STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY
COMPLIANCE EXAMINATION

For the Year Ended June 30, 2013

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

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

STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY
COMPLIANCE EXAMINATION
For the Year Ended June 30, 2013

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AGENCY OFFICIALS

Chairman of the Board of Directors	Mr. William Brandt, Jr.
Executive Director	Mr. Christopher Meister
Chief Financial Officer	Ms. Melinda Gildart (03/27/14 - present)
	Vacant (03/01/14 – 03/26/14)
Chief Financial Officer (Acting)	Mr. Scott Bailey (01/14/14 - 02/28/14)
Chief Financial Officer	Mr. Dennis Anosike (07/24/13 - 01/13/14)
Chief Financial Officer (Acting)	Mr. Scott Bailey (02/01/13 - 07/23/13)
Assistant Chief Financial Officer*	Ms. Ximena Granda (07/01/12 - 01/31/13)
Controller^	Ms. Ximena Granda (08/19/13 - current)
Assistant Treasurer*	Ms. Joy Kuhn (07/01/12 - 01/23/13)
General Counsel (Acting)	Ms. Pamela Lenane

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

Member	Mr. William Brandt, Jr.
Member	Mr. David Vaught (12/13/13 - current)
	Vacant (12/12/13)
	Dr. William Barclay (07/01/12 - 12/11/13)
Member	Mr. Terrence O'Brien
Member	Mr. Michael Goetz
Member	Mr. Bradley Zeller
Member	Mr. Roger Poole
Member	Mr. Edward Leonard Sr.
Member	Mr. Norman Gold
Member	Mr. James Fuentes
Member	Mr. Barrett Pedersen
Member	Ms. Gila Bronner
Member	Ms. Heather Parish

AGENCY OFFICIALS (continued)

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

Member	Ms. Carmen Lonstein (06/21/13 - current)
	Vacant (07/01/12 - 06/20/13)
Member	Mr. Lerry Knox (10/05/12 - current)
	Vacant (07/01/12 - 10/04/12)
Member	Mr. Mordecai Tessler (10/05/12 - current)
	Vacant (07/01/12 - 10/04/12)

*This position was eliminated when the occupant left the employment of the Authority.
^This position was created when the occupant returned to the employment of the Authority.

Agency offices are located at:

Chicago Office
180 North Stetson Avenue, Suite 2555
Chicago, Illinois 60601

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

Springfield Office
500 East Monroe Street, 3rd Floor
Springfield, Illinois 62701

ILLINOIS FINANCE AUTHORITY

180 North Stetson Ave.
Suite 2555
Chicago, IL 60601
312-651-1300
312-651-1350 fax
www.il-fa.com

MANAGEMENT ASSERTION LETTER

May 1, 2014

E.C. Ortiz & Co., LLP
Certified Public Accountants
333 South Des Plaines Street, Suite 2-N
Chicago, Illinois 60661

Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the State of Illinois, Illinois Finance Authority. We are responsible for and we have established and maintained an effective system of, internal controls over compliance requirements. We have performed an evaluation of the State of Illinois, Illinois Finance Authority's compliance with the following assertions during the year ended June 30, 2013. Based on this evaluation, we assert that during the year ended June 30, 2013, the State of Illinois, Illinois Finance Authority has materially complied with the assertions below.

A. The State of Illinois, Illinois Finance Authority has obligated, expended, received and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.

B. The State of Illinois, Illinois Finance Authority has obligated, expended, received and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.

C. The State of Illinois, Illinois Finance Authority has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

D. State revenues and receipts collected by the State of Illinois, Illinois Finance Authority are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.

Mt. Vernon | 2929 Broadway Street, Ste. 7B, Mt. Vernon IL 62864 | 618.244.2424 | 618.244.2433 fax
Peoria | 100 S. W. Water Street, Peoria, IL 61602 | 309.495.5959 | 309.676.7534 fax
Springfield | 500 E. Monroe St., Third Floor, Springfield, IL 62701 | 217.782.5792 | 217.782.3989 fax
TTY 1.800.526.0844 | VOICE 1.800.526.0857

E. Money or negotiable securities or similar assets handled by the State of Illinois, Illinois Finance Authority on behalf of the State or held in trust by the State of Illinois, Illinois Finance Authority have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

Very truly yours,

ILLINOIS FINANCE AUTHORITY

Christopher Meister, Executive Director

Melinda Gildart

Melinda Gildart, Chief Financial Officer *as of 3/27/14

Pamela Lenane

Pamela Lenane, Acting General Counsel

X Granda

Ximena Granda, Controller

STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY
COMPLIANCE EXAMINATION
For the Year Ended June 30, 2013

SUMMARY

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

ACCOUNTANTS' REPORT

The Independent Accountants' Report on State Compliance, on Internal Control Over Compliance and on Supplementary Information for State Compliance Purposes does not contain scope limitations or disclaimers, but does contain a qualified opinion on compliance and identifies material weaknesses in internal control over compliance.

SUMMARY OF FINDINGS

Number of	Current Report	Prior Report
Findings	11	11
Repeated findings	6	6
Prior recommendations implemented or not repeated	5	7

SCHEDULE OF FINDINGS

Item No.	Page	Description	Finding Type
		FINDINGS (*GOVERNMENT AUDITING STANDARDS*)	
2013-001	15	Inadequate Monitoring of Borrower Compliance	Noncompliance and Material Weakness
2013-002	22	Inadequate Financial Reporting Controls	Material Weakness
2013-003	24	Failure to Enter into an Intergovernmental Agreement	Noncompliance and Significant Deficiency
2013-004	26	Failure to Write-off Uncollectible Balances	Significant Deficiency

SUMMARY (continued)

Item No.	Page	Description	Finding Type
		FINDINGS (STATE COMPLIANCE)	
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2013-006	32	Failure to Establish an Internal Audit Function	Noncompliance and Significant deficiency
2013-007	34	Delinquent and Inaccurate Reporting of Bond Activity	Noncompliance and Significant Deficiency
2013-008	36	Inadequate Control over Travel Expenses	Noncompliance and Significant Deficiency
2013-009	40	Nonpayment of Shared State Employee Services	Noncompliance and Significant Deficiency
2013-010	42	Inadequate Controls over New Bond Issuances	Noncompliance and Significant Deficiency
2013-011	44	Inadequate Controls over Personal Services	Noncompliance and Significant Deficiency

In addition, the following findings which are reported as current findings relating to *Governmental Auditing Standards* also meet the reporting requirements for State Compliance.

2013-001	15	Inadequate Monitoring of Borrower Compliance	Material Noncompliance and Material Weakness
2013-002	22	Inadequate Financial Reporting Controls	Material Noncompliance and Material Weakness
2013-003	24	Failure to Enter into an Intergovernmental Agreement	Noncompliance and Significant Deficiency
2013-004	26	Failure to Write-off Uncollectible Balances	Noncompliance and Significant Deficiency

SUMMARY (continued)

PRIOR FINDINGS NOT REPEATED

Item No.	Page	Description
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B	46	Weaknesses in the Intermediary Relending Program
C	47	Weaknesses in the Economic Adjustment Assistance Program
D	47	Unable to Substantiate Compliance with the Illinois Municipal Code
E	47	Noncompliance with Contracting Procedures

EXIT CONFERENCE

The State of Illinois, Illinois Finance Authority waived an exit conference in a correspondence from Christopher Meister dated April 17, 2014. The responses to the recommendations were provided by Christopher Meister in a correspondence dated May 1, 2014.

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

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

Honorable William G. Holland
Auditor General
State of Illinois

and

Ms. Gila Bronner
Chairwoman of the Audit Committee
Illinois Finance Authority

Compliance

As Special Assistant Auditors for the Auditor General, we have examined the State of Illinois, Illinois Finance Authority's compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the year ended June 30, 2013. The management of the State of Illinois, Illinois Finance Authority is responsible for compliance with these requirements. Our responsibility is to express an opinion on the State of Illinois, Illinois Finance Authority's compliance based on our examination.

A. The State of Illinois, Illinois Finance Authority has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.

B. The State of Illinois, Illinois Finance Authority has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.

C. The State of Illinois, Illinois Finance Authority has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

D. State revenues and receipts collected by the State of Illinois, Illinois Finance Authority are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.

333 SOUTH DES PLAINES STREET, SUITE 2-N CHICAGO, IL 60661 tel: 312.876.1900 fax: 312.876.1911

E. Money or negotiable securities or similar assets handled by the State of Illinois, Illinois Finance Authority on behalf of the State or held in trust by the State of Illinois, Illinois Finance Authority have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

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

As described in finding 2013-005 in the accompanying schedule of findings, the State of Illinois, Illinois Finance Authority did not comply with requirements regarding the use of public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such use. As described in findings 2013-001 and 2013-002 in the accompanying schedule of findings, the State of Illinois, Illinois Finance Authority did not comply with the requirements regarding applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations. Compliance with such requirements is necessary, in our opinion, for the State of Illinois, Illinois Finance Authority to comply with the requirements listed in the first paragraph of this report.

In our opinion, except for the noncompliance described in the preceding paragraph, the State of Illinois, Illinois Finance Authority complied, in all material respects, with the compliance requirements listed in the first paragraph of this report during the year ended June 30, 2013. However, the results of our procedures disclosed other instances of noncompliance with the requirements, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of findings as items 2013-003, 2013-004, and 2013-006 through 2013-011.

Internal Control

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

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the requirements listed in the first paragraph of this report on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a requirement listed in the first paragraph of this report will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance as described in the accompanying schedule of findings as items 2013-001, 2013-002 and 2013-005 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as items 2013-003, 2013-004, and 2013-006 through 2013-011 to be significant deficiencies.

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

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

Supplementary Information for State Compliance Purposes

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the State of Illinois, Illinois Finance Authority as of and for the year ended June 30, 2013, and have issued our report thereon dated January 15, 2014, which contained unmodified opinions on those 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. We have not performed any procedures with respect to the audited financial statements subsequent to January 15, 2014. The accompanying supplementary information for the year ended June 30, 2013, in Schedules 1 through 15 is presented for purposes of additional analysis and is not a required part of the basic financial statements of the State of Illinois, Illinois Finance Authority. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The accompanying supplementary information for the year ended June 30, 2013, in Schedules 1 through 15 has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information for the year ended June 30, 2013, in Schedules 1 through 15 is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2013.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the State of Illinois, Illinois Finance Authority's basic financial statements as of and for the year ended June 30, 2012 (not presented herein), and have issued our reports thereon dated December 7, 2012, which contained unmodified opinions on the respective financial statements of the business-type activities, each major fund, and the aggregate remaining fund information. The accompanying supplementary information for the year ended June 30, 2012, in Schedules 2, 3, 8, 9, 10, 11, 13 and 14 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the June 30, 2012, financial statements. The accompanying supplementary information for the year ended June 30, 2012, in Schedules 2, 3, 8, 9, 10, 11, 13 and 14 has been subjected to the auditing procedures applied in the audit of the June 30, 2012, basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those basic financial statements or to those basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information for the year ended June 30, 2012, in Schedules 2, 3, 8, 9, 10, 11, 13 and 14 is fairly stated in all material respects in relation to the basic financial statements as a whole from which it has been derived.

The accompanying supplementary information in the Analysis of Operations Section is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, the State of Illinois, Illinois Finance Authority's management, and the State of Illinois, Illinois Finance Authority's Board of Directors and is not intended to be and should not be used by anyone other than these specified parties.

E.C. Ortiz & Co. LLP

Chicago, Illinois

May 1, 2014, except for our report on the Supplementary Information for State Compliance Purposes paragraph, as to which the date is January 15, 2014

E.C. ORTIZ & CO., LLP
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

Ms. Gila Bronner
Chairwoman of the Audit Committee
Illinois Finance Authority

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the State of Illinois, Illinois Finance Authority, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the State of Illinois, Illinois Finance Authority's basic financial statements, and have issued our report thereon dated January 15, 2014.

Internal Control Over Financial Reporting

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

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

333 SOUTH DES PLAINES STREET, SUITE 2-N CHICAGO, IL 60661 tel: 312.876.1900 fax: 312.876.1911

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings as items 2013-001 and 2013-002 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings as items 2013-003 and 2013-004 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Illinois, Illinois Finance Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2013-001 and 2013-003.

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

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

Purpose of this Report

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

E.C. Ortiz & Co., LLP
Chicago, Illinois
January 15, 2014

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

CURRENT FINDINGS – *GOVERNMENT AUDITING STANDARDS*

2013-001. **FINDING** (Inadequate Monitoring of Borrower Compliance)

The Illinois Finance Authority (Authority) did not have adequate internal controls to properly monitor borrower covenant compliance for bonds and loan agreements reported on the face of the Authority's basic financial statements.

These bonds or loan agreements include:
1) Revenue bonds issued for the Bond Bank Lending Program to support the financing needs of local governments within the State;
2) Revenue bonds issued for the benefit of other agencies and component units of the State, as required to be shown under Interpretation No. 2 of the Governmental Accounting Standards Board;
3) Fire Truck Revolving Loans;
4) Ambulance Revolving Loans; and,
5) Participation Loans.

Bond Bank Lending Program

During covenant compliance testing of the 53 local government unit borrowers within the Bond Bank Lending Program and covenants within the Bond Bank Revenue Bond Series 1999A, 2003A, 2003B, 2006A, and 2006B bonds, the auditors noted the following:

- For 53 of 53 (100%) local government borrowers tested, the Authority could not provide the local government's latest audited financial statements.

  The Local Government Securities Purchase Agreement, Section 4(c), requires the local government borrower to provide its annual audited financial statements to the Authority no later than 180 days following the conclusion of the entity's Fiscal Year.

- For 22 of 53 (42%) local government borrowers tested, the Authority could not provide the required written notification to the Bond Trustee and the Authority from the local government borrower about whether the local government reasonably believes that it will or will not have sufficient moneys to make its next two regularly scheduled principal and interest payments.

CURRENT FINDINGS – *GOVERNMENT AUDITING STANDARDS*

2013-001. **FINDING** (Inadequate Monitoring of Borrower Compliance) (continued)

The Local Government Securities Purchase Agreement, Section 4(a), requires the local government borrower to provide the Authority with written notification concerning its ability to continue paying the next two regularly scheduled debt service obligations when it makes a regular principal and interest payment on the outstanding indebtedness.

- The Authority did not have a process or procedure to monitor local government borrower compliance for the 34 local governments with the debt service coverage ratio requirement of 1.25 to 1 (annual revenues ÷ total annual debt service). After receiving a confirmation from the Authority of this condition, the auditors sought the audited financial statements of the 34 local government borrowers from the Office of the State Comptroller. The auditors noted the following:
    - From a review of each entity's financial reports, it appears 19 of 34 (56%) of the local government borrowers may not have met the required debt service coverage.
    - The auditors were unable to make any determination for five of the 34 (15%) local government borrowers, as they had not filed their financial statements with the Office of the State Comptroller.

The Official Statement, Appendix C, states these local governments have covenanted that they will maintain a debt service coverage ratio of, at least, 1.25 to 1.

According to bond documents, the failure of the local government borrowers to comply with these requirements does not trigger a call on any security under the Authority's Indenture. Rather, noncompliance with the provisions of this Appendix represents that the local government borrower is not complying with its own ordinances and the alternative revenue bond requirements of the Local Government Debt Reform Act (30 ILCS 350/15(c)).

CURRENT FINDINGS – *GOVERNMENT AUDITING STANDARDS*

2013-001. **FINDING** (Inadequate Monitoring of Borrower Compliance) (continued)

As part of the security offered to bondholders for timely payment, the bonds issued to fund the Bond Bank Lending Program are secured by a moral obligation of the State of Illinois, as provided for under the Illinois Rural Bond Bank Act, in the original instance, and the Illinois Finance Authority Act (Act) (20 ILCS 3501/801-40(w)) now. Under the Act, the revenue bonds are secured by a non-binding covenant where, in the event the Authority determines projected receipts from each local government's trust estate are insufficient for the payment of principal and interest during the next State Fiscal Year, the Chair of the Authority's Board of Directors shall certify the shortfall necessary to continue the bond's scheduled debt service payments to the Governor. In turn, the Governor shall submit the amount to the General Assembly, which may appropriate moneys to make up the shortfall. However, the General Assembly is only morally, not legally, obligated to make any such appropriation.

Revenue Bonds Issued on Behalf of Other State Agencies and Component Units

During covenant compliance testing of the Series 2002 and 2004 bonds issued on behalf of the State of Illinois, Environmental Protection Agency's Water Revolving Fund, the auditors noted the following:

- The Authority did not complete an Officer's Certificate for the $500,000 deposit made into the Rebate Fund for the Series 2004 bonds.

  The Series 2004 Bond Indenture, Section 4.7, requires that all deposits into the Rebate Fund are made pursuant to an Officer's Certificate from the Authority at the request of the State of Illinois, Environmental Protection Agency authorizing the deposit.

During covenant compliance testing of the Series 2006A and 2006B bonds issued on behalf of the Illinois Medical District Commission (Commission), the auditors noted the following:

- The Authority did not ensure the Bond Trustee deposited $65,000 into the Replacement Reserve Fund, as the cash balance in the replacement reserve fund was below $325,000.

  The Series 2006 Indenture of Trust, Section 5.07(b)(vii), requires a monthly transfer of one-twelfth of the Replacement Reserve Deposit Requirement of $65,000 annually to the Replacement Reserve Fund so long as the Replacement Reserve Fund does not exceed $325,000.

CURRENT FINDINGS – *GOVERNMENT AUDITING STANDARDS*

2013-001. **FINDING** (Inadequate Monitoring of Borrower Compliance) (continued)

- The Authority did not seek payment of delinquent annual fees, totaling $60,000, from the Commission. The auditors noted the Authority had not billed the Commission for the $15,000 fee due for 2009, 2010, 2011, and 2012.

  The Loan and Security Agreement, Section 4.6, requires the Commission pay the Authority an ongoing fee of $15,000 on or before January 1 of each year.

- The Authority did not demand reimbursement of legal fees, totaling $60,000, incurred in relation to the Commission's prior year noncompliance with its Debt Service Coverage Ratio requirement.

  The Loan and Security Agreement, Section 7.3, states, "In the event the Commission should default under any of the provisions of this Agreement, or the Trustee in good faith believe (sic) that the Commission is in substantial danger of defaulting hereunder and the Issuer or the Trustee should employ attorneys or incur other expenses for the collection of payments due under this Agreement or the enforcement of the performance or observance of any obligation or agreement on the part of the Commission herein contained or for the further protection of the Trust Estate, the Commission agrees that it will on demand therefore (sic) pay to the Issuer, the Trustee or the State the reasonable fees and expenses of such attorneys and such other expenses so incurred by the Issuer, the Trustee or the State, to the extent permitted by Law."

- The Authority did not obtain an Officer's Certificate from the Commission upon its submission of unaudited financial statements to the Authority for the quarter ended September 30, 2012.

  The Loan and Security Agreement, Section 5.1(a), requires the Commission provide quarterly unaudited financial statements within 60 days after the end of each quarter accompanied by an Officer's Certificate stating the financial statements fairly represent the Commission's financial condition and results of operations.

During covenant compliance testing of the Series 2006 bonds issued on behalf of the Northern Illinois University Foundation (Foundation), the auditors noted the following:

- The Authority did not obtain an annual certificate from the Foundation in relation to their compliance with the bond covenants.

CURRENT FINDINGS – *GOVERNMENT AUDITING STANDARDS*

2013-001. **FINDING** (Inadequate Monitoring of Borrower Compliance) (continued)

The Bond and Loan Agreement, Section 5.10, requires the Foundation review its activity during the preceding calendar year to determine whether or not it has complied, in all material respects, with the provisions of the Bond and Loan Agreement and has kept and fulfilled all of the covenants. Following this review, the Foundation is to certify the results of the review to the Authority on or before January 31 of the successive year.

- The Notice of Payment Bond Interest and/or Principal report (Form C-08) for the Foundation's February 21, 2013 interest payment, totaling $49,137, was submitted to the Office of the State Comptroller on September 9, 2013, 168 days late. In addition, the Form C-08 was improperly completed, as the Form C-08 did not indicate the bond issue title and series for the payment.

  The Statewide Accounting Management System, Procedure 31.30.20, requires the Authority prepare and submit an accurate Form C-08 report to the Office of the State Comptroller within 30 days from the date the voucher is processed for payment when the Authority is the "paying agent" to bondholders. For situations where the bond trustees are the "paying agent," a Form C-08 report should be prepared and submitted within 15 days of the Authority's receipt of the trustee's monthly statement.

Fire Truck and Ambulance Revolving Loan Programs

During covenant compliance testing of 33 loan agreements within the fire truck and ambulance revolving loan programs, the auditors noted the following:

- For 28 of 33 (85%) loans tested, the Authority could not provide a current certificate of insurance coverage for the fire truck or ambulance securing the loan agreement. The auditors noted 11 instances where the Authority did not have any record of insurance coverage on the fire truck or ambulance and 17 instances where the Authority's records indicated the insurance had lapsed between December 31, 2006 and June 12, 2012.

  The Loan Agreement, Section 8.5, requires the borrower both continuously keep the fire truck or ambulance securing the loan insured during the term of the loan agreement and furnish the Authority with insurance coverage certificates evidencing sufficient insurance coverage throughout the term of the agreement.

CURRENT FINDINGS – *GOVERNMENT AUDITING STANDARDS*

2013-001. **<u>FINDING</u>** (Inadequate Monitoring of Borrower Compliance) (continued)

- For 17 of 33 (52%) loans tested, the Authority could not provide an original copy of title to the fire truck or ambulance securing the loan.

  The Loan Agreement, Section 4.2, requires the borrower to file with the Authority the title of the fire truck or ambulance securing the loan within 30 days after the borrower accepts delivery of the fire truck or ambulance.

- For 33 of 33 (100%) loans tested, the Authority could not provide the fire truck or ambulance's Acceptance Memorandum from the State of Illinois, Office of the State Fire Marshal (Fire Marshal). The Acceptance Memorandum is a certificate issued by the Fire Marshal indicating they have conducted a review and approved the fire truck or ambulance for purchase by the borrower.

  The Loan Agreement, Section 4.1, requires the borrower to deliver to the Authority the Acceptance Memorandum after the borrower's acquisition of the property.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Authority establish and maintain a system, or systems, of fiscal and administrative controls to provide assurance assets are safeguarded against loss. Good internal controls include monitoring borrowers' compliance with specific bond or loan covenants to reduce risk to the Authority. In addition, good internal controls include establishing and maintaining an active, continuing program for the economical and efficient management of the Authority's records.

Authority officials stated the Authority is still in the process of implementing an organized records management system capable of identifying where the specific records requested are retained within the Authority's files. In addition, some covenants and loan provisions might be outdated.

Failure to monitor borrower compliance with significant bond covenants could result in the Authority not identifying borrower noncompliance, potentially impacting the ability of the Authority to protect State assets. Further, failure to establish and maintain a record management system capable of identifying the specific location of the Authority's records limits the utility of records retained by the Authority. (Finding Code No. 2013-001, 12-1)

CURRENT FINDINGS – *GOVERNMENT AUDITING STANDARDS*

2013-001. **FINDING** (Inadequate Monitoring of Borrower Compliance) (continued)

RECOMMENDATION

We recommend the Authority develop, establish, and maintain a recordkeeping system capable of documenting receipt of the required bond and loan documents, which is capable of identifying the location of documents retained by the Authority. Further, we recommend the Authority monitor borrower compliance with significant covenants to detect and appropriately respond to any noted noncompliance.

AUTHORITY RESPONSE

The Authority accepts this finding. The Authority recognizes the importance of covenant compliance and will use this opportunity to accelerate implementation of its electronic record management system. In response to a similar finding in FY12, the Authority increased its management and compliance monitoring resources by 60%. These additional resources have already improved the Authority's covenant compliance process and results.

CURRENT FINDINGS – *GOVERNMENT AUDITING STANDARDS*

2013-002. **FINDING** (Inadequate Financial Reporting Controls)

The Illinois Finance Authority (Authority) did not exercise adequate internal control over financial reporting.

The Authority's financial statements include transactions related to revenue bonds issued for the benefit of other agencies and component units of the State of Illinois, which are required to be shown on the face of the Authority's financial statements pursuant to Interpretation No. 2 of the Governmental Accounting Standards Board, *Disclosure of Conduit Debt Obligations*. As a result of this accounting interpretation, transactions and events occurring at other agencies and component units of the State of Illinois need to be continuously monitored by the Authority for any potential impact on the Authority's financial statements.

During testing, the auditors noted the Authority did not adequately monitor subsequent event transactions occurring at a primary government agency for any potential impact on the Authority's financial statements. The auditors identified a subsequent event material to the Authority's financial statements which was not identified by the Authority's internal control structure. The auditors proposed an adjusting journal entry of $1,227,090 to correct an understated arbitrage liability accrual, which the Authority subsequently recorded in its financial statements.

Governmental Accounting Standards Board Statement No. 56, Paragraphs 8 and 9, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*, notes that an event or transaction occurring after the date of the Statement of Net Position, but prior to the issuance of the financial statements, requiring an adjustment to the financial statements is a recognized event. A recognized event is an event providing "additional evidence with respect to conditions that existed at the date of the Statement of Net Position and affect the estimates inherent in the process of preparing financial statements. All information that becomes available prior to the issuance of the financial statements should be used in evaluating the conditions on which the estimates were based. The financial statements should be adjusted for any changes in estimates resulting from the use of such evidence."

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Authority establish and maintain a system, or systems, of fiscal and administrative controls to provide assurance revenues, expenditures, and resources applicable to operations are properly recorded and accounted for to permit the preparation of reliable financial reports and to maintain accountability over the State's resources.

CURRENT FINDINGS – *GOVERNMENT AUDITING STANDARDS*

2013-002. **FINDING** (Inadequate Financial Reporting Controls) (continued)

Authority officials stated that financial information for the outstanding bonds of the Illinois Environmental Protection Agency (IEPA) is reconciled with IEPA quarterly and annually. In past years, these reconciliations omitted a review of arbitrage calculations.

Failure to adequately monitor subsequent events at other agencies and component units of the State of Illinois could have, if not detected and corrected, resulted in a material misstatement of the Authority's financial statements and reduced the overall reliability of Statewide financial reporting. (Finding Code No. 2013-002)

RECOMMENDATION

We recommend the Authority enhance their internal controls and communications with other agencies and component units of the State of Illinois for continuously monitoring events and transactions that could impact the Authority's financial statements.

AUTHORITY RESPONSE

The Authority agrees with the Auditor's recommendation. For 2014, the Authority will incorporate an annual review of arbitrage calculations into its annual reconciliation procedures for the IEPA bonds pursuant to the Intergovernmental Agreement between the Authority and IEPA.

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

CURRENT FINDINGS – *GOVERNMENT AUDITING STANDARDS*

2013-003. **FINDING** (Failure to Enter into an Intergovernmental Agreement)

The Illinois Finance Authority (Authority) did not timely enter into an intergovernmental agreement with the State of Illinois, Office of the State Fire Marshal (Fire Marshal), impacting the disclosure of the amount due to the primary government at June 30, 2013.

During fieldwork, the auditors noted the following:

- The Authority had not entered into an agreement with the Fire Marshal by June 30, 2013, six months after the General Assembly mandated the Authority and Fire Marshal enter into an intergovernmental agreement to allow for the transfer of moneys within the Fire Truck Revolving Loan Fund, the Fire Station Revolving Loan Fund, and the Ambulance Revolving Loan Fund "as soon as practicable" after January 1, 2013.

  The Illinois Finance Authority Act (Act) (20 ILCS 3501/825-80(c), 20 ILCS 3501/825-81(b), and 20 ILCS 3501/825-85(b)) requires all moneys on deposit in the Fire Truck Revolving Loan Fund, the Fire Station Revolving Loan Fund, and the Ambulance Revolving Loan Fund within the State Treasury be paid to the Authority as soon as practicable after January 1, 2013, provided the Authority and Fire Marshal entered into an intergovernmental agreement that provides the Authority will use the transferred moneys solely for purposes authorized by the Act and sets forth procedures between the Authority and Fire Marshal to administer the use of the transferred moneys.

- During reviews of the draft financial statements, the auditors noted the Authority did not disclose both the impact of failing to enter into the intergovernmental agreement or indicate any potential impact on the $19,042,264 due to the primary government from fire truck and ambulance loans when and if the Authority and Fire Marshal eventually enter into the required interagency agreement. After notification from the auditors, the Authority drafted additional disclosures for inclusion within the Authority's financial statements.

  Governmental Accounting Standards Board Statement No. 34, Paragraph 113, *Basic Financial Statements,* states the Authority's notes to the financial statements should communicate information essential for the fair presentation of the financial statements not displayed on the face of the financial statements.

CURRENT FINDINGS – *GOVERNMENT AUDITING STANDARDS*

2013-003. **FINDING** (Failure to Enter into an Intergovernmental Agreement) (continued)

As of June 30, 2013, the Ambulance Revolving Loan Fund (Fund 334) was holding a cash balance of $3,661,593 and the Fire Truck Revolving Loan Fund (Fund 572) was holding a cash balance of $2,556,576. Further, Public Act 97-0731 appropriated an additional $8,000,000 to the Fire Marshal for transfer to the Fire Truck Revolving Loan Fund and the Ambulance Revolving Loan Fund during Fiscal Year 2013. The entire amount was reappropriated by the General Assembly to the Fire Marshal in Fiscal Year 2014.

Authority officials stated the Authority and the Fire Marshal have not agreed to the terms for inclusion within the intergovernmental agreement.

Failure by the Authority and the Fire Marshal to enter into an intergovernmental agreement represents noncompliance with the Illinois Finance Authority Act and may limit the ability of the Authority and Fire Marshal to provide loans to enable local governments and non-profit ambulance services to obtain financing to purchase fire trucks, brush trucks, fire stations, and ambulances. In addition, failure to disclose the impact of this condition within the notes to the financial statements negatively impacts the fair presentation of the Authority's financial statements. (Finding Code No. 2013-003)

RECOMMENDATION

We recommend the Authority continue to work with the Fire Marshal to finalize the terms of the intergovernmental agreement. In addition, the Authority should implement internal controls to review the notes to the Authority's financial statements to ensure the disclosures are appropriate, accurate, and fairly presented in accordance with generally accepted accounting principles.

AUTHORITY RESPONSE

The Authority accepts this finding.

CURRENT FINDINGS – *GOVERNMENT AUDITING STANDARDS*

2013-004. **FINDING** (Failure to Write-Off Uncollectible Balances)

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

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

General Operating Fund	$ 969,795
E.D.A. Title IX Restricted Revolving Loan Fund	91,484
Industrial Revenue Bond Insurance Fund	28,402
Illinois Agricultural Loan Guarantee Fund	170,902
Illinois Farmer Agribusiness Loan Guarantee Fund	623,107
Total	$ 1,883,690

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

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

Authority officials stated most of the uncollectible accounts were inherited from the predecessor authorities and requests in prior years to the Office of the Attorney General to write-off these uncollectible accounts were denied. The Authority resubmitted its write-off request to the Office of the Attorney General during Fiscal Year 2012. In addition, the Authority is in the process of putting together a new request to the Office of the Attorney General to write off the remaining investments in partnerships with no value.

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

CURRENT FINDINGS – *GOVERNMENT AUDITING STANDARDS*

2013-004. **FINDING** (Failure to Write-Off Uncollectible Balances) (continued)

RECOMMENDATION

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

AUTHORITY RESPONSE

The Authority accepts this finding. While most of these uncollectable debts predate the Authority, they are fully reserved for and have no additional impact on the Authority's financial Statements. Nevertheless, the Authority will seek write-off certifications from the Attorney General; pending which the Authority will continue to record uncollectible debts in accordance with applicable accounting and financial reporting standards.

CURRENT FINDINGS - STATE COMPLIANCE

2013-005. **FINDING** (Inadequate Controls over Monitoring Conduit Covenant Compliance)

The Illinois Finance Authority (Authority) did not have adequate internal controls to properly maintain records for monitoring covenant compliance for conduit bonds.

In accordance with the Illinois Finance Authority Act (20 ILCS 3501/801-40(c)), the Authority issues limited obligation revenue bond and participates in lending and leasing agreements to provide low cost financing to businesses, agribusinesses, health care facilities, educational facilities, municipalities, and other organizations secured by the property financed. Although the Authority, State of Illinois, nor any political subdivision of the State of Illinois is obligated in any manner for the repayment of the debt, the various official bond documents from each debt issuance assign functions and responsibilities to the Authority.

During testing of the Authority's records for 60 conduit bonds outstanding, the auditors noted the Authority could not substantiate the receipt of required documentation from borrowers or show evidence of the Authority's monitoring of the following significant bond covenants:

- 30 of 60 (50%) of bond issues tested were missing a total of 94 execution documents the Authority should have received prior to the bond's closing or refunding date. The missing documents included 20 Official Statements, 18 loan/financing agreements, two local government purchase agreements, one security agreement, two bond and loan agreements, one ordinance, 19 Indentures, 25 tax exemption agreements, three depository agreements, one regulatory agreement, and two advance refunding documents.

- 14 of 60 (23%) of bond issues tested were missing a certificate and/or other reports certifying the project funded by the bond issuance had been completed.

- Seven of 60 (12%) of bond issues tested did not have a written report from the borrower within 90 days of completing the project indicating the total number of workers by type employed in completing the project.

- Six of 60 (10%) of bond issues tested did not have a written report from the borrower each year reporting the number of full-time equivalent employees employed at the project during the preceding year.

CURRENT FINDINGS - STATE COMPLIANCE

2013-005. **FINDING** (Inadequate Controls over Monitoring Conduit Covenant Compliance) (continued)

- 18 of 60 (30%) of bond issuances tested were missing the borrower's audited financial statements. Further, 13 of the noted bond issuances were also missing a separate written certification from the independent auditors certifying the auditors have obtained no knowledge of any default by the borrower in the terms, covenants, provisions, or conditions of the agreement.

- 29 of 60 (48%) of bond issues tested did not have an annual certification that the borrower has performed a review of its activities during the preceding year to determine the borrower has kept, observed, performed, and fulfilled every covenant and the borrower is not in default with any covenant. In the event the borrower is in default with one or more covenants, the borrower must specify the nature and detail of each default to the Authority.

- 11 of 60 (18%) of bond issues tested were missing certifications and/or calculations from required reports and/or financial ratios. The missing elements included current ratios, balance sheet tests, reserve ratios, historical debt service coverage ratios, supplemental ratio or percentages of income available for debt service, an aging schedule of accounts payable, a listing of contracts with the State of Illinois, Department of Human Services, an insurance certification, total student applications during the period, total annual capital campaign contributions, days cash on hand calculations, certifications of marketing and occupancy ratios, outstanding accounts receivable from Medicaid, and the entity's annual budget.

- One of 60 (2%) of bond issues tested did not have an annual certification of destruction for bonds cancelled and destroyed.

- One of 60 (2%) of bond issues tested did not have quarterly certifications of continuing program compliance on file with the Authority.

Further, the auditors noted the following during a review of statements from the Bond Trustee:

- 30 of 60 (50%) bond issues tested did not have any statements from the Bond Trustee.

- Two of 60 (3%) bond issues tested had statements from the Bond Trustee that reported certain required bond funds were not established pursuant to the bond's Indenture.

CURRENT FINDINGS - STATE COMPLIANCE

2013-005. **FINDING** (Inadequate Controls over Monitoring Conduit Covenant Compliance) (continued)

The Illinois Finance Authority Act (20 ILCS 3501/801-30(a)) states the Authority possesses all the powers as a body corporate necessary and convenient, including the power to enter into loans, contracts, agreements, and mortgages, in any manner connected with any of its corporate purposes. Good internal controls over compliance includes establishing an internal control structure designed to fulfill the Authority's ministerial and monitoring functions as created and established within official bond documents. In addition, good internal controls include establishing and maintaining an active, continuing program for the economical and efficient management of the Authority's records.

Authority officials stated the Authority is still in the process of implementing an organized records management system capable of identifying where the specific records requested are retained within the Authority's files.

Failure to fulfill the Authority's ministerial and monitoring functions as created and established within official bond documents represents noncompliance with the official bond document specifying the compliance requirement. Further, failure to establish and maintain a records management system capable of identifying the specific location of Authority records limits the usefulness of records retained by the Authority. (Finding Code No. 2013-005, 12-5)

RECOMMENDATION

We recommend the Authority develop, establish, and maintain a recordkeeping system documenting receipt of the required bond compliance documents, which is capable of identifying the location of documents retained by the Authority.

AUTHORITY RESPONSE

The Authority accepts this finding.

As a self-funded, non-appropriated State agency that operates on an enterprise/business model, the Authority has endured declining revenues in fees derived from federally tax-exempt debt issuances directly attributable to (1) a general decline in the dollar volume of tax-exempt bond issuance across sectors; (2) a general decline in the number of tax-exempt projects across sectors;

CURRENT FINDINGS - STATE COMPLIANCE

2013-005. **FINDING** (Inadequate Controls over Monitoring Conduit Covenant Compliance) (continued)

and (3) a general decline in the economic benefit to borrowers from tax-exemption due to economic conditions and the national interest rate environment over the same time period from calendar year 2008 to calendar year 2013.

Between calendar year 2008 and calendar year 2014, staff head count at the Authority, has declined from 31 to 15. Authority staff does not participate in any State defined-benefit pension fund and the Authority has procured its own employee benefits.

Since the close of the audit period on June 30, 2013, the Authority has increased staff assigned to compliance generally (as well as to other financial, audit, procurement duties) from one to five. This team oversees compliance of 1,475 bonds each with their own covenants. In addition to staffing increases, the Authority has implemented or is in the process of implementing digital systems to:

- Better monitor covenant compliance with respect to conduit debt;
- Better manage and retrieve documents with respect to conduit debt; and
- Better track and calendar covenant obligations of the Authority under the conduit bond documents.

STATE OF ILLINOIS
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SCHEDULE OF FINDINGS

CURRENT FINDINGS - STATE COMPLIANCE

2013-006. **FINDING** (Failure to Establish an Internal Audit Function)

The Illinois Finance Authority (Authority) did not establish an internal audit function as required by the Fiscal Control and Internal Auditing Act (Act).

During testing, the auditors noted the Authority had not established a full-time program of internal auditing at the Authority. Additionally, the auditors noted the Authority's Executive Director had not appointed a Chief Internal Auditor.

The Act (30 ILCS 10/2001(a)) requires the Authority maintain a full-time program of internal auditing. Further, the Act (30 ILCS 10/2002(a)) requires the Authority's Executive Director appoint a Chief Internal Auditor who has a bachelor's degree and either (1) is a Certified Internal Auditor by examination or a Certified Public Accountant who has, at least, four years of progressively responsible professional auditing experience or (2) is an auditor with at least five years of progressively responsible professional auditing experience.

Authority officials stated the Authority developed an internal audit plan. However, due to key staff turnover, the Authority had to devote substantial time and resources to fill other key positions. Furthermore, the Authority had several interviews with a potential candidate to be hired as the Chief Internal Auditor; however, the candidate was needed to fill a more pressing vacancy and was instead hired as the Acting Chief Financial Officer.

Failure to establish an internal audit program represents noncompliance with the Fiscal Control and Internal Auditing Act and weakens the Authority's assessment of its overall internal control environment. (Finding Code No. 2013-006)

RECOMMENDATION

We recommend the Authority establish an internal audit program and appoint a Chief Internal Auditor.

AUTHORITY RESPONSE

The Authority accepts this finding.

The Authority restates its revenue and staffing challenges as a small State agency that does not rely upon appropriated taxpayer dollars to support its operations as set forth in its Response to Finding 2013-005.

CURRENT FINDINGS - STATE COMPLIANCE

2013-006. **FINDING** (Failure to Establish an Internal Audit Function) (continued)

In addition, the Authority currently has an open procurement to obtain the services of a qualified vendor to perform statutorily required internal audit functions. Upon selection of a qualified, licensed certified public accounting firm, an annual internal audit plan will be drafted and submitted to the Authority's Board for review and approval. It is anticipated that such a qualified vendor will be designated as the Chief Internal Auditor for the Authority for an initial term of 5 years.

CURRENT FINDINGS - STATE COMPLIANCE

2013-007. **FINDING** (Delinquent and Inaccurate Reporting of Bond Activity)

The Illinois Finance Authority (Authority) did not timely submit transaction reporting for bond principal and interest payments to the Office of the State Comptroller.

During testing of 60 bond issuances with 351 distinct payments requiring the filing of a *Notice of Payment of Bond Interest and/or Principal* report (Form C-08) during Fiscal Year 2013, the auditors noted the following:

- 48 of 351 (14%) Form C-08s tested were submitted to the Office of the State Comptroller between two to 406 days late. In accordance with the official documents for each bond, the bond trustees are responsible for completing and filing the information with both the State Comptroller and the Authority.

- 8 of 351 (2%) Form C-08s tested contained discrepancies between the amounts reported on the Form C-08 and the schedule of payments within each respective bond's Indenture. The Authority was unable to provide the auditors with a reconciliation of the differences.

The Statewide Accounting Management System (SAMS), Procedure 31.30.20, requires the Authority prepare and submit a Form C-08 report to the Office of the State Comptroller within 30 days from the date the voucher is processed for payment when the Authority is the "paying agent" to bond holders. For situations where the bond trustees are the "paying agent," a Form C-08 report should be prepared and submitted within 15 days of the Authority's receipt of the trustee's monthly statement. Good internal controls over compliance include monitoring Form C-08 submissions to ensure the accuracy of information reported to the Office of the State Comptroller.

Authority officials stated the various bond trustees either did not timely or accurately submit the Form C-08 to the State Comptroller, as required. The Authority receives information from and regularly communicates with several different trustees. Additionally, the Authority sends out monthly reminders to the various trustees concerning late Form C-08s.

Failure to timely submit accurate *Notice of Payment of Bond Interest and/or Principal* reports to the Office of the State Comptroller inhibits the State Comptroller's ability to record and monitor State debt transactions. (Finding Code No. 2013-007, 12-7, 11-5, 10-6)

CURRENT FINDINGS - STATE COMPLIANCE

2013-007. **FINDING** (Delinquent and Inaccurate Reporting of Bond Activity) (continued)

RECOMMENDATION

We recommend the Authority continue to monitor and work with the bond trustees to improve compliance with principal and/or interest reporting requirements.

AUTHORITY RESPONSE

The Authority accepts this finding.

The Authority has allocated additional staffing to increase communication with the bond trustees and the Office of the Comptroller. As with the Response to Compliance Finding 2013-005, in addition to increasing staffing, the Authority has implemented or is in the process of implementing digital systems to:

- Promote more timely notification of delays and/or noncompliance in the submission of compliance documents
- Increase the accuracy of reports submitted to the Office of the State Comptroller
- Better track and calendar covenant obligations of the Authority under the conduit bond documents.

As a result, the Authority anticipates more timely notification of late C-08 submissions by borrowers and/or discrepancies in borrower's/bond trustee's reporting to the Authority of the borrower's bond principal and interest payments. Authority staff can then work with the bond trustee, the borrower and the Office of the Comptroller to accurately resolve these issues in a timely manner.

CURRENT FINDINGS - STATE COMPLIANCE

2013-008. **FINDING** (Inadequate Control over Travel Expenses)

The Illinois Finance Authority (Authority) did not exercise adequate control over travel expenses and ensure compliance with the *Travel Guide for State of Illinois Employees*.

During testing of 51 travel expenditures, totaling $37,908, the auditors noted the following unallowable costs:

- Nine of 51 (18%) vouchers tested, totaling $21,543, had lodging expenses in excess of the maximum allowable rate, totaling $2,991, without submitting exception requests to the Governor's Travel Control Board. Further, these vouchers did not include evidence of the traveler contacting additional hotels prior to making a reservation in excess of the maximum allowable rate.

  The Illinois Administrative Code (Code) (80 Ill. Admin. Code 3000.410) places responsibility on each employee to request the lowest available lodging rate at the time of making reservations. In addition, the Code (80 Ill. Admin. Code 2800.710(b)) requires a diligent effort to obtain lodging at a rate not exceeding the maximum rate prior to booking a room at a rate in excess of the maximum reimbursement rate. Further, the Code (80 Ill. Admin. Code 2800.710(a)) provides a mechanism for obtaining approval for exceptions to the travel regulations from the Chair of the Governor's Travel Control Board.

- Five of 51 (10%) vouchers tested, totaling $7,575, had per diem claims in excess of the maximum allowable rate, totaling $130.

  The Code (80 Ill. Admin. Code 3000.Appendix A) establishes a reimbursement schedule for per diem and meal allowances.

- Nine of 51 (18%) vouchers tested, totaling $2,041, included unallowable travel expenses, totaling $382. The noted unallowable expenses included in-room hotel dining costs when the employee had claimed per diem and rental car insurance costs.

CURRENT FINDINGS - STATE COMPLIANCE

2013-008. **FINDING** (Inadequate Control over Travel Expenses) (continued)

> The Code (80 Ill. Admin. Code 3000.600) defines certain reimburseable expenses that may be paid, if reasonable, by the State, which does not include in-room hotel dining costs. Further, the Code (80 Ill. Admin. Code 3000.500(b)) states the per diem allowance is paid in lieu of the meal allowance and is designed to cover the cost of meals and meal tips. In addition, the Authority's *Policies and Procedures Manual*, Procedure 50.40.000, specifies collision damage waiver and personal accident insurance on rented vehicles are not reimbursable, as they are already covered by the Authority.

The auditors questioned $3,503 of the $37,908 travel costs tested, or 9% of the expenditures within the auditors' sample population.

In addition to the unallowable costs, the auditors noted the following noncompliance conditions during their review of the 51 travel expenditures, totaling $37,908, tested:

- Five of 51 (10%) vouchers tested, totaling $1,897, were submitted for reimbursement by the Authority between 100 and 355 days after the completion of travel. Additionally, the Authority did not report these amounts as wages paid to the employee to the Internal Revenue Service.

  The Authority's *Policies and Procedures Manual*, Procedure 50.40.000, requires all reimbursement requests be submitted within 45 days after the event. Further, Internal Revenue Service Publication 535, *Business Expenses*, (Chapter 11, Pages 42-43) requires travelers submit reimbursement requests within 60 days after the expenses were paid or incurred, or the reimbursement must be included as wages on the employee's Form W-2.

- Two of 51 (4%) vouchers tested, totaling $2,906, had flight change fees and the purchase of an airline ticket to replace a cancelled flight, totaling $317, that were not submitted for approval to the Chair of the Governor's Travel Control Board.

  The Code (80 Ill. Admin Code 2800.710(a)) states Ex Post Facto exceptions maybe granted by the Chair of the Governor's Travel Control Board when necessary to meet special or unavoidable circumstances and when the expenditure is in the State's best interest.

CURRENT FINDINGS - STATE COMPLIANCE

2013-008. **FINDING** (Inadequate Control over Travel Expenses) (continued)

- Nine of 51 (18%) travel vouchers tested, totaling $18,303, were for travel expenses incurred outside of the borders of the State of Illinois where the Authority had not received preapproval from the Governor's Office of Management and Budget (GOMB) for the travel.

  Travel Update 03-09 (March 27, 2003), as amended by Travel Update 04-04 (October 29, 2003), requires all requests for overnight travel outside the borders of the State of Illinois receive personal review and approval by the Authority's Executive Director, who must submit the request to the GOMB no later than three weeks prior to the anticipated departure date for approval.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Authority establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance obligations and costs are in compliance with applicable law.

Authority officials stated the travel exceptions were due to employee oversight and timing issues on requesting access to GOMB's travel system to request approvals for travel exceptions.

Failure to exercise adequate control over travel expenditures resulted in noncompliance with Internal Revenue Service Publication 535 and State travel regulations, overpayments to travelers, and represents an inefficient use of State funds. (Finding Code No. 2013-008, 12-8, 11-3, 10-7)

RECOMMENDATION

We recommend the Authority implement controls to ensure all travel expenditures paid by the Authority comply with Internal Revenue Service Publication 535 and State travel regulations.

AUTHORITY RESPONSE

The Authority accepts the finding.

The Authority recognizes its responsibility to comply with Internal Revenue Service and State regulations. The Authority restates its revenue and staffing challenges as a small State agency that does not rely upon appropriated taxpayer dollars to support its operations as set forth in its Response to Finding 2013-005.

CURRENT FINDINGS - STATE COMPLIANCE

2013-008. **FINDING** (Inadequate Control over Travel Expenses) (continued)

In late Fiscal Year 2014, the Authority will review applicable travel regulations with staff and intends to provide additional training to all employees. In addition, a secondary Authority staff review of travel reimbursement requests is being implemented. Travel reimbursement requests that do not comply with the applicable travel regulations will be denied.

STATE OF ILLINOIS
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SCHEDULE OF FINDINGS

CURRENT FINDINGS - STATE COMPLIANCE

2013-009. **FINDING** (Nonpayment of Shared State Employee Services)

The Illinois Finance Authority (Authority) did not reimburse the State of Illinois, Department of Central Management Services (CMS) for the salary and salary related expenses of an employee shared with the Authority.

During testing, the auditors noted the following:

- The Authority did not have an interagency agreement with CMS during Fiscal Year 2013 to share the services of an employee providing procurement consulting services to the Authority.

  Good internal controls include developing a written agreement documenting each entity's responsibility for the relevant controls necessary to establish the appropriate security, availability, and processing integrity of the control environments and applicable interagency communications and transaction reporting process flows.

- The Authority did not reimburse CMS for the time spent by the employee working on the Authority's tasks. By paying the employee solely from State appropriations to the Department of Central Management Services, the parties to the agreement circumvented the appropriation authority of the General Assembly as provided for under the State Finance Act (30 ILCS 105/9.03).

  The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Authority establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance obligations and costs are in compliance with applicable law.

- The shared employee was not required to prepare a timesheet to document time spent working on the Authority's business.

  The State Officials and Employees Ethics Act (5 ILCS 430/5-5(c)) requires State employees to periodically submit time sheets documenting the time spent each day on official State business to the nearest quarter hour.

Authority officials stated the Authority was planning to hire a full-time employee to perform procurement-related functions, which reduced the amount of time the shared employee worked on the Authority's business during Fiscal Year 2013. Further, the Authority did not seek to enter into an interagency agreement with CMS because the Authority was anticipating hiring the new employee.

CURRENT FINDINGS - STATE COMPLIANCE

2013-009. **FINDING** (Nonpayment of Shared State Employee Services) (continued)

Failure to pay for the Authority's share of expenses for shared employees resulted in State appropriations supporting the Authority without the specific authorization of the General Assembly and resulted in noncompliance with the State Finance Act. Further, failure to require timesheets resulted in the Authority not documenting the time spent by the shared employee on the Authority's business. (Finding Code No. 2013-009, 12-9, 11-10)

RECOMMENDATION

We recommend the Authority work with the Department of Central Management Services to develop a reimbursement process for shared employees which allocates costs between the two agencies based on the employee's timekeeping reports.

AUTHORITY RESPONSE

The Authority accepts the finding.

The Authority restates its revenue and staffing challenges as a small State agency that does not rely upon appropriated taxpayer dollars to support its operations, as set forth in the Authority's Response to Finding 2013-005. In FY13, the Authority initiated the process to reimburse the Department of Central Management Services (CMS) for the services of the employee that was the subject of the Intergovernmental Agreement. Subsequently, a representative of CMS, who is no longer with the agency, stated that CMS systems would be unable to receive and process such a reimbursement from the Authority.

Along with the passage of Public Act 98-0090 on July 15, 2013 and additional resources noted in the Authority's response to Finding 2013-005, the Authority has also designated an employee with the requisite level of skill and experience as its Agency Procurement Officer. The Authority does not anticipate that this finding will repeat in FY14.

CURRENT FINDINGS - STATE COMPLIANCE

2013-010. **FINDING** (Inadequate Controls over New Bond Issuances)

The Illinois Finance Authority (Authority) did not exercise adequate internal controls over new conduit bond issuances in Fiscal Year 2013.

During Fiscal Year 2013, the Authority conducted 45 separate conduit bond issuances, totaling $2,256,325,098. During testing, the auditors noted the following:

- Eight of 45 (18%) bond issuances, totaling $102,308,000, did not have the Form C-05, *Bond Interest and Redemption Schedule* report, filed timely with the Office of the State Comptroller. The reports were submitted between three and 61 days late.

- Two of 10 (20%) bond issuances sampled for detail testing, totaling $127,500,000, did not have its maturity schedule and interest amounts correctly reported to the Office of the State Comptroller on a Form C-05, *Bond Interest and Redemption Schedule* report.

The Statewide Accounting Management System (SAMS), Procedure 31.30.10, requires the Authority accurately submit specific information on a Form C-05 regarding new bond issuances within the latter of 30 days after the closing date or the beginning date of the borrowing.

Authority officials stated the inaccurate and untimely completion of the reports was due to oversight and the transfer of responsibilities to new employees.

Failure to timely submit accurate *Bond Interest and Redemption Schedule* reports to the Office of the State Comptroller inhibits the State Comptroller's ability to record and monitor State debt transactions. (Finding Code No. 2013-010)

RECOMMENDATION

We recommend the Authority review and enhance its internal controls to provide assurance Form C-05s are accurately prepared and timely filed with the Office of the State Comptroller.

AUTHORITY RESPONSE

The Authority accepts this finding.

The Authority restates its revenue and staffing challenges as a small State agency that does not rely upon appropriated taxpayer dollars to support its operations, as set forth in the Authority's Response to Finding 2013-005. The Authority has incorporated the use of individual checklists for each new conduit debt issuance, which includes the requirement to complete and submit a Form C-05. The Authority has also begun using a web-based project management application to

CURRENT FINDINGS - STATE COMPLIANCE

2013-010. **FINDING** (Inadequate Controls over New Bond Issuances) (continued)

assist with assigning tasks, setting reminders and collaboration between team members. Additional resources have also been assigned to track the new conduit bond issuances and their reporting requirements. These efforts will help to ensure that the number of untimely submittals of Form C-05s to the Office of the State Comptroller will decrease in the future.

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

CURRENT FINDINGS - STATE COMPLIANCE

2013-011. **FINDING** (Inadequate Controls over Personal Services)

The Illinois Finance Authority (Authority) did not exercise adequate internal controls over personal services provided by employees.

During testing, the auditors noted the following:

- Three of six (50%) employees tested did not have documentation of the employee's immediate supervisor approving 16 of 16 (100%) vacation days taken by the employees during Fiscal Year 2013.

  The Authority's Employee Handbook, Section 3.3, requires all employees to request the use of vacation time in advance of the desired time off. All requests must be received and approved by an employee's supervisor, manager, or other authorized staff, taking into consideration both the employee's preference and the operational needs of the Authority.

- Three of six (50%) employees tested did not have timely performance evaluations. The performance evaluations were performed between 10 and 115 days late.

  The Authority's *Employee Handbook*, Section 4.1, requires Authority employees have performance and development reviews after 90 days of hire and once annually, unless otherwise specified. Further, good internal controls require the Authority to complete the employee performance evaluation process timely to ensure prompt communication of any performance concerns to employees.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Authority establish and maintain fiscal and administrative controls to provide assurance resources are utilized efficiently, effectively, and in compliance with applicable law.

Authority officials stated these exceptions were due to oversight.

Failure to exercise adequate internal control over personal services resulted in employees not receiving approval for vacation time in accordance with the Authority's policies and procedures. Further, employee performance evaluations are a systematic and uniform approach used for the development of employees and communication of performance expectations to employees and serve as a foundation for salary adjustments, promotion, demotion, discharge, layoff, and recall and reinstatement decisions. Without timely completion of an employee performance evaluation, the employee would not be provided with feedback or assessment of his or her performance. Areas for improvements and current year's performance goals and objectives may not be identified and communicated in a timely manner. (Finding Code No. 2013-011, 12-11)

CURRENT FINDINGS - STATE COMPLIANCE

2013-011. **FINDING** (Inadequate Controls over Personal Services) (continued)

RECOMMENDATION

We recommend the Authority remind employees of the Authority's approval process for vacation time and evaluate its procedures for monitoring performance evaluations to ensure performance appraisals are completed timely.

AUTHORITY RESPONSE

The Authority accepts this finding and restates its revenue and staffing challenges as a small State agency that does not rely upon appropriated taxpayer dollars to support its operations, as set forth in the Authority's Response to Finding 2013-005.

The Authority is in the process of updating its Policies and Procedures and Employee Handbook as a part of its overall internal control program. Specific administrative processes will be streamlined and employees will receive training on all updated procedures. In order to minimize the effect of staff reductions in recent years, most employees have had to take on additional duties, which has reduced the amount of resources dedicated to administrative tasks. The updated policies will reflect those of a smaller organization, while maintaining a commitment to strengthening internal controls.

PRIOR FINDINGS NOT REPEATED

A. **FINDING** (Inadequate Controls over Financial Reporting)

During the prior audit, the Illinois Finance Authority (Authority) did not exercise adequate internal control over financial reporting. Specifically, the Authority did not develop a basis or prepare any calculations for the estimated arbitrage liability accrual or accrue interest income within the debt service fund of the State of Illinois Revolving Fund, Series 2004 (Clean Water) issuance. (Finding Code No. 12-2)

Status: Not Repeated

During the current engagement, the auditors noted the Authority developed a calculation for its estimate of arbitrage liability accrual and accrued interest income on investments of the debt service fund under the Debt Service Forward Delivery Agreement for the State of Illinois Revolving Fund, Series 2004 (Clean Water) issuance. However, the auditors noted an internal control over financial reporting weakness described within Finding 2013-002.

B. **FINDING** (Weaknesses in the Intermediary Relending Program)

During the prior audit, the Illinois Finance Authority (Authority) did not comply with certain monitoring and reporting requirements of the United States Department of Agriculture's Intermediary Relending Program. (Finding Code No. 12-3, 11-1, 10-2)

Status: Not Repeated

During the current engagement, the Authority was not required to undergo a Single Audit as described within *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*.

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

PRIOR FINDINGS NOT REPEATED

C. **FINDING** (Weaknesses in the Economic Adjustment Assistance Program)

During the prior audit, the Illinois Finance Authority (Authority) did not comply with certain monitoring and reporting requirements of the United States Department of Commerce's Economic Adjustment Assistance Program. (Finding Code No. 12-4, 11-2)

Status: Not Repeated

During the current engagement, the Authority was not required to undergo a Single Audit as described within *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*.

D. **FINDING** (Unable to Substantiate Compliance with the Illinois Municipal Code)

During the prior examination, the Illinois Finance Authority (Authority) was unable to provide documentation to the auditors to substantiate the Authority's compliance with the Financially Distressed City Law of the Illinois Municipal Code. (Finding Code No. 12-6)

Status: Not Repeated

During the current engagement, the auditors noted the Bank of New York Mellon gave notice of defeasance on November 20, 2013, of all outstanding bonds issued under the Financially Distressed City Law of the Illinois Municipal Code to support the City of East St. Louis. As such, the Authority no longer has any remaining statutory monitoring and review requirements under the Financially Distressed City Law of the Illinois Municipal Code.

E. **FINDING** (Noncompliance with Contracting Procedures)

During the prior examination, the Illinois Finance Authority (Authority) did not comply with contracting procedures. (Finding Code No. 12-10, 11-4, 10-5)

Status: Implemented

During the current engagement, the auditors' sample testing did not disclose similar exceptions regarding contracting procedures.

SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

SUMMARY

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

- Fiscal Schedules and Analysis:

    Schedule of Appropriations, Expenditures and Lapsed Balances, Fiscal Year 2013
    Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances
    Schedule of Changes in State Property
    Schedule of Cash Funds and Depositories
    Schedule of Investments
    Schedule of Contracts
    Schedule of Conduit Debt
    Comparative Schedule of Cash Receipts
    Comparative Reconciliation of the Schedule of Cash Receipts to Deposits Remitted to the State Comptroller
    Comparative Schedule of Revenues and Expenses
    Analysis of Significant Variations in Revenues and Expenses
    Analysis of Significant Lapse Period Spending
    Comparative Schedule of Assets and Liabilities
    Analysis of Significant Variations in Assets and Liabilities
    Analysis of Accounts Receivable

- Analysis of Operations (Unaudited):

    Authority Functions and Planning Program (Unaudited)
    Employee Compensation Plan (Unaudited)
    Average Number of Employees (Unaudited)
    Ten-Year Schedule of Jobs Created or Retained by Loans, Revenue Bonds, and Investments Made by the Authority (Unaudited)
    Summary of Agriculture, Fire Truck and Ambulance Loan Programs (Unaudited)
        Agricultural Development Bonds (Unaudited)
        State Guarantee Program for Restructuring Agricultural Debt (Unaudited)
        Farmer and Agri-Business Loan Guarantee Program (Unaudited)
        Young Farmer and Farm Purchase Loan Guarantee Program (Unaudited)
        Specialized Livestock Loan Guarantee Program (Unaudited)
        Fire Truck Revolving Loan Program (Unaudited)
        Ambulance Revolving Loan Program (Unaudited)

SUMMARY (continued)

- Analysis of Operations (continued)

  Historical Summary of Agricultural Loans Issued by Program by County (Unaudited)
  Service Efforts and Accomplishments (Unaudited)

The accountants' report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states that it has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in the auditors' opinion, it is fairly stated in all material respects in relation to the basic financial statements as a whole from which it has been derived. The accountants' report also states the Analysis of Operation Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, they do not express an opinion or provide any assurance on it.

STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
Appropriations for Fiscal Year 2013
Fourteen Months Ended August 31, 2013

	Appropriations (Net After Transfers)	Expenditures Through 06/30/13	Lapse Period Expenditures 07/01 to 08/31/13	Total Expenditures	Balances Reappropriated July 1, 2013
Public Act 97-0725					
APPROPRIATED FUNDS					
FIRE TRUCK REVOLVING LOAN FUND - 572					
Loans to Fire Departments	$ 6,003,342	$ 3,620,000	$ -	$ 3,620,000	$ 2,383,342
AMBULANCE REVOLVING LOAN FUND - 334					
Loans to Fire Departments and Ambulance Services	7,006,800	-	-	-	7,006,800
TOTAL - ALL APPROPRIATED FUNDS	$ 13,010,142	$ 3,620,000	$ -	$ 3,620,000	$ 9,390,142

Note 1: The data in this schedule was taken directly from the Authority's records and reconciled to the State Comptroller's records.

Note 2: Expenditure amounts are vouchers approved for payment by the Authority and submitted to the State Comptroller for payment.

STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES

	Fiscal Years Ended June 30,	
	2013 PA 97-0725	**2012 PA 96-0076**
FIRE TRUCK REVOLVING LOAN FUND - 572		
Appropriations (net after transfers)	$ 6,003,342	$ 6,003,342
Expenditures		
Loans to Fire Departments	3,620,000	-
Total expenditures	3,620,000	-
Reappropriated balances	$ 2,383,342	$ 6,003,342
AMBULANCE REVOLVING LOAN FUND - 334		
Appropriations (net after transfers)	$ 7,006,800	$ 7,006,800
Expenditures		
Loans to Fire Departments and Ambulance Services	-	-
Total expenditures	-	-
Reappropriated balances	$ 7,006,800	$ 7,006,800
TOTAL - APPROPRIATED FUNDS		
Appropriations (net after transfers)	$ 13,010,142	$ 13,010,142
Total expenditures	3,620,000	-
Reappropriated balances	$ 9,390,142	$ 13,010,142

Note 1: The data in this schedule was taken directly from the Authority's records and reconciled to the State Comptroller's records.

Note 2: Expenditure amounts are vouchers approved for payment by the Authority and submitted to the State Comptroller for payment.

STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY
SCHEDULE OF CHANGES IN STATE PROPERTY
For the Year Ended June 30, 2013

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
Cost				
Furniture and equipment	$ 224,898	$ -	$ 1,858	$ 223,040
Computers and software	318,268	56,742	10,934	364,076
Total capital assets being depreciated	543,166	56,742	12,792	587,116
Accumulated depreciation				
Furniture and equipment	216,064	3,048	1,858	217,254
Computers and software	218,770	45,405	10,934	253,241
Total accumulated depreciation	434,834	48,453	12,792	470,495
Capital assets, net of accumulated depreciation	$ 108,332	$ 8,289	$ -	$ 116,621

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

Schedule 4

STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY
SCHEDULE OF CASH FUNDS AND DEPOSITORIES
For the Year Ended June 30, 2013

General Operating Fund	
Banterra Bank of Marion, Illinois - Money Market	$ 595,865
Bank of America in Chicago, Illinois - Repurchase Agreements	2,360,285
The Illinois Funds - Money Market	42,633,868
Bond Fund	
U.S. Bank in Minneapolis, Minnesota	4,754
First American Treasury Obligations Fund	1,592,123
Goldman Financial Square Treasury Obligations	8,681,626
Industrial Revenue Bond Insurance Fund	
Banterra Bank of Marion, Illinois - Money Market	2,859,240
JP Morgan in Chicago, Illinois - Prime Money Market Fund	1,885,227
The Illinois Funds - Money Market	6,928,621
Credit Enhancement Fund	
U.S. Bank - First American Government Obligation Fund	599,750
Illinois Agricultural Loan Guarantee Fund	
State Treasury - Cash	10,069,384
Illinois Farmer Agribusiness Loan Guarantee Fund	
State Treasury - Cash	7,776,478
IRBB Special Reserve Fund	
The Illinois Funds - Prime Fund	2,719,473
Rural Development Revolving Loan Fund	
Banterra Bank of Marion, Illinois - Money Market	97,117
Bank of America in Chicago Illinois - Repurchase Agreements	1,845,520
Illinois Housing Partnership Program Fund	
The Illinois Funds - Money Market	1,831,205
Renewable Energy Development Fund	
Bank of America in Chicago, Illinois - Repurchase Agreements	718,650
Illinois Energy Fund	
Bank of America in Chicago, Illinois - Repurchase Agreements	2,341,500
	$ 95,540,686

STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY
SCHEDULE OF INVESTMENTS
For the Year Ended June 30, 2013

Description	Type	Interest Rate	Maturity Date	Recorded Value June 30, 2013
General Operating Fund				
Bank of America in Chicago, Illinois	Certificate of Deposit	0.35%	06/26/2014	$ 85,000
Bond Fund				
U.S. Bank in Minneapolis, Minnesota	Investment Contracts			7,522,972
U.S. Bank in Minneapolis, Minnesota	Federal Agency Securities			404,724
Amalgamated Bank of Chicago	Federal Agency Securities			91,516,897
				$ 99,529,593

STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY
SCHEDULE OF CONTRACTS
For the Year Ended June 30, 2013

Contractor	Services Provided	Total Expenses Incurred
1060 Technology, Inc	Electronic Data	$ 2,409
Acacia Financial Group, Inc.	Senior Financial Advisor	36,606
ADP Total Source	Payroll and HR	196,599
Advoteck Inc	Electronic Data	206
Anchor Mechanical, Inc	Electronic Data	1,506
Anthes, Pruyn & Associates	Accounting Services	8,911
AT&T	Telecommunications	6,010
BFPRU I, LLC	Office Rent - Chicago	280,131
Bloomberg, LLP	Financial Information Database	23,700
Burke Burns & Pinelli, Ltd.	Issuers Counsel/Legal	34,438
Capital City Training Center	Training	6,290
Catalyst Consulting Group, Inc.	Electronic Data Consulting	29,172
CBIZ Information Systems	Computer Systems	5,794
CDW Government, Inc.	Computer Systems	1,265
Chapman and Cutler, LLP	Legal	34,028
Charity and Associates, P.C.	Legal	28,000
Crowe Horwath, LLP	Accounting Services	20,165
Foley and Lardner, LLP	Legal	81,467
Franczek Radelet P.C.	Legal	17,786
Greater Peoria Business Alliance	Office Rent - Peoria	6,325
Greenberg Traurig, LLP	Legal	81,314
Harleysville Group Inc.	Insurance	5,487
Hart, Southworth & Witsman	Legal	100
Hewlett Packard Company	Electronic Data	4,204
Hill and Knowlton, Inc.	Media Consulting	85,355
Holland & Knight, LLP	Issuers Counsel/Legal	674
Howard Kenner	Lobbyist	52,310
Imagetec L.P.	Information Technology	3,025
Jenner & Block, LLP	Legal	120,893
KattenMuchinRosenman, LLP	Legal	54,771
Laner Muchin, Ltd.	Legal Services - 457 Plan	3,859
Mabsco Capital, Inc.	Loan Management Services	51,655
Marj Halperin Consulting	Media Consulting	104,944
Mayer Brown, LLP	Legal	2,813
McGuireWoods, LLP	Legal	22,788
Mesirow Financial	Insurance	254,060
Midwest Mailing & Shipping Systems	Mailing Services	133
Miller, Canfield, Paddock & Stone, P.L.C.	Legal	38,049

STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY
SCHEDULE OF CONTRACTS
For the Year Ended June 30, 2013

Contractor	Services Provided	Total Expenses Incurred
National Tek Services, Inc.	Computer Systems	$ 752
Neopost USA, Inc.	Mail Services	683
Office Depot	Office Supplies	2,516
P.D. Morrison Enterprises	Office Supplies	6,967
Pickens Kane	Storage	11,396
Presidio Networked Solutions	Computer Systems	3,292
Public Financial Management	Senior Financial Advisor	78,475
Pugh, Jones, Johnson, P.C.	Legal	25,645
RK Dixon Company	Copier Services	10,508
Rock Fusco & Connelly, LLC	Human Resources	9,500
Schiff Hardin, LLP	Legal	36,753
Shaw Fishman Glantz Wolfson & Towbin, LLC	Legal Services	50
Shefsky and Froelich, Ltd.	Legal Services	105,593
Shred-It	Shredding Services	838
Solidia, Inc	Office Supplies	432
Swift Impressions, Inc.	Printing Services	6,237
Tallgrass Systems Ltd.	Computer Systems	1,118
Ten Oaks	Office Rent - Mt. Vernon	15,522
Trefil Consulting, Inc.	Office Supplies	1,100
United Parcel Service	Mail Services	10,010
	Total	$ 2,034,629

STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY
SCHEDULE OF CONDUIT DEBT
For the Year Ended June 30, 2013

	Principal Outstanding	Number of Issues Outstanding
Illinois Finance Authority		
Revenue Bonds	$ 19,581,475,065	538
Environmental Bonds	78,235,000	4
Notes	294,421,000	3
Recovery Zone Facilities & Midwest Disaster Area	264,579,854	13
Financially Distressed City Bonds	2,630,000	2
Leases	3,749,946	2
Beginning Farmer Bonds	50,122,850	340
Total Illinois Finance Authority	20,275,213,715	902
Predecessor Authorities:		
Illinois Development Finance Authority		
501(c)3 Not-for-Profit Bonds and Leases	985,357,190	75
Environmental Bonds	289,745,000	15
Industrial Revenue Bonds	256,421,865	43
Infrastructure Bonds	347,670,898	17
Housing Bonds	91,743,171	10
Financially Distressed City Bonds	1,250,000	1
Leases	496,388	1
Total Illinois Development Finance Authority	1,972,684,512	162
Illinois Health Facilities Authority	1,270,303,000	51
Illinois Educational Facilities Authority	1,030,201,000	40
Illinois Farm Development Authority	21,609,864	329
Total Predecessor Authorities	4,294,798,376	582
Grand Total Illinois Finance Authority	$ 24,570,012,091	1,484

STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY
COMPARATIVE SCHEDULE OF CASH RECEIPTS

	Fiscal Years Ended June 30,	
	2013	2012
ILLINOIS FARMER AND AGRI-BUSINESS LOAN FUND - 205		
Repayment of loan guarantees	$ -	$ -
Total receipts	$ -	$ -
AMBULANCE REVOLVING LOAN FUND - 334		
Repayment of loans	$ 160,987	$ 160,987
Total receipts	$ 160,987	$ 160,987
FIRE TRUCK REVOLVING LOAN FUND - 572		
Repayment of loans	$ 1,228,906	$ 1,345,678
Total receipts	$ 1,228,906	$ 1,345,678

STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY
COMPARATIVE RECONCILIATION OF THE SCHEDULE OF CASH RECEIPTS TO DEPOSITS REMITTED TO THE STATE COMPTROLLER

	Fiscal Years Ended June 30, 2013	Fiscal Years Ended June 30, 2012
ILLINOIS FARMER AND AGRI-BUSINESS LOAN FUND - 205		
Repayment of loan guarantees	$ -	$ -
Add cash in transit, beginning of period	-	25,676
Less cash in transit, end of period	-	-
Deposits remitted to the Comptroller	$ -	$ 25,676
AMBULANCE REVOLVING LOAN FUND - 334		
Repayment of loans	$ 160,987	$ 160,987
Add cash in transit, beginning of period	-	-
Less cash in transit, end of period	-	-
Deposits remitted to the Comptroller	$ 160,987	$ 160,987
FIRE TRUCK REVOLVING LOAN FUND - 572		
Repayment of loans	$ 1,228,906	$ 1,345,678
Add cash in transit, beginning of period	-	-
Less cash in transit, end of period	-	-
Deposits remitted to the Comptroller	$ 1,228,906	$ 1,345,678

STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY
COMPARATIVE SCHEDULE OF REVENUES AND EXPENSES
For the Years Ended June 30, 2013 and 2012

	2013	2012	Increase (Decrease)	% Variance
Revenues				
Interest on loans	$ 8,072,295	$ 9,242,812	$ (1,170,517)	(13%)
Administrative service fees	3,912,338	2,765,760	1,146,578	41%
Interest and investment income	2,523,475	2,595,352	(71,877)	(3%)
Grant income	841,399	1,500,000	(658,601)	(44%)
Annual fees	409,154	539,430	(130,276)	(24%)
Bad debt recoveries	258,577	1,746,322	(1,487,745)	(85%)
Loan loss provisions	116,218	563,790	(447,572)	(79%)
Application fees	53,400	43,150	10,250	24%
Miscellaneous	62,908	1,652,433	(1,589,525)	(96%)
Total revenues	16,249,764	20,649,049	(4,399,285)	(21%)
Expenses				
Interest expense	9,921,160	11,057,629	(1,136,469)	(10%)
Employee related expenses	1,789,531	1,790,048	(517)	(0%)
Professional services	1,408,610	1,447,493	(38,883)	(3%)
Occupancy costs	319,386	331,014	(11,628)	(4%)
General and administrative	318,402	306,628	11,774	4%
Transfer of interest in programs to State of Illinois	-	561,793	(561,793)	(100%)
Permanent capital transfer	-	1,000,000	(1,000,000)	(100%)
Depreciation	48,453	44,470	3,983	9%
Loss on sale of investments	-	2,074,810	(2,074,810)	(100%)
Total expenses	13,805,542	18,613,885	(4,808,343)	(26%)
Excess of revenues over expenses	$ 2,444,222	$ 2,035,164	$ 409,058	20%

STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY
ANALYSIS OF SIGNIFICANT VARIATIONS IN REVENUES AND EXPENSES
For the Years Ended June 30, 2013 and 2012

	2013	2012	Increase (Decrease)	% Variance	Explanation of Significant Variations (Variance of 20% and $400,000 or more)
Administrative service fees	$ 3,912,338	$ 2,765,760	$ 1,146,578	41%	The increase was due to an increase in the number and size of conduit bonds serviced and closed during Fiscal Year 2013.
Grant income	841,399	1,500,000	(658,601)	(44%)	The decrease was due to the Department of Commerce and Economic Opportunity allocating less federal funds for energy renewable and efficiency projects to the Authority.
Bad debt recoveries	258,577	1,746,322	(1,487,745)	(85%)	The decrease was due to lower collections of fully provided for past due receivables during Fiscal Year 2013.
Loan loss reversals	116,218	563,790	(447,572)	(79%)	The decrease was due to lower participation loans outstanding at the end of Fiscal Year 2013.
Miscellaneous	62,908	1,652,433	(1,589,525)	(96%)	The decrease was due to the receipt of settlement payments from banks as a result of violation of federal securities laws and State and federal anti-trust laws in Fiscal Year 2012. There were no similar transactions that occurred in Fiscal Year 2013.
Transfer of interest in programs to State of Illinois	-	561,793	(561,793)	(100%)	The decrease was due to the return of grant funds in Title IX Restricted Revolving Loan Fund to the Department of Commerce and Economic Opportunity in Fiscal Year 2012.

* *Information obtained from the Comparative Schedule of Revenues and Expenses*

STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY
ANALYSIS OF SIGNIFICANT VARIATIONS IN REVENUES AND EXPENSES (continued)
For the Years Ended June 30, 2013 and 2012

	2013	2012	Increase (Decrease)	% Variance	Explanation of Significant Variations (Variance of 20% and $400,000 or more)
Permanent capital transfer	$ -	$ 1,000,000	$ (1,000,000)	100%	The decrease was due to the loans made and outstanding in prior years that were converted to a grant in Fiscal Year 2012 in accordance with an amendment to the Illinois Finance Authority Act (20 ILCS 3501/840-5(j)).
Loss on sale of investments	-	2,074,810	(2,074,810)	100%	The decrease was due to the sale of the remaining salable investments in venture capital portfolio in Fiscal Year 2012.

** Information obtained from the Comparative Schedule of Revenues and Expenses*

STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY
ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING
For the Year Ended June 30, 2013

The Authority did not have any lapse period spending during Fiscal Year 2013.

STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY
COMPARATIVE SCHEDULE OF ASSETS AND LIABILITIES
For the Years Ended June 30, 2013 and 2012

	2013	2012	Increase (Decrease)	% Variance
ASSETS				
Cash and cash equivalents	$ 95,540,686	$ 121,975,996	$ (26,435,310)	(22%)
Securities lending collateral equity with State Treasurer	12,192,000	8,336,463	3,855,537	46%
Investments	99,529,593	60,639,267	38,890,326	64%
Receivables, net	127,735,557	159,934,954	(32,199,397)	(20%)
Unamortized issuance costs	271,201	329,855	(58,654)	(18%)
Due from other funds	22,936	2,070,196	(2,047,260)	(99%)
Prepaid expenses and deposits	71,733	34,187	37,546	110%
Capital assets, net	116,621	108,333	8,288	8%
LIABILITIES				
Accounts payable and accrued expenses	3,477,093	1,379,206	2,097,887	152%
Accrued interest payable	3,523,481	3,957,036	(433,555)	(11%)
Due to employees	80,565	74,081	6,484	9%
Due to primary government	19,468,076	17,145,600	2,322,476	14%
Due to other funds	22,936	2,070,196	(2,047,260)	(99%)
Obligation under securities lending of State Treasurer	12,192,000	8,336,463	3,855,537	46%
Unearned revenue, net of accumulated amortization	302,261	363,636	(61,375)	(17%)
Long-term debt	487,273	545,493	(58,220)	(11%)
Bonds payable	198,095,875	223,440,920	(25,345,045)	(11%)
Unamortized issuance premium	2,424,958	3,163,885	(738,927)	(23%)
Unamortized loss on early extinguishment of debt	(57,731)	(66,583)	8,852	(13%)

STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY
ANALYSIS OF SIGNIFICANT VARIATIONS IN ASSETS AND LIABILITIES
For the Years Ended June 30, 2013 and 2012

	2013	2012	Increase (Decrease)	% Variance	Explanation of Significant Variations (Variance of 20% and $1.3 million or more)
<u>ASSETS</u>					
Cash and cash equivalents	$ 95,540,686	$ 121,975,996	$ (26,435,310)	(22%)	The decrease was primarily due to purchase of investments using the clean water and drinking water debt service reserve funds during Fiscal Year 2013. The clean water and drinking water debt service reserve funds were temporarily invested in cash and cash equivalents in Fiscal Year 2012.
Securities lending collateral equity with State Treasurer	12,192,000	8,336,463	3,855,537	46%	The increase was due to an increase in securities lending transactions by the State Treasurer.
Investments	99,529,593	60,639,267	38,890,326	64%	The increase was due to purchase of investments using the clean water and drinking water debt service reserve funds during Fiscal Year 2013 which were temporarily invested in cash equivalents in Fiscal Year 2012.
Receivables, net	127,735,557	159,934,954	(32,199,397)	(20%)	The decrease was due to collection of bonds and notes receivable of approximately $33 million during Fiscal Year 2013.

* *Information obtained from Comparative Schedule of Assets and Liabilities*

STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY
ANALYSIS OF SIGNIFICANT VARIATIONS IN ASSETS AND LIABILITIES (continued)
For the Years Ended June 30, 2013 and 2012

	2013	2012	Increase (Decrease)	% Variance	Explanation of Significant Variations (Variance of 20% and $1.3 million or more)
ASSETS (continued)					
Due from other funds	22,936	2,070,196	(2,047,260)	(99%)	The decrease was due to the transfer of the grant money received from the Department of Commerce and Economic Opportunity for the Illinois Energy Program into the newly created Illinois Energy Fund that was temporarily deposited into the General Operating Fund in Fiscal Year 2012. Additionally, the decrease was due to the return of grant moneys to the Department of Commerce and Economic Opportunity from the closing of the E.D.A. Title IX Restricted Revolving Loan Fund temporarily disbursed from the General Operating Fund in Fiscal Year 2012.
LIABILITIES					
Accounts payable and accrued expenses	3,477,093	1,379,206	2,097,887	152%	The increase was due to additional accrual of arbitrage liability for the State of Illinois Revolving Fund Series 2004 during Fiscal Year 2013.
Due to primary government	19,468,076	17,145,600	2,322,476	14%	The increase was due to 19 new loans being issued from the Fire Truck Revolving Loan Fund.
Obligation under securities lending of State Treasurer	12,192,000	8,336,463	3,855,537	46%	The increase was due to an increase in securities lending transactions by the State Treasurer.
Bonds payable	198,095,875	223,440,920	(25,345,045)	(11%)	The decrease was due to the retirement of bonds for approximately $25.3 million.

* *Information obtained from Comparative Schedule of Assets and Liabilities*

STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY
ANALYSIS OF SIGNIFICANT VARIATIONS IN ASSETS AND LIABILITIES (continued)
For the Years Ended June 30, 2013 and 2012

	2013	2012	Increase (Decrease)	% Variance	Explanation of Significant Variations (Variance of 20% and $1.3 million or more)
LIABILITIES (continued)					
Due to other funds	22,936	2,070,196	(2,047,260)	(99%)	The decrease was due to the transfer of the grant money received from the Department of Commerce and Economic Opportunity for the Illinois Energy Program into the newly created Illinois Energy Fund that was temporarily deposited into the General Operating Fund in Fiscal Year 2012. Addiotionally, the decrease was due to the return of moneys fund to the Department of Commerce and Economic Opportunity from the closing of the E.D.A. Title IX Restricted Revolving Loan Fund temporarily disbursed from the General Operating Fund in Fiscal Year 2012.

** Information obtained from Comparative Schedule of Assets and Liabilities*

STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY
ANALYSIS OF ACCOUNTS RECEIVABLE
For the Year Ended June 30, 2013

The Authority's accounts receivable balance at June 30, 2013, totaled $72,816. The Authority's past-due accounts receivable at June 30, 2013, totaled $10,521. An aging of the past-due accounts receivable by number of days is as follows:

0-30 Days	31-90 Days	91-180 Days	Over 180 Days
$ 62,295	$ -	$ -	$ 10,521

Analysis of Loans Receivable

The Authority's loans receivable balance at June 30, 2013, totaled $60,041,765. The Authority's past-due loans receivable at June 30, 2013, totaled $1,883,689. An aging of the past-due loans receivable by number of days is as follows:

0-30 Days	31-90 Days	91-180 Days	Over 180 Days
$58,158,076	$ -	$ -	$ 1,883,689

Analysis of Fees Receivable

The Authority's fees receivable balance at June 30, 2013, totaled $67,059. The Authority's past-due fees receivable at June 30, 2013, totaled $41,063. An aging of the past-due fees receivable by number of days is as follows:

0-30 Days	31-90 Days	91-180 Days	Over 180 Days
$ 25,996	$ -	$ -	$ 41,063

The majority of the Authority's receivables consists of loans, bonds, and notes receivable derived from its lending programs. The Authority offers a variety of lending programs, including direct lending and direct lending participation loans. The Authority also makes loans through its two federal programs, the Intermediary Relending Program and the Illinois Energy Program. Bonds receivable from local governmental units represent amounts loaned to the units through the purchase of their securities.

The Authority's loans receivable are placed with a third party loan servicing provider. The loan servicing provider monitors and coordinates loan status with the banks. Loans which are 5-35 days delinquent are reviewed and coordinated with the bank for proper action. Delinquent receivables greater than 90 days are reserved for at 100% of principal outstanding. The Authority places delinquent receivables greater than 90 days with the State Comptroller's Offset System to collect delinquent receivable balances.

STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY
AUTHORITY FUNCTIONS AND PLANNING PROGRAM (Unaudited)
For the Year Ended June 30, 2013

Description of Authority's Functions and Planning Program

The Illinois Finance Authority's (Authority) mission is to help foster economic development in the State of Illinois by providing access to capital to public and private institutions to assist them creating and retaining jobs in order to improve the quality of life in Illinois.

As part of its role, the Authority supports the Governor's economic development agenda by providing required financing reserves for businesses, municipalities, and not-for-profit entities and by collaborating with various State agencies including the Illinois Environmental Protection Agency and the Department of Commerce and Economic Opportunity in their efforts to drive economic development throughout the State of Illinois.

The governing and administrative power of the Authority is vested in the Board of Directors (Board) consisting of 15 members. The members are appointed by the governor and confirmed by the Senate. The members appoint an Executive Director from a list of nominations submitted by the Governor.

The Illinois Finance Authority Act (20 ILCS 3501/801-40) grants the Board of Directors certain powers including, but not limited to: (1) issuance of conduit debt revenue bonds; (2) facilitation of loans through full faith and credit guarantees; (3) facilitation of financing for local government and private borrowers credit enhancement through moral obligation additional security guarantees; and, (4) assist in financing through participation and direct loans.

To achieve its mission, the Authority developed and established four strategic goals that it uses to guide investments and asset allocation. This includes the following:

1. Strengthen and diversify product offering;
2. Improve stewardship of financial and human capital;
3. Expand its partnership with Governor and State and Federal Agencies; and,
4. Enhance accountability, transparency and flow of information.

Each strategic goal includes action items and evaluation criteria that are designed to facilitate an effective implementation of the strategic plans. In strengthening and diversifying product offering, the Authority establishes a framework to evaluate new programs. Additionally, the viability of future programs is assessed by evaluating funding capacity from the Authority or other available resources. The Authority works with its Board of Directors and General Assembly to streamline the Authority's product offering by eliminating inactive programs and consolidating related programs.

In improving stewardship, the Authority plans to maintain adequate reserves against financial risk on its agricultural guarantee and direct loan programs, secure operating reserves for coming years by setting aside a certain amount for their operating reserves in the next three years as it faces the challenges in this economic recession and market downturn, and procuring an investment manager to improve its investment portfolio on available funds and generate higher return. The Authority continues to invest in professional development of its current staff and implement managerial cost accounting to better administer its human capital and resources.

The Authority looks to expand its partnerships with sister State agencies on infrastructure, transportation, and energy projects. These agencies include the Department of Central Management Services, the Capital Development Board, and the Department of Commerce and Economic Opportunity on an energy efficiency financing program based on performance contracting and with the Department of Transportation on leveraging private capital, expertise and efficiency through public-private partnership.

The Authority reviews and amends its policies and handbooks to enhance accountability, transparency and flow of information. The desire to reduce audit exposure and improve its data access for the Board, staff and stakeholders is also the driving force for the Authority's move towards a paperless office environment through the adoption of a paper reduction policy, and implementation of the easy data access project. The easy data access project includes acquiring new database management system, integration of existing procurement and accounting systems, and implementation of data reporting and mapping applications.

The Executive Director and senior staff meets weekly to discuss and obtain status of the Authority's operations and goals. Performance measures such as the number and amount of bond issues per industry category are monitored and reported to the Board and documented in the monthly board book. Financial reports, new markets and financing participants, legislation updates, and operation reports are discussed during monthly meeting of the Board's Committee of the Whole.

During Fiscal Year 2013, the Authority successfully worked with the Illinois General Assembly to strengthen its partnership with the Office of the State Fire Marshal to reinvigorate the Fire Truck and Ambulance loan programs; furthered a partnership with the Department of Commerce and Economic Opportunity by maximizing the use of federal stimulus funds for energy projects and funds allocated through the U.S. Department of Energy for a loan program; helped stabilize the finances of the Illinois Medical District Commission so that its new board and management team can achieve its full potential; and, accomplished successful financial recoveries of troubled participation loans.

Head of the Agency, Location and Address
Mr. Christopher Meister, Executive Director
Illinois Finance Authority
Two Prudential Plaza
180 North Stetson, Suite 2555
Chicago, Illinois 60601

Merit Compensation Plan

The Authority has adopted the 2010 Compensation Plan (the "Plan") on December 14, 2010. Every year, the Compensation Committee of the Illinois Finance Authority Board of Directors (Board) reviews the Plan for merit compensation for the coming fiscal year based on prevailing business conditions for presentation to the full Board. Changes to an employee's individual compensation will be a function of the program approved by the Board and the individual's performance.

Defined Contribution Deferred Compensation Plan

The Authority created a new defined contribution deferred compensation plan for its employees on October 1, 2006, called the Illinois Finance Authority Individual Account Plan. The purpose of the plan is to provide incentive to employees to save for their retirement and serves as an effective recruiting tool for the Authority. Under the terms of the plan, the Authority will match 200% of employee contributions into their deferred compensation accounts up to 5% of their compensation. Total contribution by the Authority into the plan accounts for Fiscal Year 2013 was $91,195.

Severance Payments

The Authority agreed to separation agreement with one employee for severance benefits. These benefits include continued payments of the employee's salary and health insurance premiums for three months. The liability has been calculated based on the employee's last salary amount and includes salary related costs (e.g. Social Security and Medicare tax). The cost of termination benefits incurred and paid in Fiscal Year 2013 was $22,815.

STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY
AVERAGE NUMBER OF EMPLOYEES (Unaudited)

The following is a summary of the average number of employees employed at the Authority for the year ended June 30, 2013.

	June 30, 2013	June 30, 2012
Executive Director	1	1
Administrative Assistant	5	6
Executive Management Staff	3	2
Accountant/Finance/Compliance	3	3
IT Manager	1	1
Financial/Legal Analyst	3	3
Intern/Temporary Employee	4	6
Total average number of employees	20	22

STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY
TEN-YEAR SCHEDULE OF JOBS CREATED OR RETAINED BY LOANS,
REVENUE BONDS AND INVESTMENTS MADE BY THE AUTHORITY (Unaudited)
For the Year Ended June 30, 2013

	Healthcare Bonds		Educational Bonds		Direct/Participation Loan		Industrial Revenue Bonds	
Fiscal Year	Amounts Closed	Jobs Created and/ or Retained	Amounts Closed	Jobs Created and/ or Retained	Amounts Closed	Jobs Created and/ or Retained	Amounts Closed	Jobs Created and/ or Retained
2013	$ 1,589,465,068	500	$ 264,865,000	53	$ -	-	$ 118,812,280	10,513
2012	1,321,503,200	210	474,685,000	67	-	-	18,361,000	115
2011	1,653,760,000	633	221,290,000	241	-	-	399,017,184	3,988
2010	2,698,885,448	844	298,745,000	147	768,262	53	2,700,000	2
2009	2,869,285,000	766	530,600,000	126	3,115,609	18	59,389,000	242
2008	3,755,647,778	2,438	872,831,000	283	7,273,579	59	100,525,005	756
2007	1,925,140,000	684	582,306,100	679	12,275,734	259	138,187,750	688
2006	968,185,000	821	231,410,000	101	9,019,869	141	25,931,000	118
2005	937,800,000	229	842,460,000	577	3,670,727	133	53,218,000	224
2004	1,819,401,340	790	563,445,000	802	1,224,878	82	437,339,500	799

Notes:

(1) The 2004 information represents July 1, 2003, through December 31, 2003, obtained from the former Illinois Development Finance Authority, and January 1, 2004, through June 30, 2004, provided by the Illinois Finance Authority.

(2) In Fiscal Year 2011, the Industrial Revenue Bonds increased due to the sunset date of December 31, 2010, for issuing Recovery Zone Facility Bonds.

STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY
TEN-YEAR SCHEDULE OF JOBS CREATED OR RETAINED BY LOANS,
REVENUE BONDS AND INVESTMENTS MADE BY THE AUTHORITY (Unaudited)
For the Year Ended June 30, 2013

	FmHA & E.D.A Title IX		Investments in Venture Capital		Other Projects		
Fiscal Year	Amounts Closed	Jobs Created and/ or Retained	Amounts Closed	Jobs Created and/ or Retained	Amounts Closed	Jobs Created and/ or Retained	Total Construction Jobs
2013	$ -	-	$ -	-	$ 293,182,750	126	9,677
2012	-	-	-	-	160,266,846	561	9,322
2011	-	-	-	-	301,520,000	20	4,899
2010	-	-	-	-	359,802,520	132	6,601
2009	-	-	-	-	363,562,053	503	6,209
2008	516,250	4	300,000	10	707,188,230	727	12,112
2007	317,000	12	600,000	108	315,834,330	621	6,181
2006	109,000	6	875,000	27	294,337,360	341	7,151
2005	-	-	841,697	52	220,767,900	447	3,946
2004	-	-	2,124,098	28	-	-	8,147

Notes:

(1) *The 2004 information represents July 1, 2003, through December 31, 2003, obtained from the former Illinois Development Finance Authority, and January 1, 2004, through June 30, 2004, provided by the Illinois Finance Authority.*

(2) *In Fiscal Year 2011, Industrial Revenue Bonds increased due to the sunset date of December 31, 2010, for issuing Recovery Zone Facility Bonds.*

STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY
SUMMARY OF AGRICULTURE, FIRE TRUCK
AND AMBULANCE LOAN PROGRAMS (Unaudited)
For the Year Ended June 30, 2013

I. Agricultural Development Bonds

Overview

The Authority had three Agricultural Development Bond Programs in operation, the Beginning Farmer Bond, Agriculture Manufacturing Bond and Beginning Farmer Contract Bond. Through these programs, individuals and businesses ("participants") were screened for eligibility. If they were found to qualify, the Authority, the participants, and the lenders (local banks) entered into loan agreements whereby the proceeds from the issuance of a tax exempt bond were loaned to the participant for prequalified expenditures. Prior to June 2008, the limit for Agricultural Development Bonds was $250,000. In June 2008, as a part of the 2007 Farm bill, Agricultural Development Bonds were further enhanced by increasing the maximum bond amount to $450,000. In addition, the maximum amounts were indexed to inflation and will adjust annually beginning January 1, 2009. For Fiscal Year 2013, the limits were raised from $488,600 to $501,100.

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

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

Interest Rates

Because interest on the bonds was exempt from Federal income taxes, the interest rates were below the general market. To date, the rates charged ranged from 2.76% to 11.5%. Some of the bonds had variable rates, while others had fixed rates.

Revenues of the Program

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

STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY
SUMMARY OF AGRICULTURE, FIRE TRUCK
AND AMBULANCE LOAN PROGRAMS (Unaudited)
For the Year Ended June 30, 2013

I. Agricultural Development Bonds (continued)

Bonds Issued

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

Bonds issued and outstanding by purpose as of June 30, 2013:

Purpose	Number	Amount	Percent of Total
Land and depreciable property	282	$ 37,285,129	11.57%
Farmland loans	2,095	241,363,229	74.87%
New equipment	484	15,379,768	4.77%
Used equipment	91	2,460,490	0.76%
New improvements	179	10,558,830	3.28%
Used improvements	2	46,000	0.01%
Breeding stock	49	1,686,650	0.52%
Soil conservation-permanent	28	686,263	0.21%
Agri-Business	79	10,386,203	3.22%
Tiling	52	1,549,276	0.48%
New no-till equipment	55	998,271	0.31%
	3,396	$ 322,400,109	100.00%
Principal payments to June 30, 2013		$ 250,667,425	
Principal outstanding at June 30, 2013		$ 71,732,684	

STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY
SUMMARY OF AGRICULTURE, FIRE TRUCK AND AMBULANCE LOAN PROGRAMS (Unaudited)
For the Year Ended June 30, 2013

I. Agricultural Development Bonds (continued)

Bonds issued by year:

Fiscal Year Ended June 30*	Number	Amount
1983	322	$ 13,580,269
1984	620	32,518,257
1985	459	29,628,084
1986	221	18,414,717
1987	55	4,554,117
1988	69	6,212,934
1989	52	4,078,217
1990	75	7,939,779
1991	90	9,018,835
1992	96	9,594,370
1994	101	11,835,969
1995	81	8,236,393
1996	99	11,899,866
1997	108	14,262,251
1998	118	14,138,025
1999	78	9,284,274
2000	92	12,085,703
2001	98	11,756,702
2002	63	8,639,030
2003	83	12,428,828
2004	49	6,565,001
2005	50	7,607,515
2006	24	3,488,437
2007	51	8,511,039
2008	48	8,159,662
2009	53	9,234,655
2010	44	8,478,672
2011	40	7,002,064
2012	41	8,784,789
2013	16	4,461,655
Total	3,396	$ 322,400,109

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

II. State Guarantee Program For Restructuring Agricultural Debt

Overview

The State guarantee program for restructuring agricultural debt was authorized by the Illinois Finance Authority Act (20 ILCS 3501/830-30). It was designed to consolidate and spread out farmer's existing debt over a longer period of time at a reduced interest rate. This was accomplished by having the State of Illinois guarantee repayment of 85% of the amounts loaned under this program. Qualifications under the program dictated that a farmer must be credit-worthy, must have a debt-asset ratio of between 40% and 65%, must have sufficient collateral to secure the State guarantee and must be a principal operator of a farm.

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

Amount of Loans

During the year ended June 30, 2013, one loan was approved totaling $500,000. Total outstanding loans at June 30, 2013, amounted to $13,029,843. There was a statutory limit of $160,000,000 for this guarantee program. A breakdown of loans issued by county immediately follows this section.

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

Revenues and Expenses of the Program

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

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

Benefits to the Participants and Estimated Costs to the State

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

Enterprise Fund

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

III. Farmer and Agri-Business Loan Guarantee Program

Overview

The farmer and agri-business loan guarantee program was authorized by the Illinois Finance Authority Act (20 ILCS 3501/830-35). Its target population was both agri-businesses and individual farmers. Its purpose was to encourage diversification and vertical integration of Illinois agriculture. The State issued an 85% guarantee for farmers/agri-businesses and lenders who met the qualifications of the program. Loans were made through participating banks that were responsible for processing a farmer's application and for servicing the loan once it was approved by the Authority.

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

These lenders were liable for the first 15% of loss on any loan. There was no maximum loan amount for agri-business loans but loans shall not exceed $500,000 per farmer or an amount as determined by the Authority on a case-by-case basis for an agri-business. Loans must be repaid within 15 years. Interest rates were adjusted annually and must have been less than the market rate of interest generally available to the borrower.

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

Amount of Loans

During the year ended June 30, 2013, one loan was approved totaling $792,906. The amount of loans outstanding as of June 30, 2013 was $7,256,577. A breakdown of loans issued by county immediately follows this section.

Revenues and Expenses of the Program

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

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

Benefits to the Participants and Estimated Costs to the State

Projected benefits included lower interest rates on loans and a more readily available source of long-term financing. These benefits lowered operating costs and provided operational stability to the farmer. Additionally, this program sought to diversify the Illinois farm economy.

IV. Young Farmer and Farm Purchase Loan Guarantee Program

Enterprise Fund

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

Overview

The young farmer and farm purchase loan guarantee program was authorized by the Illinois Finance Authority Act (20 ILCS 3501/830-45).

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

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

The applicant must have been able to provide sufficient collateral to adequately secure the young farmer and farm purchase loan guarantee program loan. The maximum term for a young farmer and farm purchase loan guarantee program loan was 15 years. Loans collateralized by real estate could be amortized up to 25 years with a 15 year balloon. Loans collateralized by depreciable property were amortized over a shorter period.

IV. Young Farmer and Farm Purchase Loan Guarantee Program (continued)

The eligible applicant must:

- Have been a resident of the State of Illinois,
- Have been at least 18 years of age,
- Have been the principal operator of a farm who derived or would derive at least 50% of annual gross income from farming,
- Have had a debt to asset ratio of between 40% and 70% after purchase of the capital item,
- Have had a net worth in excess of $10,000, and
- The borrower must have provided collateral sufficient to have secured the loan and kept the loan collateral through its term. The borrower must have also demonstrated the ability to have adequately serviced the proposed debt.

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

Amount of Loans

No new loans were made under this program in Fiscal Year 2013. The amount of loans outstanding as of June 30, 2013 was $2,516,891. A breakdown of loans issued by county immediately follows this section.

Revenues and Expenses of the Program

A nonrefundable application fee of $300 must have been paid to the Authority at the time of application. The applicant paid a fee of 1% of the loan amount at closing. This closing fee was the net of the $300 application fee; however, the minimum fee was $300. The Authority received ¾% and the lender received ¼%. The lender could charge no additional fees or points other than the fee received at closing. The applicant was liable for normal and customary attorney’s fees, abstracting costs, filing fees, appraisal fees and other costs of the loan. The lender agreed to pay the Authority an annual administrative fee equal to ¼% of the outstanding balance of the young farmer and farm purchase loan guarantee program loan on the payment date. The fee was not passed on to the borrower.

IV. Young Farmer and Farm Purchase Loan Guarantee Program (continued)

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

Benefits to the Participants and Estimated Costs to the State

The benefits included lower interest rates on loans, providing a readily available source of long-term financing, lower operating costs, and provided operational stability to the farmer.

V. Specialized Livestock Loan Guarantee Program

Overview

The specialized livestock and loan guarantee program was authorized by the Illinois Finance Authority Act (20 ILCS 3501/830-50) and was similar to the farmers and agri-business loan guarantee program. Its target population was both agri-businesses and individual farmers and was designed to encourage the development of the Illinois livestock industry, by spreading out over a longer term at a reduced interest rate. The State issued an 85% guarantee for farmers/agri-businesses and lenders who met the qualifications of the program. Loans were made through participating banks that were responsible for processing a farmer's application and for servicing the loan once it was approved by the Authority. These lenders were liable for the first 15% of loss on any loan. Loans could not exceed a maximum of $1,000,000 per farmer. Loans must have been repaid within 15 years. Interest rates were adjusted annually and must have been less than the market rate of interest generally available to the borrower.

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

Amount of Loans

During the year ended June 30, 2013, two loans were approved totaling $1,423,000. The amount of loans outstanding as of June 30, 2013 was $3,333,728. A breakdown of loans issued by county immediately follows this section.

V. Specialized Livestock Loan Guarantee Program (continued)

Revenues and Expenses of the Program

The Authority's General Operating Fund received $300 for an application fee and at closing, a fee of ¾% of the principal amount of the loan (net of the application fee). The Authority also received an annual fee of one-quarter percent on the outstanding principal amount of these loans.

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

The total outstanding loan balance under the farmer and agri-business loan guarantee program, young farmer and farm purchase loan guarantee program, and the specialized livestock loan guarantee program could not exceed $225 million. The total outstanding loan balance for these three programs at June 30, 2013 was $13,107,196.

VI. Fire Truck Revolving Loan Program

The fire truck revolving loan program was authorized through the Illinois Finance Authority Act (20 ILCS 3501/825-80). The Fire Prevention Fund and Build Illinois Bond Fund transferred $9 million and $10 million, respectively, to the Fire Truck Revolving Loan Fund to provide zero-interest loans for the purchase of fire trucks by fire departments, fire protection districts, or township fire departments based on need, as determined by the State Fire Marshal.

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

During the year ended June 30, 2013, nineteen loans were approved totaling $3,620,000. The amounts of loans outstanding as of June 30, 2013 were $18,532,024.

Public Act 97-901 effective January 1, 2013, requires the State Fire Marshal to transfer to the Authority all moneys in the Fire Truck Revolving Loan Fund, provided the Authority and the State Fire Marshal enter into an intergovernmental agreement to use the moneys solely for the purposes of the Fire Truck Revolving Loan program. The Act also requires the State Fire Marshal to pay to the Authority all future moneys deposited into the Fire Truck Revolving Loan Fund. As of June 30, 2013, the Authority and the State Fire Marshal were negotiating the terms of the intergovernmental agreement.

VII. Ambulance Revolving Loan Program

The ambulance revolving loan program was authorized through the Illinois Finance Authority Act (20 ILCS 3501/825-85). The Fire Prevention Fund transferred $4 million to the Ambulance Revolving Loan Fund to provide zero-interest loans for the purchase of ambulances by a fire department, a fire protection district, a township fire department or a non-profit ambulance service based on need, as determined by the State Fire Marshal. Under the terms of the program, the loans may not exceed $100,000 to any fire department, fire protection district, or non-profit ambulance service. The repayment period may not exceed 10 years and requires a minimum repayment of 5% of the principal borrowed each year.

No new loans were made under this program in Fiscal Year 2013. The amounts of loans outstanding as of June 30, 2013 were $510,240.

Public Act 97-901 effective January 1, 2013, requires the State Fire Marshal to transfer to the Authority all moneys in the Ambulance Revolving Loan Fund, provided the Authority and the State Fire Marshal enter into an intergovernmental agreement to use the moneys solely for the purposes of the Ambulance Revolving Loan program. The Act also requires the State Fire Marshal to pay to the Authority all future moneys deposited into the Ambulance Revolving Loan Fund. As of June 30, 2013, the Authority and the State Fire Marshal were negotiating the terms of the intergovernmental agreement.

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For the Year Ended June 30, 2013

	Agricultural Development Bonds (Issued)		State Guarantee Program For Restructuring Agricultural Debt Loans (Issued)		Farmer and Agri-Business Loan Guarantee Program Loans (Issued)		Young Farmer Loan and Farm Purchase Guarantee Program Loans (Issued)		Specialized Livestock Loan Guarantee Program Loans (Issued)	
County	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Adams	74	$ 6,564,068	28	$ 4,804,838	1	$ 36,000	4	$ 526,000	3	$ 1,917,000
Alexander	-	-	1	180,000	-	-	-	-	-	-
Bond	63	5,316,668	11	2,032,000	-	-	1	192,000	2	1,184,000
Boone	12	1,670,100	5	1,443,000	-	-	-	-	-	-
Brown	2	160,000	14	3,436,000	-	-	-	-	1	840,000
Bureau	136	11,139,407	21	4,422,014	-	-	2	356,000	4	1,246,000
Calhoun	2	181,000	5	936,110	-	-	2	340,000	-	-
Carroll	48	5,714,105	7	1,608,000	-	-	-	-	3	1,144,000
Cass	11	1,331,276	8	1,663,043	2	2,244,330	-	-	3	1,475,000
Champaign	67	4,662,464	22	3,831,011	1	362,000	-	-	-	-
Christian	83	8,257,292	13	3,343,500	-	-	3	445,000	2	1,572,000
Clark	9	497,000	12	1,718,000	-	-	-	-	-	-
Clay	49	3,495,879	6	1,079,000	-	-	1	85,000	1	780,000
Clinton	71	6,910,642	10	2,541,101	5	10,990,000	2	77,000	5	2,670,000
Coles	21	1,535,944	14	2,317,000	-	-	-	-	-	-
Crawford	42	3,070,122	33	8,189,625	6	2,676,000	3	51,500	4	501,500
Cumberland	19	1,654,500	3	606,000	1	150,000	-	-	-	-
DeKalb	62	5,510,839	37	10,154,000	-	-	1	40,000	8	4,032,000
DeWitt	14	685,675	3	940,000	1	225,000	-	-	-	-
Douglas	43	2,892,011	17	2,712,750	-	-	1	124,000	1	700,000
Edgar	50	5,341,463	28	5,770,164	1	625,000	4	513,000	1	75,000
Edwards	11	809,100	1	135,000	-	-	-	-	-	-

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	Agricultural Development Bonds (Issued)		State Guarantee Program For Restructuring Agricultural Debt Loans (Issued)		Farmer and Agri-Business Loan Guarantee Program Loans (Issued)		Young Farmer Loan and Farm Purchase Guarantee Program Loans (Issued)		Specialized Livestock Loan Guarantee Program Loans (Issued)	
County	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Effingham	45	$ 4,906,224	1	$ 85,000	-	$ -	-	$ -	-	$ -
Fayette	42	3,114,230	8	2,060,000	-	-	-	-	-	-
Ford	55	6,400,700	8	1,440,000	-	-	2	750,000	4	2,925,000
Franklin	50	3,113,465	16	3,892,000	2	3,695,000	-	-	-	-
Fulton	32	4,248,802	13	2,211,900	2	172,000	1	310,000	1	88,000
Gallatin	10	1,643,750	6	1,298,000	1	450,000	2	650,000	-	-
Greene	1	250,000	10	1,896,000	-	-	-	-	-	-
Grundy	11	903,375	11	2,408,000	1	160,000	-	-	-	-
Hamilton	40	3,580,050	2	840,000	-	-	1	171,000	2	1,280,000
Hancock	45	4,647,138	38	5,914,888	-	-	-	-	5	1,205,000
Hardin	-	-	-	-	2	1,900,000	-	-	-	-
Henderson	30	4,097,569	17	3,273,500	1	45,000	2	262,000	5	2,015,000
Henry	52	7,532,847	29	5,043,000	-	-	1	57,000	3	1,140,000
Iroquois	100	8,599,036	13	2,733,000	-	-	-	-	1	170,000
Jackson	6	607,780	7	1,246,000	-	-	1	71,000	-	-
Jasper	100	6,514,937	45	8,431,626	-	-	2	240,000	12	2,155,000
Jefferson	21	1,721,900	12	2,599,000	-	-	3	765,000	1	790,000
Jersey	4	433,500	1	300,000	-	-	-	-	-	-
JoDaviess	9	716,561	26	6,710,547	2	907,000	-	-	3	1,180,000
Johnson	4	413,650	7	1,990,000	-	-	-	-	-	-
Kane	4	351,200	18	4,616,000	-	-	-	-	3	1,915,000
Kankakee	10	1,269,270	2	438,000	-	-	1	46,000	-	-

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	Agricultural Development Bonds (Issued)		State Guarantee Program For Restructuring Agricultural Debt Loans (Issued)		Farmer and Agri-Business Loan Guarantee Program Loans (Issued)		Young Farmer Loan and Farm Purchase Guarantee Program Loans (Issued)		Specialized Livestock Loan Guarantee Program Loans (Issued)	
County	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Kendall	3	$ 273,000	9	$ 1,642,000	-	$ -	-	$ -	-	$ -
Knox	37	3,732,454	15	2,979,460	1	65,000	2	232,000	2	434,000
LaSalle	112	11,876,080	34	6,981,300	-	-	1	54,000	1	1,000,000
Lawrence	48	3,658,706	9	1,945,500	-	-	-	-	3	3,000,000
Lee	59	7,035,292	23	6,099,000	-	-	1	110,000	1	455,000
Livingston	150	15,078,817	24	6,176,210	9	7,939,000	2	388,000	4	1,230,000
Logan	38	2,376,460	13	2,200,000	-	-	2	190,000	1	520,000
Macon	12	1,244,000	5	700,000	-	-	1	75,000	-	-
Macoupin	36	5,321,701	22	4,453,000	-	-	3	416,000	6	3,400,000
Madison	25	3,065,568	16	4,359,000	-	-	9	1,756,000	-	-
Marion	13	1,113,510	32	6,522,160	1	3,200,000	3	640,000	2	507,000
Marshall	25	2,129,081	8	1,611,000	-	-	3	513,000	-	-
Mason	54	4,357,809	9	2,212,702	1	137,000	-	-	-	-
Massac	2	30,000	2	435,000	-	-	-	-	-	-
McDonough	14	1,660,050	14	3,116,000	1	300,000	1	87,000	1	520,000
McHenry	4	680,000	8	2,060,000	-	-	1	190,000	1	69,000
McLean	116	9,172,635	32	5,371,734	1	175,000	7	1,015,000	2	1,250,000
Menard	14	1,097,965	16	3,384,000	1	375,000	1	72,000	-	-
Mercer	31	4,135,461	17	3,304,600	-	-	7	707,000	11	5,838,300
Monroe	35	3,880,075	26	5,758,707	-	-	-	-	1	51,000
Montgomery	92	12,908,770	15	3,458,577	-	-	-	-	5	1,952,000
Morgan	14	1,193,830	25	5,433,319	1	1,000,000	1	194,000	1	668,000

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County	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Moultrie	31	$ 1,901,000	6	$ 995,500	1	$ 40,000	-	$ -	1	$ 250,000
Ogle	71	6,884,047	11	2,835,000	-	-	4	751,000	2	375,000
Peoria	24	2,470,520	25	6,037,000	-	-	2	322,000	1	150,000
Perry	11	1,092,311	19	3,672,900	3	1,020,000	-	-	-	-
Piatt	37	1,824,734	9	1,638,000	-	-	-	-	-	-
Pike	6	945,111	48	10,667,519	1	250,000	9	1,814,000	7	4,990,000
Pope	-	-	1	500,000	-	-	-	-	-	-
Pulaski	-	-	3	940,000	-	-	-	-	-	-
Putnam	12	1,389,859	5	568,681	-	-	-	-	1	615,000
Randolph	6	552,400	14	2,583,010	-	-	2	165,000	2	380,000
Richland	36	2,495,454	5	1,523,000	8	2,353,000	2	285,000	2	605,000
Rock Island	6	1,046,623	6	1,282,000	-	-	-	-	3	1,285,000
Saline	11	677,835	3	1,082,000	-	-	1	150,000	-	-
Sangamon	40	4,028,715	41	7,679,043	-	-	1	300,000	2	925,000
Schuyler	9	848,780	-	-	-	-	-	-	-	-
Scott	6	783,300	8	1,379,538	-	-	1	181,000	-	-
Shelby	77	5,964,629	18	3,770,267	1	47,000	1	81,000	-	-
St. Clair	29	2,163,180	5	1,156,000	1	40,000	-	-	-	-
Stark	27	3,164,600	15	3,612,000	-	-	1	300,000	-	-
Stephenson	31	2,816,710	28	6,304,498	13	17,184,495	2	176,000	4	2,317,000
Tazewell	80	6,572,336	23	4,515,049	-	-	1	255,000	1	218,000
Union	21	1,131,036	2	800,000	1	860,000	-	-	-	-

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For the Year Ended June 30, 2013

	Agricultural Development Bonds (Issued)		State Guarantee Program For Restructuring Agricultural Debt Loans (Issued)		Farmer and Agri-Business Loan Guarantee Program Loans (Issued)		Young Farmer Loan and Farm Purchase Guarantee Program Loans (Issued)		Specialized Livestock Loan Guarantee Program Loans (Issued)	
County	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Vermillion	32	$ 3,747,807	26	$ 3,978,640	3	$ 24,848,000	1	$ 89,000	-	$ -
Wabash	5	181,300	3	676,000	-	-	-	-	-	-
Warren	57	7,507,776	17	3,507,000	1	4,000,000	3	589,000	8	3,845,000
Washington	36	2,453,570	10	2,045,000	-	-	-	-	2	1,250,000
Wayne	19	1,817,625	4	1,008,000	1	2,651,000	-	-	1	643,000
White	2	303,750	5	1,442,500	-	-	-	-	-	-
Whiteside	99	12,465,873	27	5,338,000	-	-	-	-	6	2,552,000
Will	18	1,432,940	1	300,000	-	-	-	-	-	-
Williamson	2	132,000	-	-	1	1,750,000	-	-	-	-
Winnebago	9	944,750	8	1,343,000	2	305,412	1	500,000	-	-
Woodford	52	4,172,735	18	3,011,810	3	1,427,906	1	100,000	3	227,000
	3,396	$ 322,400,109	1,377	$ 289,682,841	85	$ 94,605,143	118	$ 18,768,500	166	$ 74,520,800

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SERVICE EFFORTS AND ACCOMPLISHMENTS (Unaudited)
For the Year Ended June 30, 2013

Issuance Performance		
Total number of new issues		45
New issue value	$	2,256,325,098
Application fees	$	53,400
Administrative service fees	$	3,912,338
Operating Performance		
Total number of issues		1,484
Total outstanding issue value	$	24,570,012,091
Annual fees	$	409,154
Annual fees/total outstanding issue value		0.0017%
Total expenses	$	13,805,542
Total expenses/total outstanding issue value		0.0562%
Total expenses/total number of issues	$	9,303