

REPORT DIGEST

ILLINOIS RURAL BOND BANK FINANCIAL AND COMPLIANCE AUDIT FOR THE YEAR ENDED JUNE 30, 1995

SYNOPSIS

- The Bank's trustee did not comply with provisions of the master trust indenture. The trustee did not make all required transfers among trust accounts.
- Twice during the year, the Bank allowed the balance of one account to exceed federal deposit insurance limits and did not obtain additional collateral.

{Expenditures and Activity Measures are summarized on the reverse page.}

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

TRUSTEE NONCOMPLIANCE

The Bank's trustee did not comply with provisions of the master trust indenture. The trustee did not make all required transfers among trust accounts. We noted the following:

- Excess funds and accrued interest, totalling \$1,596, were transferred directly to the general trust accounts. According to the master trust indenture, the excess funds and accrued interest should have been transferred directly to bond accounts.
- Bond principal and interest payments, totalling \$3.8 million, were made from the general and reserve trust accounts. Provisions of the master trust indenture require the trustee to transfer funds from the general and reserve accounts to the bond accounts and make principal and interest payments from the bond accounts.

The lack of transactions among accounts maintained by the trustee caused an inadequate audit trail. However, the conditions did not result in an inappropriate use of funds.

We recommended the Bank monitor the trustee's activity to ensure compliance with the master trust indenture. The Bank responded it has taken immediate action with its trustee to ensure full and accurate compliance with the terms of the master trust indenture. (Finding 2, page 14)

LOCAL FUNDS

The Bank allowed the Special Reserve Fund checking account balance to exceed the federal deposit insurance limitation of \$100,000 at two different times during the audit period and did not obtain adequate collateral. The uncollateralized amount ranged from \$62,287 to \$111,512 for a period up to 5 days during the audit period.

We also noted documented reconciliations of the Bank's records to records of financial institutions did not contain all reconciling items. We noted this condition for 10 of the 24 reconciliations prepared during the period.

The Bank responded it has implemented procedures necessary to monitor bank balances and obtain necessary collateral. The Bank also responded reconciliations have included all outstanding items beginning May 1, 1995. (Finding 1, page 12)

OTHER FINDING

The remaining finding concerned property reporting. The Bank responded that appropriate corrective action has been taken. We will review the Bank's progress in implementing our recommendations during our next audit.

Mr. Tim G. Bobinsky, Executive Director, provided responses to our recommendations.

AUDITORS' OPINION

We stated the Bank's financial statements for its locally held funds as of and for the year ended June 30, 1995 are fairly presented in all material respects.

WILLIAM G. HOLLAND, Auditor General

WGH:GSS:pp

SUMMARY OF AUDIT FINDINGS

<u>Number of</u>	<u>This Audit</u>	<u>Prior Audit</u>
Audit findings	30	
Repeated findings	N/A	0
Recommendations implemented or not repeated	N/A	1

AUDITORS ASSIGNED

The audit was performed by the Auditor General's staff.

ILLINOIS RURAL BOND BANK
FINANCIAL AND COMPLIANCE AUDIT
For The Year Ended June 30, 1995

EXPENSE AND REVENUE STATISTICS	FY 1995	FY 1994
● Total Expenditures (All Funds)	\$3,238,856	\$2,663,126
<u>OPERATIONS TOTAL</u> (General and Special Reserve Funds)	\$568,738	\$636,983
% of Total Expenditures	17.56%	23.92%
Personal Services	\$213,263	\$205,246
% of Operations Expenditures	37.50%	32.22%
Average No. of Employees	5	5
Other Payroll Costs (FICA, Retirement)		
% of Operations Expenditures	\$60,565 10.65%	\$56,894 8.93%
Professional Services	\$45,732	\$50,307
% of Operations Expenditures	8.04%	7.90%
All Other Operations Items	\$88,285	\$87,800
% of Operations Expenditures	15.52%	13.78%
Financing Costs	\$160,893	\$236,736
% of Operations Expenditures	28.29%	37.17%
<u>INTEREST EXPENSE</u> (Bond Funds)	\$2,670,118	\$2,026,143
% of Total Expenditures	82.44%	76.08%
● Total Revenue (All Funds)	\$3,068,655	\$2,528,202

SELECTED ACTIVITY MEASURES	FY 1995	FY 1994
●Revenue Bonds Outstanding	\$48,105,000	\$40,700,000
●Loans Made During Year	\$8,260,000	\$13,165,000

AGENCY OFFICIAL(S)
Chairman: Bob Kustra, Lieutenant Governor Executive Director: Tim G. Bobinsky