	380,816
Net increase (decrease) in cash and cash equivalents	1,579,817	-	(712,658)	526,129	(275,734)
Cash and cash equivalents at beginning of year	9,429,789	-	1,353,380	11,063,933	8,373,955
Cash and cash equivalents at end of year	$ 11,009,606	$ -	$ 640,722	$ 11,590,062	$ 8,098,221
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	$ -	$ (24,654)	$ -	$ -	$ -
Interest expense	-	-	-	-	-
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Changes in assets and liabilities:					
Accrued interest	-	-	-	-	-
Loans/guarantees receivable	-	-	-	-	(656,550)
Net cash provided by (used in) operating activities	$ -	$ (24,654)	$ -	$ -	$ (656,550)

IRBB Special Reserve Fund	E.D.A. Title IX Restricted Revolving Loan Fund	Rural Development Revolving Loan Fund	Employee Ownership Assistance Loan Fund	Illinois Housing Partnership Program	Renewable Energy Development Fund	Ambulance Revolving Loan Fund	Total nonmajor
$ 32,177	$ -	$ 30,678	$ -	$ -	$ 35,935	$ -	$ 98,790
-	-	1,175	-	-	-	-	1,175
660,158	-	241,889	-	-	75,259	-	977,306
-	-	(516,250)	-	-	(2,000,000)	-	(3,172,800)
-	(54,570)	(13,606)	-	-	-	-	(92,830)
692,335	(54,570)	(256,114)	-	-	(1,888,806)	-	(2,188,359)
(5,911)	-	(79,371)	-	-	-	-	(195,414)
23,444	-	79,371	-	-	-	-	427,469
(28,340)	-	-	-	(65,219)	-	-	(1,082,318)
-	-	(55,394)	-	-	-	-	(55,394)
-	-	-	-	-	2,000,000	-	2,000,000
-	-	-	-	-	-	4,000,000	4,000,000
-	-	(8,281)	-	-	-	-	(8,281)
(10,807)	-	(63,675)	-	(65,219)	2,000,000	4,000,000	5,086,062
-	-	-	-	-	-	-	(300,000)
-	-	-	-	-	-	-	1,538,171
93,486	15,280	41,034	-	65,219	100	2,925	1,552,868
93,486	15,280	41,034	-	65,219	100	2,925	2,791,039
775,014	(39,290)	(278,755)	-	-	111,294	4,002,925	5,688,742
1,787,273	782,412	1,944,094	-	1,823,794	-	-	36,558,630
$ 2,562,287	$ 743,122	$ 1,665,339	$ -	$ 1,823,794	$ 111,294	$ 4,002,925	$ 42,247,372
$ 19,814	$ (54,570)	$ 95,327	$ -	$ -	$ 36,141	$ -	$ 72,058
-	-	8,004	-	-	-	-	8,004
12,363	-	(4,653)	-	-	(205)	-	7,505
660,158	-	(354,792)	-	-	(1,924,742)	-	(2,275,926)
$ 692,335	$ (54,570)	$ (256,114)	$ -	$ -	$ (1,888,806)	$ -	$ (2,188,359)

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 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 the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control over financial reporting 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 or 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 in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting (findings 08-01 and 08-02).

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 is a material weakness.

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. 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, Authority management, the Authority's Board of Directors and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey & Pullen, LLP

Schaumburg, Illinois
May 20, 2009

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

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.

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 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.