State of Illinois
Illinois Finance Authority

Financial Audit
For the Year Ended June 30, 2019

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

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

Financial Audit
For the Year Ended June 30, 2019

Table of Contents

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For the Year Ended June 30, 2019

Agency Officials

Chairman of the Board of Directors	Mr. Eric Anderberg
Executive Director	Mr. Christopher Meister
Deputy Executive Director	Mr. Jacob Stuckey (April 22, 2019 –Present)
Manager of Finance & Administration	Ms. Ximena Granda
General Counsel	Ms. Elizabeth Fleming Weber

Members of the Illinois Finance Authority Board

Member	Mr. Eric Anderberg
Member (7/10/18 – 1/10/19)	Ms. Gila J. Bronner
Member	Mr. James J. Fuentes
Member	Mr. Michael W. Goetz
Member (4/2/18 - Nomination withdrawn 3/1/19)	Mr. Neil Heller
Member (7/2/19 – Present)	Mr. William Hobert
Member (8/13/15 – 1/24/19)	Mr. Robert Horne
Member	Ms. Arlene Juracek
Member	Mr. Lerry Knox
Member	Mr. Lyle McCoy
Member (8/21/18 - Nomination withdrawn 3/1/19)	Mr. Shaun C. Murphy
Member (7/2/19 – Present)	Ms. Roxanne Nava
Member	Mr. George Obernagel
Member	Mr. Terrence M. O'Brien
Member	Mr. Roger Poole
Member	Ms. Beth Smoots
Member (7/2/19 – Present)	Mr. Randal Wexler
Member (4/5/19 – Present)	Mr. Jeff Wright
Member	Mr. Bradley A. Zeller

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December 13, 2019

Eric Anderberg, Chair
Members of the Illinois Finance Authority
And Residents of the State of Illinois

The annual financial report for the Illinois Finance Authority ("Authority") for the year ended June 30, 2019 is hereby submitted. Responsibility for the accuracy of the data in this report and completeness of its presentation lies solely with the Authority's management. The Authority has established internal controls that are designed to protect the Authority's assets from loss, theft and misuse and to compile complete and reliable information. As the cost of internal control should not exceed its benefits, the controls in place have been designed to provide reasonable, rather than absolute assurance, that the financial statements presented are free from material misstatements. To the best of our knowledge, this financial report is accurate and complete in all material aspects and fairly reflects the Authority's financial position and changes in financial position of the various funds of the Authority and the Authority as a whole.

We are pleased to report that the independent audit firm RSM US LLP has issued an unmodified opinion on the Authority's financial statements for the year ended June 30, 2019. The independent auditor's report is located at the front of the financial section of this report.

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

The Authority Act mandates that the Authority prepare and distribute "a complete report and financial statement of its operations and of its assets and liabilities." See 20 ILCS 3501/845-50. In the view of the Authority, this Letter of Transmittal, along with the financial statements and MD&A found in the Authority's Financial Audit as well as the sections concerning Authority conduit debt found in the Illinois State Comptroller's annual Bonded Indebtedness and Long-Term Obligations Report constitute the "complete report and financial statement" required by Section 845-50 of the Authority Act.

PROFILE OF THE ILLINOIS FINANCE AUTHORITY

Purposes and Projects of the Authority

The Authority is a body politic and corporate created by State statute. The Authority is governed by fifteen volunteer members who are appointed by the Governor and confirmed by the Senate. The Governor directly appoints the Authority Chair. As of June 30, 2019, the Authority had 21 employees who do not participate in the State's pension or health insurance programs and who are paid with Authority locally-held funds, not State tax dollars appropriated by the General Assembly.

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

Long-term debt is incurred only to raise the capital necessary to provide financing for projects, including, but not limited to, health care facility projects, educational facility projects, housing projects, cultural institution projects, public purpose projects, industrial projects, agricultural projects, property assessed clean energy ("PACE") projects, and environmental facility projects as well as projects to or on behalf of, or in connection with, businesses, local governments and other public borrowers, water systems, senior living facilities, farmers, agribusinesses, student loans and others. The Authority finances the aforementioned projects in order to (1) promote a vigorous growing economy and avoid involuntary unemployment for Illinois residents; (2) reduce the cost of indebtedness to State taxpayers and residents; and (3) otherwise enhance the quality of life in Illinois by benefiting the health, welfare, safety, trade, commerce, industry and economy of the people of Illinois consistent with its statutory declarations of policy.

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

The Authority's primary product and revenue source is the issuance of federally tax-exempt conduit bonds as allowed by the federal tax code and State law, generally on behalf of non-profit borrowers in the hospital, healthcare, education, cultural, senior living, and public sectors. The Authority also issues federally tax-exempt conduit bonds on behalf of certain individuals and for-profit companies (e.g., beginning farmers; manufacturing businesses; water utilities and operators of solid waste projects or other "exempt facilities" defined by the federal tax code).

From a credit and security perspective, federally tax-exempt conduit bonds generally pose no (or little) risk to the Authority's funds as: (i) the key credit decision is made, not by the Authority, but by the capital markets or banks that purchase the Authority bonds; (ii) it is the borrower's decision to borrow for a qualified tax-exempt project under the federal tax code; (iii) importantly, the obligations to repay debt and to maintain contractual covenants belongs to the borrower, not the Authority or the State of Illinois or any political subdivision therein; and (iv) finally, the Authority is not the regulator of either the borrower, the borrower's project, or the borrower's bond transaction.

From time to time, the Authority has and may issue taxable conduit bonds (without federal exemption). Borrowers may see an advantage in issuing taxable conduit bonds through the Authority with a municipal CUSIP number. In addition, as of June 30, 2019, House Bill 3501, the PACE Act comprehensive technical rewrite, passed both chambers of the 101st General Assembly. The Authority anticipates that any bonds issued under House Bill 3501, once it becomes law, will likely be taxable conduit debt.

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

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

The Authority also issues federally tax-exempt bonds for the purpose of providing loans to other public agencies of the Primary Government and component units of the State of Illinois. Although similar to conduit bonds, these bonds are issued for the benefit of third parties that are part of the Authority's financial reporting entity, the State of Illinois. They do not meet the definition of conduit debt under GAAP and thus are reported as liabilities on the Authority's basic financial statements. Since this type of debt is also reported as a receivable on the Authority's basic financial statements, the impact to the Authority's net position is zero. For example, currently, the vast majority of the Authority's "component unit" debts are the State Revolving Fund ("SRF") bonds issued on behalf of the Illinois Environmental Protection Agency ("IEPA").

Moral Obligation or Additional Security Pledge

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

In Fiscal Year 2019, the Authority did not issue any bonds with a pledge of the State's moral obligation, additional security or any kind of contingent State taxpayer guarantee. As of June 30, 2019, the amount of outstanding bonds issued by the Authority with the State's pledge of moral obligation or additional security was zero.

Economic Factors, Decisions and Conditions

Beginning in February 2018, the Authority responded to the specific existential challenges posed by Tax Cuts and Jobs Act ("TCJA") as well as larger economic and social trends through the development and implementation of the ***Transformation Initiative***. Specifically, the Authority recognized value in further diversifying its products and services so that its revenues were not as strongly correlated with the issuance of a single product, in this case, federally tax-exempt conduit bonds. Reflected in the priorities of both the Authority's Fiscal Years 2019 and 2020 budgets, the Transformation Initiative is a growth and impact strategy, consistent with both the Authority's statutory policy objectives (2004) and its strategic plan (2013). The Transformation Initiative is designed to help meet Illinois' most pressing financial challenges in innovative ways and more effectively achieve the Authority's mission and its statutory declarations of policy. The Transformation Initiative seeks simultaneously to diversify the Authority's impact and revenue through the development and expansion of new products and services and to increase the Authority's organizational capacity by adding talent with new skills and experience. The additional organizational capacity allows for segregation of duties within a comparatively small organization, provides for essential function redundancy, and puts in place a possible succession framework. The Transformation Initiative also recognizes a fundamental distinction among the Authority's tools between products, where there is economic demand for the service provided, thus creating revenue to support the Authority's operations, and programs, where the Governor, the Authority members, or the General Assembly have decided that the Authority must provide a service at cost or even a loss. Finally, the Transformation Initiative recognizes that development and implementation of new products and services may require years of investment before generating revenue or having positive impact consistent with its statutory declarations of policy.

During Fiscal Year 2019, the Authority, through the Transformation Initiative, invested in the development and implementation of the following potential products and services:

- Commercial PACE
- Rejuvenated Participation Loan
- Healthcare Transformation Initiative (asset ownership; sequential capital product)
- Illinois Infrastructure Investment Fund
- Innovative Project Finance and Delivery ("IPFD"), also known as Public Private Partnerships ("P3")
- Non-State Revolving Fund Water Infrastructure Financing Alternatives or Enhancements to the State Revolving Fund
- Opportunity Zones

As of June 30, 2019, the Authority's successes through the Transformation Initiative include:

- Effectively managed operating expenses for Fiscal Year 2019, projected at the start of the fiscal year in July 2018 to exceed total annual revenues. The Authority ended fiscal year 2019 with net income of $13 thousand despite the approved budget forecasting a net loss due to general uncertainty resulting from the impact of the 2017 federal tax law. Positive net income was achieved through careful management and monitoring of expenses ($382 thousand, or 7.7% lower than budget) and through higher than anticipated revenues ($696 thousand, or 17.9% higher than budget);
- Successfully priced and closed the State of Illinois Clean Water Initiative Revolving Fund (SRF) Revenue Bonds, Series 2019 (Green Bonds) on behalf of the IEPA. Consistent with Governor Pritzker's Executive Order No. 6, this 'AAA'-rated bond issue (S&P; Fitch) was the State of Illinois' inaugural green bond issue. During pricing, an anchor order from a Green Bond investor allowed the transaction to hold its pricing levels despite a negative tone in the fixed income markets. The SRF structure saves local tax and rate payers money by lowering the cost of capital for essential water infrastructure projects and to improves Illinois water quality.
- Successful staff succession with respect to healthcare, loan and guarantee and procurement; and
- The passage of House Bill 3501, a comprehensive technical re-write of the PACE Act.

Respectfully Submitted,

SIGNED ORIGINAL ON FILE

Christopher B. Meister
Executive Director
Illinois Finance Authority

Financial Statement Report

Summary

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

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

RSM

RSM US LLP

Independent Auditor's Report

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Board of Directors
Illinois Finance Authority

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the State of Illinois, Illinois Finance Authority (Authority), a component unit of the State of Illinois, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Authority, as of June 30, 2019, and the respective changes in its financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the financial statements of the Authority are intended to present the financial position, the changes in financial position, and, where applicable, cash flows of only that portion of the business-type activities, each major fund, and the aggregate remaining fund information of the State of Illinois that is attributable to the transactions of the Authority. These financial statements do not purport to, and do not, present fairly the financial position of the State of Illinois as of June 30, 2019, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 10 through 20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining statement of net position – nonmajor funds, combining statement of revenues, expenses and changes in net position – nonmajor funds, combining statement of cash flows – nonmajor funds, and statement of changes in assets and liabilities – agency fund are presented for purposes of additional analysis and are not a required part of the basic financial statements. 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The accompanying introductory section, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. This 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2019, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

SIGNED ORIGINAL ON FILE

Schaumburg, Illinois
December 13, 2019

Our discussion and analysis of the financial performance of the Illinois Finance Authority (the "Authority"), a component unit of the State of Illinois, provides an overview of financial activities for the fiscal year ended June 30, 2019. Because the intent of this management discussion and analysis is to look at financial performance as a whole, readers should also review the financial statements, and notes to the basic financial statements, to further enhance their understanding of the Authority's financial performance.

Financial Highlights

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

On the basic financial statements under Statement of Net Position, Total Assets and Deferred Outflows of Resources among the General Operating Fund, Other State of Illinois Debt Fund, and Nonmajor Funds equaled $1.9 billion in Fiscal Year 2019, while Total Liabilities across all three categories equaled $1.8 billion. Total Assets and Deferred Outflows of Resources increased $446.8 million and Total Liabilities similarly increased $445.3 million from Fiscal Year 2018. These overall increases in Total Assets, Deferred Outflows of Resources, and Total Liabilities primarily occurred in the Other State of Illinois Debt Fund and are attributable to the issuance of $450 million Illinois Finance Authority State of Illinois Clean Water Initiative Revolving Fund Revenue Bonds, Series 2019 (Green Bonds) ("Illinois CWI Green Bonds, Series 2019") on behalf of the Illinois Environmental Protection Agency ("IEPA"), which is part of the primary government of the State of Illinois.

On the Statement of Revenues, Expenses and Changes in Net Position, Total Revenues were $36.0 million or 7.7% higher than Fiscal Year 2018, while Total Expenses were $34.4 million or 3.3% higher than Fiscal Year 2018. Total Revenue increased $2.6 million due to greater operating Interest Income in the Other State of Illinois Debt Fund as a result of the Illinois Clean Water Initiative Bonds, Series 2019. Operating expenses increased $5.3 million, primarily due to greater interest expense in the Other State of Illinois Debt Fund as a result of the issuance of $450 million of Illinois CWI Green Bonds, Series 2019 on behalf of the IEPA.

Net Position in the General Operating Fund remained the same, while the Net Position in the Nonmajor Funds increased by $1.5 million, resulting in a Total Net Position of $123.4 million, which was an increase of 1.3% compared to Fiscal Year 2018.

Overview of the Financial Statements

The basic proprietary fund financial statements, including the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, Statement of Cash Flows, and Statement of Fiduciary Net Position-Agency Fund, provide both short-term and long-term information about the Authority's financial status. The accompanying notes to the financial statements provide essential information that is not disclosed on the face of the financial statements, and as such, are an integral part of the basic financial statements.

Proprietary Funds

These funds are used to show activities that operate more like those of commercial enterprises. Because these funds charge user fees for services provided to outside customers including local governments, they are known as enterprise funds. Proprietary funds use the accrual basis of accounting and provide both long and short-term financial information. The proprietary fund financial statements provide separate information for the Authority's two major Funds which consist of the General Operating Fund and the Other State of Illinois Debt Fund and also the remaining aggregated nonmajor proprietary funds and are included on:

- The **Statement of Net Position** presents the financial position of the Authority as of June 30, 2019, and includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the Authority.

- The **Statement of Revenues, Expenses and Changes in Net Position** presents the Authority's results of operations. The Authority's revenues and expenses are classified into three categories: operating, nonoperating, or fund transfers.

- The **Statement of Cash Flows** provides additional information about the Authority's financial results by reporting the major sources and uses of the Authority's cash.

Fiduciary Funds

Fiduciary funds are used primarily to account for resources held for the benefit of parties outside of the primary government. The Authority is the agent, or fiduciary, for specific transactions attributable to the Metro East Police District Commission ("MEPDC"). The Authority uses a fiduciary fund to account for transactions for assets held by the Authority as agent for MEPDC.

For the transactions authorized by the Metro East Police District Act (70 ILCS 1750/15) and the Illinois Finance Authority Act (20 ILCS 3501/825-115), the Authority is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Fiduciary funds are reported in a separate statement of fiduciary net position with the fund accounting being much like that used for proprietary funds.

Authority Component Unit

The Illinois Finance Authority Development Fund Not-For-Profit ("NFP") is reported as a blended component unit. Activities for this fund are presented in the combining schedules for the nonmajor funds.

Notes to the Basic Financial Statements

The notes provide additional information that is essential for a full understanding of data provided in the Authority's financial statements. The notes to the basic proprietary fund financial statements can be found immediately following the fiduciary fund basic financial statements.

Additional Information

The combining statements, which include nonmajor funds, are presented immediately following the notes to the basic financial statements.

Condensed Statement of Net Position
(Amounts in Thousands)

	Business-type Activities			
	2019	**2018**	**Difference ($)**	**Change (%)**
Current assets	$ 673,592	$ 430,532	$ 243,060	56.5%
Capital assets, net	53	63	(10)	-15.9%
Noncurrent assets	1,192,894	989,005	203,889	20.6%
Total assets	1,866,539	1,419,600	446,939	31.5%
Total deferred outflow of resources	155	266	(111)	-41.7%
Total assets and deferred outflows of resources	1,866,694	1,419,866	446,828	31.5%
Current liabilities	104,443	99,367	5,076	5.1%
Noncurrent liabilities	1,638,855	1,198,655	440,200	36.7%
Total liabilities	1,743,298	1,298,022	445,276	34.3%
Net investment in capital assets	53	63	(10)	-15.9%
Restricted	59,258	57,844	1,414	2.4%
Unrestricted	64,085	63,937	148	0.2%
Total net position	$ 123,396	$ 121,844	$ 1,552	1.3%

Current assets of $673.6 million increased $243.1 million or 56.5%, primarily due to the increase in investments of $409.5 million and a decrease in cash and cash equivalents of $163.7 million due to the issuance of bonds on behalf of the IEPA.

Capital assets, net of depreciation decreased $10 thousand or (15.9%) due to depreciation expense.

Non-current assets of $1,193 million increased $203.9 million or 20.6% primarily due to the increase in bonds and notes receivable from the primary government of $200.0 million, while the long-term portion of the Authority's unrestricted investment portfolio increased by $3.6 million.

Current liabilities of $104.4 million increased $5.1 million or 5.1% primarily due to the increase in the current portion of bonds and notes payable of $3.6 million and interest payable of $3.8 million due to the additional debt issued on behalf of the IEPA. Those increases were offset by a $2.3 million decrease in the Obligation under securities lending of the State Treasurer.

Non-current liabilities increased $440.2 million or 36.7%, due to the additional debt payments on outstanding debt on behalf of the IEPA.

Net position may serve, over a period of time, as a useful indicator of the Authority's financial position. As of June 30, 2019, total net position was $123.4 million, an increase of $1.6 million or 1.3% from the balance of $121.8 million in Fiscal Year 2018. Of this amount, $53 thousand represents the Authority's net investment in capital assets. Restricted net position of $59.3 million is reported separately to present legal constraints from debt covenants, grantors and/or enabling legislation. The $64.1 million of unrestricted net position represents the excess the Authority would experience if it had to liquidate all of its non-capital liabilities as of June 30, 2019.

The following table presents the changes in net position from Fiscal Year 2018 to 2019:

Changes in Net Position
(Amounts in Thousands)

	Business-type Activities			
	2019	**2018**	**Difference ($)**	**Change (%)**
Revenues:				
Closing fees	$ 2,272	$ 3,165	$ (893)	-28.2%
Annual fees	246	365	(119)	-32.6%
Administrative service fees	266	184	82	44.6%
Application fees	21	26	(5)	-19.2%
Miscellaneous fees	5	85	(80)	-94.1%
Interest income - loans	24,436	22,091	2,345	10.6%
Transfer of funds and interest in program from the State of Illinois	449	447	2	0.4%
Bad debt recoveries and other	-	29	(29)	-100.0%
Interest and investment income	8,283	7,008	1,275	18.2%
Total revenues	35,978	33,400	2,578	7.7%
Expenses:				
Employee related expenses	2,555	1,881	674	35.8%
Professional services	1,459	1,428	31	2.2%
Occupancy costs	174	166	8	4.8%
General and administrative	378	391	(13)	-3.3%
Bad debt expense	15	-	15	100.0%
Depreciation and amortization	17	15	2	13.3%
Interest expense	29,828	25,254	4,574	18.1%
Transfer of interest in program to Illinois Clean Energy	-	2,000	(2,000)	N/A
Loss on extinguishment of debt	-	2,198	(2,198)	-100.0%
Total expenses	34,426	33,333	1,093	3.3%
Change in net position	1,552	67	1,485	2216.4%
Net position - beginning	121,844	121,777	67	0.1%
Net position - ending	$ 123,396	$ 121,844	$ 1,552	1.3%

Operating revenues included closing fees from conduit bond issuances of $2.3 million, a decrease of $893 thousand or 28.2%, due to the decrease in the number of conduit transaction closings in Fiscal Year 2019. Annual, administrative service, application, and miscellaneous fees showed a collective decrease of $122 thousand or 18.5%, due to a decrease in annual and application fees which were offset by the increased number of administrative service fees. The interest income on loans shows an increase from Fiscal Year 2018 of $2.3 million, or 10.6%, due to the increase on outstanding loans with regard to other State of Illinois component unit debt. Interest and investment income of $8.3 million was higher than Fiscal Year 2018 by 18.2%, driven mostly by the increased investment portfolio generated by the additional bond proceeds.

All expenses totaled $34.4 million in Fiscal Year 2019, an increase of $1.1 million due mainly from the increase in interest expense caused by the additional debt issued on behalf of the other State of Illinois component units.

Capital Assets

The Authority has established a policy of capitalizing assets as described in Note 1 to the financial statements. The Authority's investment in capital assets, net of accumulated depreciation, for business-type activities as of June 30, 2019 was $53 thousand.

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

	2019	2018	Difference ($)	Change (%)
Furniture and equipment	$ 193	$ 196	$ (3)	-1.5%
Computers	139	194	(55)	-28.4%
Software	288	288	-	0.0%
Total capital assets	620	678	(58)	-8.6%
Less: accumulated depreciation	(567)	(615)	48	-7.8%
Total capital assets, net	$ 53	$ 63	(10)	-15.9%

Long-Term Debt Obligations

The Authority's primary product and revenue source is the issuance of federally tax-exempt conduit bonds as allowed by the federal tax code and State law. Conduit bonds are not the debt or obligation of the Authority, the State or any subdivision thereof, but are solely the debt of the conduit borrower. The Authority issued bonds in connection with 46 separate conduit bond debt transactions in Fiscal Year 2019, with an aggregate principal amount of $1.61 billion.

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

As of June 30, 2019, the aggregate amount of intra-state debt outstanding is $1.5 billion, an increase of $385.0 million due to the issuance of the State of Illinois Clean Water Initiative Revolving Fund Revenue Bonds, Series 2019 (Green Bonds) on April 16, 2019 on behalf of the IEPA State Revolving Fund. This debt was issued on behalf of the Primary Government (IEPA State Revolving Fund) and does not constitute an indebtedness of the Authority, the IEPA, or the State of Illinois or any political subdivision thereof.

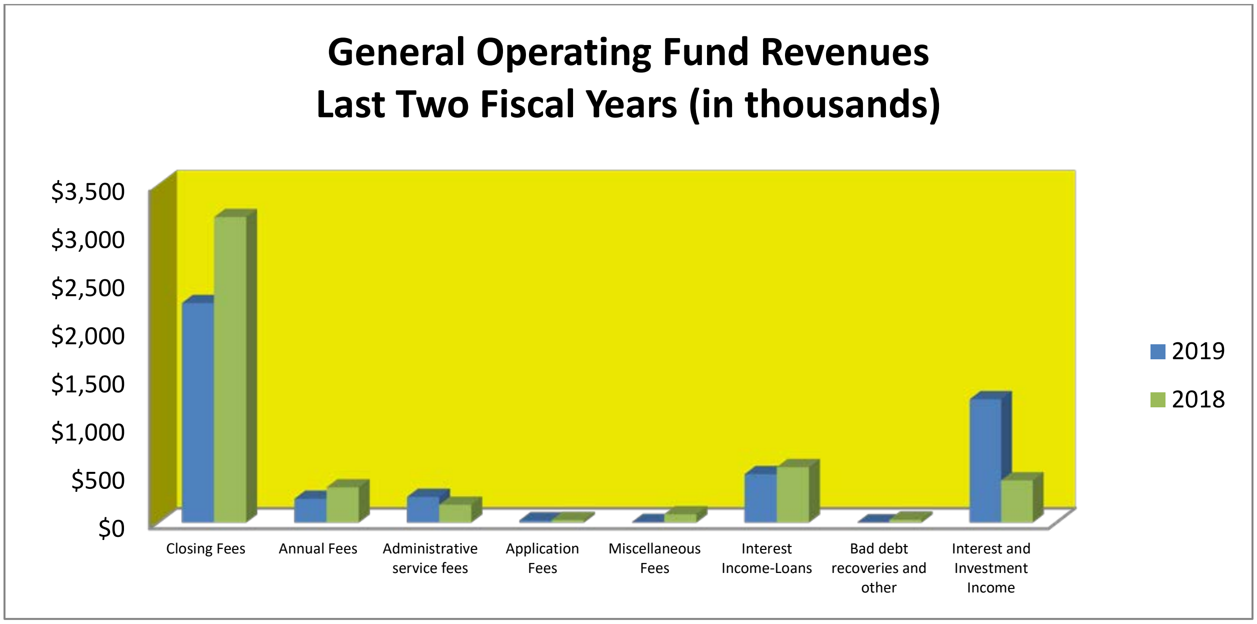
Long-term debt information can be found in Note 1 and Note 9 to the financial statements.

Financial Analysis of the Authority's Funds

The Authority has two major enterprise funds.

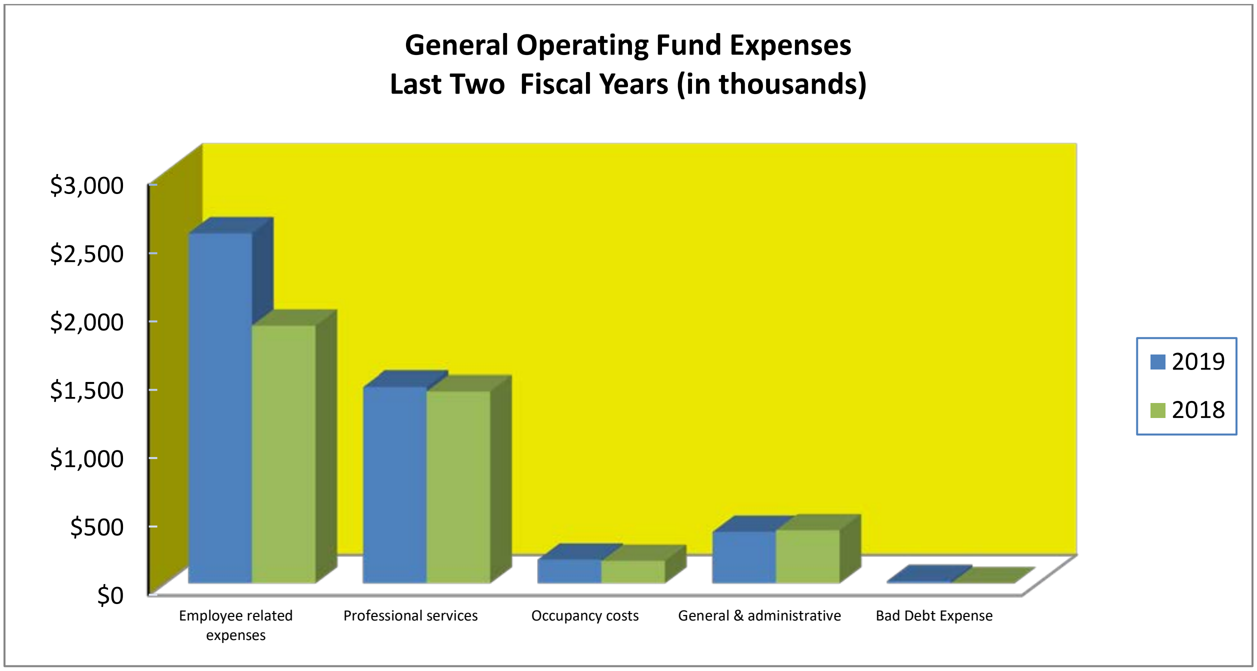
General Operating Fund – This fund is the primary operating fund of the Authority, which receives revenues from program applications and interest payments from direct loans. All administrative expenses for establishing and monitoring the Authority's programs are paid out of this fund. In Fiscal Year 2019, closing fees accounted for 49.5% of total revenues in the fund, but were lower than the prior year by $893 thousand, or 28.2%, due to a reduction in the number of closings and/or bonds issued in Fiscal Year 2019. Interest income on loans decreased by $73 thousand, or 12.7%, as a result of the continued decrease in the amount of outstanding indebtedness attributable to loans to Illinois local governments. This legacy portfolio of Illinois local government loans became part of the Authority's General Operating Fund in 2014 when the Authority used its own funds to defease (pay-off) outstanding bonds enhanced with the State's moral obligation pledge thus removing unnecessary risk to State taxpayers. Administrative service fees total $266 thousand, which is an increase of $82 thousand or 44.6% from the prior fiscal year in this category. Interest and investment income were higher by $843 thousand or 192.9% in Fiscal Year 2019 due to a higher interest rate environment and a larger investment portfolio. Overall, revenues in the fund totaled $4.6 million, which was $275 thousand or 5.7% lower than Fiscal Year 2018. With spending of $4.6 million, the General Operating Fund realized an increase in net position of $13.2 thousand.

	2019	2018	2019 % of Total	Increase/ (Decrease) from 2018 ($)	Increase/ (Decrease) from 2018 (%)
Closing fees	$ 2,272	$ 3,165	49.5%	$ (893)	-28.2%
Annual fees	246	365	5.3%	(119)	-32.6%
Administrative service fees	266	184	5.8%	82	44.6%
Application fees	21	26	0.5%	(5)	-19.2%
Miscellaneous fees	4	85	0.1%	(81)	-95.3%
Interest income - loans	502	575	10.9%	(73)	-12.7%
Bad debt recoveries and other	-	29	0.0%	(29)	-100.0%
Interest and investment income	1,280	437	27.9%	843	192.9%
Total revenues	$ 4,591	$ 4,866	100.0%	$ (275)	-5.7%



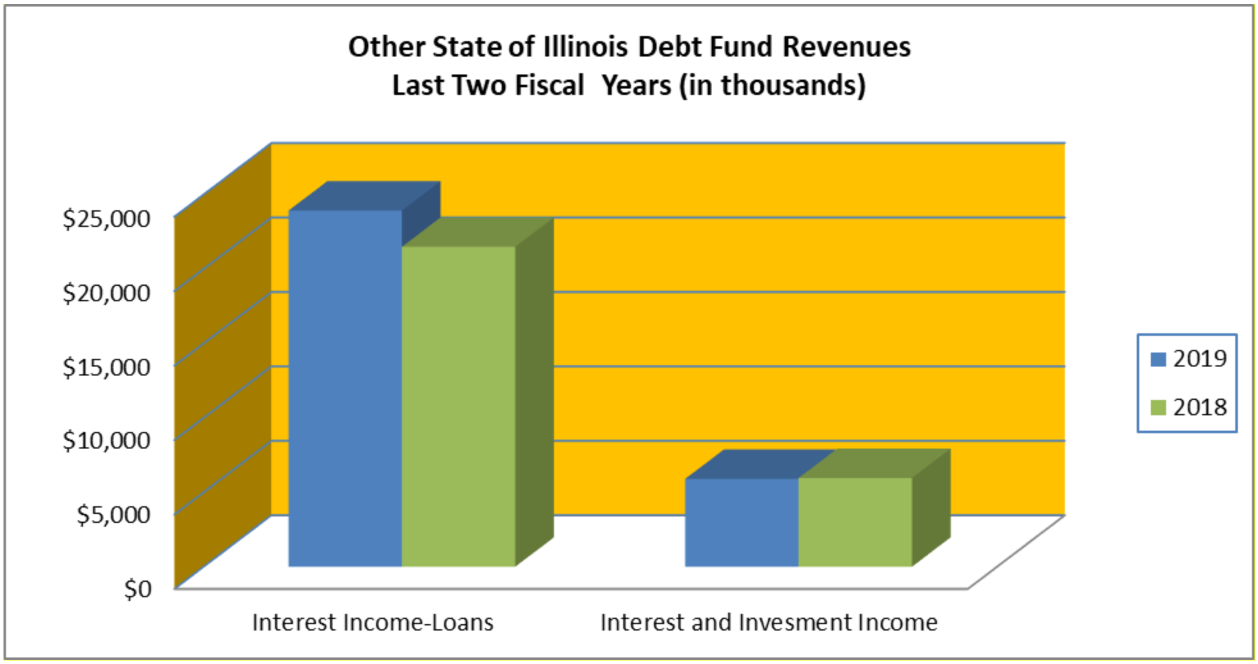
Employee related expenses increased by $674 thousand or 35.8% from Fiscal Year 2018, due to an increase in the number of employees. Professional services costs increased by $32 thousand or 2.3%. Occupancy costs increased by $9 thousand or 5.5%, since Fiscal Year 2018. General and administrative expenses declined by $12 thousand or 3.10%. Overall, expenses in the general operating fund were higher than Fiscal Year 2018 by $720 thousand or 18.7%.

	2019	2018	2019% of Total	Increase/ (Decrease) from 2018 ($)	Increase/ (Decrease) from 2018 (%)
Employee related expenses	$ 2,555	$ 1,881	55.8%	$ 674	35.8%
Professional services	1,438	1,406	31.4%	32	2.3%
Occupancy costs	174	165	3.8%	9	5.5%
General and administrative	379	391	8.3%	(12)	-3.1%
Bad debt expense	15	-	0.3%	15	100.0%
Depreciation and amortization	17	15	0.4%	2	13.3%
Total expenses	$ 4,578	$ 3,858	100.0%	$ 720	18.7%



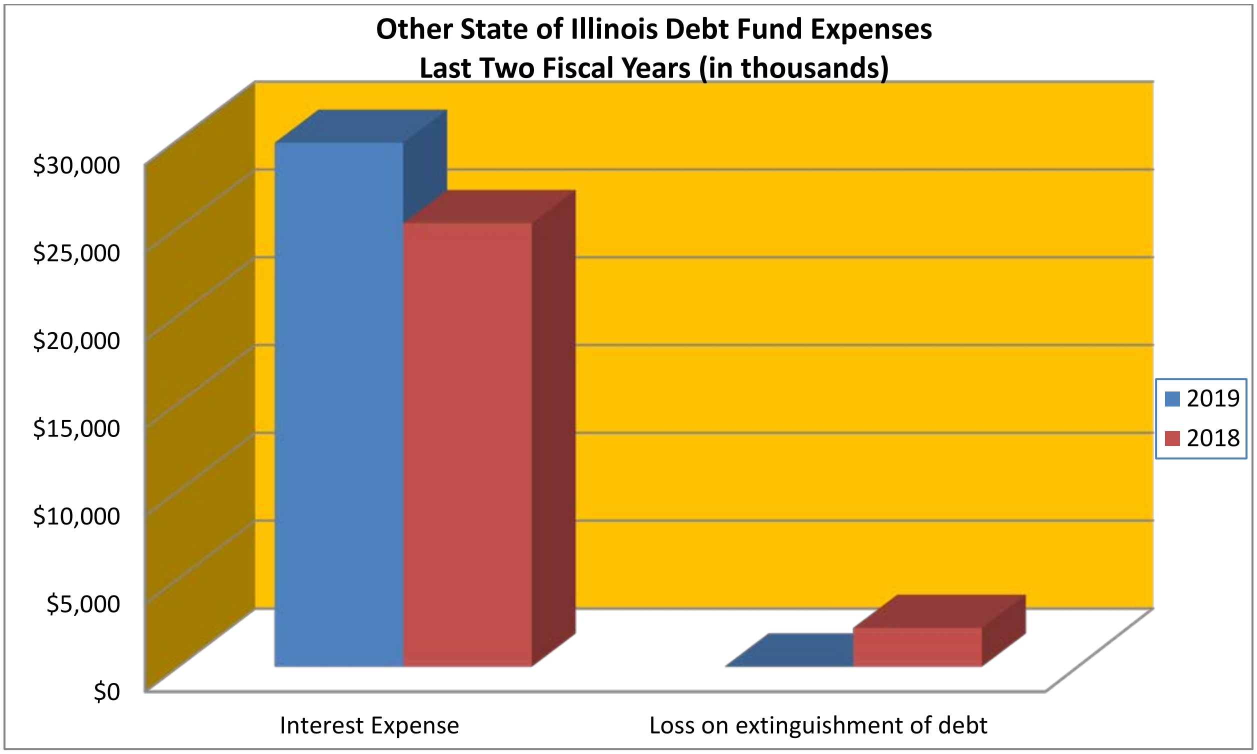
Other State of Illinois Debt Fund – The purpose of this fund is to account for bond proceeds, principal and interest payments, bonds & notes receivable transactions, and other debt related activity for other entities within the State of Illinois' reporting entity. The vast majority of the transactions of this debt fund are attributable to the IEPA State Revolving Fund leveraged debt but a comparatively small amount is attributable to the Northern Illinois University Foundation. The fund also collects interest and principal payments from the participating borrowers and makes debt service payments on the bonds. All activity in this fund is of a conduit nature (but not within the definition of conduit debt under GAAP) on behalf of the other State agencies and/or component units. Interest income from loans totaled $23.9 million versus $21.5 million from Fiscal Year 2018, an increase of $2.4 million or 11.3%. This increase results from the additional loan made in 2019 to the IEPA using bond proceeds. Interest and investment income fell in this fund by $54 thousand. Overall, revenues in this fund were $2.4 million or 8.7% higher than Fiscal Year 2018. The ending net position for this fund is zero.

	2019	2018	2019 % of Total	Increase/ (Decrease) from 2018 ($)	Increase/ (Decrease) from 2018 (%)
Interest income loans	$ 23,921	$ 21,489	80.2%	$ 2,432	11.3%
Interest and investment income	5,907	5,961	19.8%	(54)	-0.9%
Total revenues	$ 29,828	$ 27,450	100.00%	$ 2,378	8.7%



Interest expense in the fund totaled $29.8 million, which is an increase of $4.6 million from Fiscal Year 2018. The increase is attributable to the issuance of the Illinois CWI Green Bonds, Series 2019. Other financial activity of these State agencies is included on the financial statements of the primary government.

	2019	2018	2019 % of Total	Increase/ (Decrease) from 2018 ($)	Increase/ (Decrease) from 2018 (%)
Interest expense	$ 29,828	$ 25,252	100.0%	$ 4,576	18.1%
Loss on extinguishment of debt	-	2,198	0.0%	(2,198)	-23.7%
Total expenses	$ 29,828	$ 27,450	100.0%	$ 2,378	8.7%



Economic Factors, Decisions and Conditions

All Funds - The Authority receives revenues from the management and closing of financial bond issues and other transactions; evaluating, documenting, and closing loan applications; bond and loan application fees; annual maintenance fees for ongoing agreements; interest on loans; and investment income. The Authority closed Fiscal Year 2019 (ended June 30, 2019) having issued more than $2.06 billion in debt during the 12-month period.

The size, impact and variety of the Authority's projects in Fiscal Year 2019 fulfill the Authority's statutory policy objectives to (1) promote a vigorous growing economy and avoid involuntary unemployment for Illinois residents; (2) reduce the cost of indebtedness to State taxpayers and residents; and (3) otherwise enhance the quality of life in Illinois by benefiting the health, welfare, safety, trade, commerce, industry and economy of the people of Illinois. The Authority's projects also demonstrate the positive social, economic and job creation/retention impact that federally tax-exempt conduit bonds provide to the people of Illinois through not-for-profit organizations, private businesses, and local governments.

The Authority's investment strategy has provided additional and predictable interest and investment income to support the Authority's operations without any support of State tax dollars appropriated by the General Assembly. Overall, the Authority reported an ending Fiscal Year 2019 net position of $123.4 million.

On December 22, 2017, the President signed into law the Tax Cuts and Jobs Act, 115 Public Law 97 (the "TCJA"). During the accelerated federal legislative process that culminated in TCJA, the then majority in the United States House of Representatives was determined to eliminate federally tax-exempt conduit bonds, the Authority's primary product to fulfill its State statutory policy objectives. However, in its final form, the TCJA preserved federally tax-exempt conduit bonds but eliminated advance refunding, a refinancing option, for all federally tax-exempt bonds, including conduit bonds and those bonds issued by states and political subdivisions thereof.

Over the past fiscal year, TCJA, particularly its elimination of advance refunding, has negatively impacted the Authority's revenues. There are indications that TCJA has lowered the economic benefit to potential federally tax-exempt borrowers and projects, thus lowering the Authority's overall bond issuance volume and revenue. Ongoing national trends in the non-profit healthcare and non-profit education sectors, both major drivers of the Authority's bond issuance volume and revenues, are expected to continue to reduce the number of potential borrowers that qualify for federally tax-exempt conduit bonds. Non-profit higher education is under particular strain due to rising costs/tuition and declining demographic trends. Finally, the continued historically low interest rate environment has compressed the difference between federally taxable interest rates and federally tax-exempt interest rates, thus reducing the economic value to potential borrowers of federally tax-exempt conduit bonds.

Nonmajor Funds - As of June 30, 2019, the Authority's nonmajor funds in aggregate reported unrestricted net position of \$4.5 million and restricted net position of \$59.3 million, for a total net position of \$63.8 million. The net position restricted in the nonmajor funds is for locally held agricultural guarantees, public safety, and low income community investments.

Requests for Information

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the funds it receives. Additional details may be requested by mail at the following address:

Illinois Finance Authority
Department of Finance
160 N. LaSalle Street
Suite S-1000
Chicago, Illinois, 60601

Or visit our website at: http://www.il-fa.com/public-access/financial-reports/2020 for a complete copy of this report and other financial information.

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

Statement of Net Position
June 30, 2019

	General Operating Fund	Other State of Illinois Debt Fund	Nonmajor Funds	Total Business-Type Activities
ASSETS				
Current assets:				
Current unrestricted assets:				
Cash and cash equivalents	$ 1,344,662	$ -	$ 49,419	$ 1,394,081
Investments	34,946,191	-	3,189,622	38,135,813
Accounts receivable, net	55,732	-	-	55,732
Loans receivable, net	209,713	-	-	209,713
Accrued interest receivable	441,956	-	18,626	460,582
Bonds and notes receivable	956,300	-	-	956,300
Prepaid expenses	46,199	-	-	46,199
Total current unrestricted assets	38,000,753	-	3,257,667	41,258,420
Current restricted assets:				
Cash and cash equivalents	-	186,544,845	11,284,975	197,829,820
Investments	-	418,245,672	8,813,657	427,059,329
Securities lending collateral equity with the State Treasurer	-	-	5,053,000	5,053,000
Accrued interest receivable	-	337,417	81,791	419,208
Loans receivables, net	-	-	1,971,865	1,971,865
Total current restricted assets	-	605,127,934	27,205,288	632,333,222
Total current assets	38,000,753	605,127,934	30,462,955	673,591,642
Noncurrent assets:				
Noncurrent unrestricted assets:				
Investments	10,233,669	-	1,233,905	11,467,574
Loans receivables, net	4,353,851	-	-	4,353,851
Bonds and notes receivable	7,349,537	-	-	7,349,537
Capital assets, net of accumulated depreciation	52,604	-	-	52,604
Total noncurrent unrestricted assets	21,989,661	-	1,233,905	23,223,566
Noncurrent restricted assets:				
Cash and cash equivalents	-	-	18,730,864	18,730,864
Investments	-	-	3,069,163	3,069,163
Accrued interest receivable	-	-	34,000	34,000
Loans receivables, net	-	-	15,274,685	15,274,685
Bonds and notes receivable from primary government	-	1,131,844,301	-	1,131,844,301
Bonds and notes receivable from State component units	-	770,422	-	770,422
Total noncurrent restricted assets	-	1,132,614,723	37,108,712	1,169,723,435
Total noncurrent assets	21,989,661	1,132,614,723	38,342,617	1,192,947,001
Total assets	59,990,414	1,737,742,657	68,805,572	1,866,538,643
DEFERRED OUTFLOWS OF RESOURCES				
Net loss on debt refundings	-	154,857	-	154,857
Total deferred outflows of resources	-	154,857	-	154,857
Total assets and deferred outflows of resources	59,990,414	1,737,897,514	68,805,572	1,866,693,500

(Continued)

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

Statement of Net Position (Continued)
June 30, 2019

	General Operating Fund	Other State of Illinois Debt Fund	Nonmajor Funds	Total Business-Type Activities
LIABILITIES				
Current liabilities:				
Payable from unrestricted current assets:				
Accounts payable	$ 67,336	$ -	$ 561	$ 67,897
Accrued liabilities	56,276	-	-	56,276
Due to employees	116,560	-	-	116,560
Due to primary government	1	-	-	1
Unearned revenue, net of accumulated amortization	103,119	-	-	103,119
Total current liabilities payable from unrestricted current assets	343,292	-	561	343,853
Payable from restricted current assets:				
Accounts payable	-	-	2,844	2,844
Due to other funds	-	-	-	-
Obligation under securities lending of the State Treasurer	-	-	5,053,000	5,053,000
Accrued interest payable	-	30,246,898	-	30,246,898
Bonds and notes payable, primary government	-	68,254,998	-	68,254,998
Bonds and notes payable, State component units	-	366,082	-	366,082
Other liabilities	-	175,118	-	175,118
Total current liabilities payable from restricted current assets	-	99,043,096	5,055,844	104,098,940
Total current liabilities	343,292	99,043,096	5,056,405	104,442,793
Noncurrent liabilities:				
Payable from unrestricted noncurrent assets:				
Noncurrent payables	585	-	-	585
Total noncurrent liabilities payable from unrestricted noncurrent assets	585	-	-	585
Payable from restricted noncurrent assets:				
Bonds and notes payable, primary government	-	1,411,175,000	-	1,411,175,000
Bonds and notes payable, State component units	-	404,340	-	404,340
Unamortized bond premium	-	227,275,078	-	227,275,078
Total noncurrent liabilities payable from restricted noncurrent assets	-	1,638,854,418	-	1,638,854,418
Total noncurrent liabilities	585	1,638,854,418	-	1,638,855,003
Total liabilities	343,877	1,737,897,514	5,056,405	1,743,297,796
NET POSITION				
Net investment in capital assets	52,604	-	-	52,604
Restricted for:				
Industrial revenue debt and agricultural guarantees	-	-	11,941,784	11,941,784
Public safety loans	-	-	28,539,631	28,539,631
Agricultural and rural development loans	-	-	18,764,864	18,764,864
Low income community investments	-	-	11,877	11,877
Unrestricted	59,593,933	-	4,491,011	64,084,944
Total net position	$ 59,646,537	$ -	$ 63,749,167	$ 123,395,704

See accompanying notes to the basic financial statements.

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

Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2019

	General Operating Fund	Other State of Illinois Debt Fund	Nonmajor Funds	Total Business-Type Activities
Operating revenues:				
Closing fees	$ 2,272,404	$ -	$ -	$ 2,272,404
Annual fees	245,887	-	-	245,887
Administrative service fees	265,977	-	-	265,977
Application fees	20,600	-	-	20,600
Miscellaneous fees	2,794	-	-	2,794
Interest income - loans	501,617	23,921,238	13,616	24,436,471
Other revenue	1,659	-	-	1,659
Total operating revenue	3,310,938	23,921,238	13,616	27,245,792
Operating expenses:				
Employee related expenses	2,555,253	-	-	2,555,253
Professional services	1,437,808	-	20,953	1,458,761
Occupancy costs	173,734	-	-	173,734
General and administrative	378,527	-	-	378,527
Interest expense	-	29,828,216	-	29,828,216
Bad debt expense	15,595	-	-	15,595
Depreciation and amortization	16,898	-	-	16,898
Total operating expenses	4,577,815	29,828,216	20,953	34,426,984
Operating loss	(1,266,877)	(5,906,978)	(7,337)	(7,181,192)
Nonoperating revenues:				
Transfers of funds and interest in program from the State of Illinois	-	-	449,463	449,463
Interest and investment income	1,280,141	5,906,978	1,095,995	8,283,114
Total nonoperating revenues	1,280,141	5,906,978	1,545,458	8,732,577
Change in net position	13,264	-	1,538,121	1,551,385
Net position - beginning of year	59,633,273	-	62,211,046	121,844,319
Net position - end of year	$ 59,646,537	$ -	$ 63,749,167	$ 123,395,704

See accompanying notes to the basic financial statements.

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

Statement of Cash Flows
For the Year Ended June 30, 2019

	General Operating Fund	Other State of Illinois Debt Fund	Nonmajor Funds	Total Business-Type Activities
Cash flows from operating activities:				
Cash received for fees and other	$ 2,794,867	$ -	$ -	$ 2,794,867
Cash payments for employee services	(2,538,902)	-	-	(2,538,902)
Cash payments to suppliers for goods and services	(2,098,196)	-	(20,552)	(2,118,748)
Net cash used in operating activities	(1,842,231)	-	(20,552)	(1,862,783)
Cash flows from noncapital financing activities:				
Bonds and notes principal payments	-	(65,013,676)	-	(65,013,676)
Proceeds from issuance of bonds	-	535,026,380	-	535,026,380
Interest payments	-	(52,142,633)	-	(52,142,633)
Permanent capital transfer from the State	-	-	449,463	449,463
Due from other funds	208	-	-	208
Due to other funds	-	-	(208)	(208)
Net cash provided by noncapital financing activities	208	417,870,071	449,255	418,319,534
Cash flows from capital and related financing activities:				
Purchase of capital assets	(6,474)	-	-	(6,474)
Net cash used in capital and related financing activities	(6,474)	-	-	(6,474)
Cash flows from investing activities:				
Purchase of investments	(76,488,591)	(3,161,714,623)	(62,975,138)	(3,301,178,352)
Maturity and sales of investments	69,192,520	2,750,112,556	69,079,153	2,888,384,229
Interest and dividends on investments	896,403	4,009,988	834,859	5,741,250
Cash received for interest on loans	557,105	23,920,642	13,645	24,491,392
Cash received on loan receivables and guarantees	1,964,623	324,957,903	2,141,350	329,063,876
Cash payments on loan receivables and guarantees	(1,708,093)	(524,520,671)	-	(526,228,764)
Net cash provided by (used in) investing activities	(5,586,033)	(583,234,205)	9,093,869	(579,726,369)
Net increase (decrease) in cash and cash equivalents	(7,434,530)	(165,364,134)	9,522,572	(163,276,092)
Cash and cash equivalents - beginning of year	8,779,192	351,908,979	20,542,686	381,230,857
Cash and cash equivalents - end of year	$ 1,344,662	$ 186,544,845	$ 30,065,258	$ 217,954,765

(Continued)

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

Statement of Cash Flows (Continued)
For the Year Ended June 30, 2019

	General Operating Fund	Other State of Illinois Debt Fund	Nonmajor Funds	Total Business-Type Activities
Reconciliation of operating loss to net cash used in operating activities:				
Operating loss	$ (1,266,877)	$ (5,906,978)	$ (7,337)	$ (7,181,192)
Adjustments to reconcile operating loss to net cash used in operating activities:				
Depreciation and amortization	16,898	-	-	16,898
Interest on loans	(501,617)	(23,921,238)	(13,616)	(24,436,471)
Interest expense	-	29,828,216	-	29,828,216
Bad debt expense	15,595	-	-	15,595
Changes in assets and liabilities:				
Accounts receivable	(14,452)	-	-	(14,452)
Unearned revenue	-	-	-	-
Prepaid expenses	(6,208)	-	-	(6,208)
Accounts payable and accrued liabilities	(46,069)	-	401	(45,668)
Due to employees	10,499	-	-	10,499
Due to primary government	(50,000)	-	-	(50,000)
Net cash used in operating activities	$ (1,842,231)	$ -	$ (20,552)	$ (1,862,783)

See accompanying notes to the basic financial statements.

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

Statement of Fiduciary Net Position - Agency Fund
June 30, 2019

	Metro East Police District Commission Fund
Assets	
Current assets:	
Cash and cash equivalents	$ 4,059
Liabilities	
Current liabilities:	
Other liabilities	$ 4,059

See accompanying notes to the basic financial statements.

Note 1. Summary of Significant Accounting Policies

Reporting Entity

The Illinois Finance Authority (Authority) is a body politic and corporate created on July 17, 2003, by Public Act 93-205, effective January 1, 2004. Public Act 93-205 consolidated seven of the State's existing finance authorities into the Authority. The Authority succeeded to the rights and duties of the existing finance authorities as of January 1, 2004. Public Act 93-205 also repealed the existing finance authorities' authorizing legislation. The Authority is governed by the 15-member Board of Directors, appointed by the Governor with the advice and consent of the Senate.

Component units are separate legal entities for which the primary government is legally accountable. The Authority is a component unit of the State of Illinois for financial reporting purposes because its exclusion would cause the State's financial statements to be misleading. These financial statements are included in the State's Comprehensive Annual Financial Report. The Authority reports one blended component unit, the Illinois Finance Authority Development Fund NFP, which is presented as a nonmajor fund beginning in Fiscal Year 2015, as the Authority is the sole member of the corporation that comprises the activity of the fund.

Basis of Presentation

The accounts of the Authority are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows, liabilities, deferred inflows, net position, revenues, transfers, and expenses, as appropriate. The emphasis on fund financial statements is on a major proprietary fund (enterprise), with each fund displayed in a separate column. All remaining proprietary funds are aggregated and reported as nonmajor funds. The Authority has the following major proprietary funds:

General Operating Fund - This fund of the Authority receives all revenues from program applications. All administrative expenses for establishing and monitoring the Authority's programs are paid out of this fund as set forth in the Illinois Finance Authority Act (20 ILCS 3501/801-40(j)). It is made up of the following programs:

- General Fund - Accounts for the main operations of the Authority;
- Local Government Borrowing Fund - Accounts for monies received from local governments formerly participating in the Illinois Rural Bond Bank Program;
- Deferred Action for Childhood Arrivals - Accounts for monies held for the purposes of providing student loans for eligible applicants to medical and dental schools in Illinois; and
- Primary Government Borrowing Fund – Accounts for monies received from the state vendor receivables program.

Note 1. Summary of Significant Accounting Policies (Continued)

Other State of Illinois Debt Fund - Each bond issue is comprised of several accounts as required by the bond indenture. The accounts of the State of Illinois agencies and component unit bond issues have been aggregated and reported as the Other State of Illinois Debt Fund. These are non-appropriated accounts maintained by the trustee. The purpose of the fund is to collect bond proceeds, purchase participating institutions' securities, and remit bond issuance costs paid for with bond proceeds. The fund also collects interest and principal payments from the participating institutions and makes payments on the bonds payable.

Metro East Police District Fund - In accordance with the Metro East Police District Act (70 ILCS 1750/15) and the Illinois Finance Authority Act (20 ILCS 3501/825-115), the Authority established the Metro East Police District (Fund), a fiduciary agency fund of the Authority. All moneys received by the Metro East Police District Commission shall be deposited into the Fund. The Authority and the Metro East Police District Commission entered into an Intergovernmental Agreement to use the moneys deposited into the Fund solely for the purposes set forth in Public Act 97-0971. Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the government. Fiduciary funds include pension trust funds, private-purpose trust funds, investment trust funds, and agency funds.

Agency funds, such as the Metro East Police District Fund are used to report resources held in a purely custodial capacity. Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. As of June 30, 2019, the amount held by the Authority on behalf of the Metro East Police District Commission was $4,059.

Illinois Finance Authority Development Fund NFP - In August 2013, the Authority's Board of Directors approved a resolution authorizing the creation of a special purpose entity, to be formed for the express purpose of applying for an allocation of New Markets Tax Credits ("NMTCs"). This program is administered by the U.S. Department of the Treasury's Community Development Financial Institutions Fund ("CDFI Fund"). In order for an entity to apply for an allocation of New Markets Tax Credits, the entity must first apply for and receive a license to be designated as a "Community Development Entity", or "CDE", by the CDFI Fund. To qualify as a CDE, however, an organization must be a domestic corporation or partnership at the time of the CDE certification application. Because the Authority is a body politic and corporate entity, it was necessary to form an affiliated corporation to be certified as a CDE.

As a result, on August 9, 2013, the Illinois Finance Authority Development Fund NFP, an Illinois not-for-profit corporation (the "IFADF"), was incorporated. The Authority, as the entity responsible for the creation of the IFADF, maintains three (3) ex-officio members on the six (6) to eleven (11) member IFADF Board of Directors, and the IFADF Board of Directors governs the organization. In addition to the ex-officio members who are also employees of the Authority, the IFADF Board of Directors consists of one or more community representatives who facilitate outreach to qualified low-income communities.

The IFADF is a development stage entity formed by the Authority for the primary purpose of serving as a CDE to enable the Authority to apply for (and ultimately manage) an allocation of New Markets Tax Credits. The IFADF was established to undertake two specific activities as a special purpose affiliate of the Authority: (1) to apply for a New Markets Tax Credit allocation, administered by the CDFI Fund (pursuant to Section 45D of the Internal Revenue Code of 1986, as amended); and if successful, (2) to manage a New Markets Tax Credit Program, that would supplement the Authority's existing conduit revenue bond and direct loan financing products, for manufacturers and 501(c)(3) entities. These transactions will benefit qualified low-income communities within the State of Illinois.

Note 1. Summary of Significant Accounting Policies (Continued)

New Markets Tax Credits generate investor equity upfront in exchange for a stream of federal income tax credits payable to the New Markets Tax Credit purchaser/investor over a 7-year period. This upfront investor equity is most frequently used on debt transactions by the CDE to fund direct subordinate loans that effectively credit enhance senior (i.e., first mortgage) bank loans or senior tax-exempt bond issues. Qualified projects must be located in specified (i.e., qualified) census tracts designated by CDFI Fund. CDEs have used subordinate loans capitalized from the sale of New Markets Tax Credits to provide supplemental (subordinate) financing for real estate projects undertaken by (i) industrial and commercial companies (and their affiliates), and (ii) 501(c)(3) entities.

Accordingly, New Markets Tax Credits have been used to provide subordinate financing that supplements primary financing (including commercial loans and tax-exempt bond issues) for real estate projects deemed consistent with the Illinois Finance Authority's statutory mission in financing industrial and commercial facilities as well as 501(c)(3) facilities.

The IFADF did not apply for an allocation in Fiscal Year 2019. As of June 30, 2019, restricted net position of the IFADF, which is presented as part of the nonmajor funds, is $11,877.

Basis of Accounting

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

Assets, Liabilities, Deferred Inflows, Deferred Outflows and Net Position

Cash, Cash Equivalents and Investments

Cash equivalents are defined as short-term, highly liquid investments readily convertible to cash with maturities of 90 days or less at time of purchase. Cash equivalents consist principally of certificates of deposit, Money Market Mutual Funds, and repurchase agreements and are stated at cost. Per the Authority's investment policy, safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to preserve the investment principal by minimizing credit and interest rate risk, provide liquidity for working capital needs and grow unencumbered portfolio balances through prudent management.

Restricted Assets

Certain resources have been classified as restricted assets on the Statement of Net Position because their use is limited by applicable bank and loan agreements. For additional disclosures, see Note 3 - cash deposits and investments, Note 9 - long-term obligations and Note 12 - commitments and contingencies.

Investments

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

Issuance Costs and Premium and Revenue

The Authority is amortizing issuance premiums using the approximate effective interest method on all issued bond series except for the Illinois Environmental Protection Agency Series 2013 for which the bonds outstanding method is used. Amounts are presented net of accumulated amortization in the Statement of Net Position. In accordance with GASB Statement No. 65, bond issuance costs and the bond issue related fee revenues are not deferred or amortized, but recognized in the current periods.

Deferred Loss on Early Extinguishment

The Authority is amortizing a deferred outflow (loss on the refunding of bonds) in the Other State of Illinois Debt Fund over the lesser of the term of the old debt or the new debt using the effective interest method. The unamortized loss is presented as a deferred outflow of resources in the Authority's Statement of Net Position.

Interfund Transactions

The Authority has the following types of interfund transactions:

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

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

Transfers – This represents amounts provided to other funds which will not be repaid.

Capital Assets

Capital assets, which include property and equipment, are reported at historical cost. Capital assets are depreciated using the straight-line method. Depreciation of property and equipment used by the Authority is charged as an expense against the Authority's General Operating Fund. Capital assets and accumulated depreciation are reported in Note 8 to the financial statements.

Capitalization thresholds and the estimated useful lives are as follows:

Assets	Threshold	Years
Furniture and equipment	$500	5
Computer equipment	$5,000	5
Software	$10,000	3

Note 1. Summary of Significant Accounting Policies (Continued)

Vacation and Sick Leave

The Authority's current vacation and sick leave pay policy, effective July 1, 2011, provides for employees to earn vacation pay at a rate based upon the employee's length of service with the Authority. Vacation time is accrued monthly and employees are allowed to accumulate vacation time up to one and half times their annual vacation allowance. Once an employee has accumulated the maximum amount of vacation days, the employee will no longer accrue any further vacation days. Vacation days will resume accruing once the employee uses accumulated vacation days.

Earned vacation days are accrued at fiscal year-end for financial statement purposes and recorded as Due to Employees in the Statement of Net Position in the General Operating Fund. Sick leave earned by employees must be taken during the fiscal year and cannot be accumulated and carried over to the next fiscal year.

Activity related to accrued vacation leave for the year ended June 30, 2019, consisted of the following:

Balance June 30, 2018	Earned	Paid	Balance June 30, 2019	Due Within One Year
$ 106,062	$ 140,507	$ 130,009	$ 116,560	$ 116,560

Healthcare Benefits

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

The Authority's retirees are not eligible to participate in the Authority's healthcare plan thus, the Authority does not have an other postemployment benefit obligation.

Termination Benefits

Termination, or severance benefits, are specified and detailed in separation agreements between the Authority and former employees. These benefits may include continued payments of the employee's salary for a specified duration of time. The cost of these benefits is calculated based on the employee's last salary amount and includes salary related costs (e.g. Social Security and Medicare tax). The total cost of termination benefits incurred during fiscal year 2019 is $10,006.

Note 1. Summary of Significant Accounting Policies (Continued)

Net Position

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

Net Investment in Capital Assets - This component consists of capital assets, net of accumulated depreciation. As of June 30, 2019, the Authority had investments in capital assets of $52,604.

Restricted - This component consists of net position that is legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the Authority's policy to use restricted resources first, then unrestricted resources when they are needed. As of June 30, 2019, the Authority had restricted net position of $59,258,156 of which $59,246,279 is restricted by enabling legislation.

Unrestricted - This component consists of all other net position that do not meet the definition of "restricted" or "net investment in capital assets." As of June 30, 2019, the Authority had unrestricted net position of $64,084,944.

Classification of Revenues

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

Use of Estimates

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

Conduit Debt Obligations

In accordance with the Illinois Finance Authority Act (20 ILCS 3501/801-40(c)), the Authority issues limited obligation revenue bonds and participated in lending and leasing agreements to provide low cost financing to businesses, agribusinesses, health care facilities, educational facilities, municipalities, and other organizations in order to stabilize and strengthen the Illinois economy in areas of job creation and job retention. The bonds and leases are secured by the property financed. Upon repayment of the debt, ownership of the acquired facilities transfers to the entity served by the issuance. In regards to these conduit issuances, neither the Authority or the State, nor any political subdivision thereof, is obligated in any manner for repayment of the debt. Accordingly, the bonds and leases are not reported as liabilities in the Authority's basic financial statements. As of June 30, 2019, the aggregate amount of conduit debt outstanding is approximately $23.2 billion.

Note 1. Summary of Significant Accounting Policies (Continued)

New Accounting Standards

During Fiscal Year 2019, the Authority adopted the following Governmental Accounting Standards Board ("GASB") standards:

- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. The adoption of this standard required adding additional disclosures to the notes to the financial statements.

- GASB Statement No. 83, *Certain Asset Retirement Obligations***.** This Statement addresses accounting and financial reporting for certain asset retirement obligations (ARO's). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability. Due to the nature of the Authority's operations, this statement was not applicable to the Authority's financial reporting as of June 30, 2019.

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

- GASB Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

- GASB Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of government's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Note 1. Summary of Significant Accounting Policies (Continued)

New Accounting Standards (Continued)

- GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

- GASB Statement No. 90, *Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The requirements of this statement are effective for reporting periods beginning after December 15, 2018.

- GASB Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. It clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer; establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2020.

Note 2. Stewardship, Compliance and Accountability

The Illinois Finance Authority does not receive any State appropriations to support the administration and operation of the Authority. Instead, the Authority is financed from fees charged to borrowers who utilize the Authority to issue primarily tax-exempt debt, as well as from interest and fees collected from certain loans and investments.

The Authority is the steward of two State of Illinois non-appropriated funds, the Illinois Agricultural Loan Guarantee Fund and the Illinois Agribusiness Loan Guarantee Fund. These funds are mission driven programs to assist in the expansion of the agricultural industry throughout Illinois. Further, the Authority is the steward for the Fire Truck Revolving Loan Fund and Ambulance Revolving Loan Fund. These funds are mission driven programs and assist local governments and non-profit entities perform public safety functions. In addition, the Authority adopts an annual budget for the General Operating Fund at its June meeting for the upcoming fiscal year.

The Authority participates in an annual financial audit and a biennial compliance examination conducted by the State of Illinois Office of the Auditor General and internal audits conducted by auditors from the State of Illinois Department of Central Management Services. It is an ongoing Authority initiative to increase and maintain sufficient levels of internal controls and comply with all regulatory and statutory requirements.

Note 3. Cash, Deposits and Investments

Cash, Deposits and Investments

Cash and investments as of June 30, 2019, are classified in the accompanying basic financial statements as follows:

Cash and cash equivalents - unrestricted	$ 1,394,081
Cash and cash equivalents - fiduciary fund	4,059
Cash and cash equivalents - restricted current assets	197,829,820
Cash and cash equivalents - restricted noncurrent assets	18,730,864
Investments - unrestricted current assets	38,135,813
Investments - unrestricted noncurrent assets	11,467,574
Investments - restricted current assets	427,059,329
Investments - restricted noncurrent assets	3,069,163
Total	$ 697,690,703

Cash and investments as of June 30, 2019, consist of the following:

Deposits with financial institutions	$ 97,819
Deposits with State of Illinois Treasurer	19,107,850
Investments	678,485,034
Total	$ 697,690,703

Note 3. Cash, Deposits and Investments (Continued)

Allowable Investments

The Authority is permitted by the Illinois Finance Authority Act (20 ILCS 3501/801-30(a)) and by its investment policy to invest any of its funds in:

a. U.S. Government securities, including securities of the federal agencies;
b. Securities guaranteed by the federal government;
c. Savings accounts, certificates of deposit, and time deposits in banks or savings and loans insured by the Federal Deposit Insurance Corporation ("FDIC"), with any deposits in excess of amounts insured by the FDIC are collateralized;
d. Short-term obligations of U.S. corporations with assets exceeding $500,000,000 and rated investment grade and which mature not later than 180 days from the date of purchase, provided that such obligations do not exceed 10% of the corporation's outstanding obligations and no more than one-third of the Authority's funds are invested in such obligations;
e. Money market mutual funds registered under the Investment Company Act of 1940, provided the portfolio is limited to either U.S. government or government-backed securities;
f. Shares of other forms of securities legally issued by savings banks or savings and loan associations, if such securities are insured by the FDIC;
g. Dividend-bearing share accounts, share certificate accounts or class of share accounts of a credit union, if insured under applicable law;
h. The Illinois Funds;
i. A fund managed, operated, and administered by a bank, subsidiary of a bank, or subsidiary of a bank holding company or uses the services of such an entity to hold, invest or advise on investments; and,
j. Repurchase agreements of government securities.

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

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

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

Note 3. Cash, Deposits and Investments (Continued)

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

Interest Rate Risk

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

As of June 30, 2019, the weighted average maturities of the Authority's investments were:

Investment Type	June 30, 2019	Weighted Average Maturity (in years)
U.S. Treasury notes	$ 15,114,450	0.92
U.S. Government agency securities	320,947,601	0.15
Money market mutual funds	198,067,242	N/A
Corporate debt securities	143,669,828	0.09
Repurchase agreements	685,913	0.00
Total	$ 678,485,034	

Credit Risk

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

Note 3. Cash, Deposits and Investments (Continued)

Credit Risk (Continued)

Presented below is the rating as of year-end for each investment type:

Investment Type	June 30, 2019	Ratings S & P	Ratings Moody's
U.S. Treasury notes	$ 15,114,450	AA+	Aaa
U.S. Government agency securities	320,947,601	AA+	Aaa
Money market mutual funds	198,067,242	AAA	Aaa
Corporate debt securities	885,099	AAA	Aaa
Corporate debt securities	149,850	AA+	Aa1
Corporate debt securities	1,160,370	AA	Aa2
Corporate debt securities	274,341	AA	A1
Corporate debt securities	2,081,631	AA-	A1
Corporate debt securities	1,475,527	AA-	Aa3
Corporate debt securities	499,315	A+	A1
Corporate debt securities	668,971	A+	Aa2
Corporate debt securities	2,158,868	A+	Aa3
Corporate debt securities	174,379	A+	A2
Corporate debt securities	1,100,030	A	A1
Corporate debt securities	2,640,375	A	A2
Corporate debt securities	499,517	A	A3
Corporate debt securities	3,733,867	A-	A2
Corporate debt securities	390,070	A-	A3
Corporate debt securities	4,999,030	A-1+	Aa2
Corporate debt securities	42,211,545	A-1+	P1
Corporate debt securities	78,567,043	A-1	P1
Repurchase agreements	685,913	AAA	Aaa
Total	$ 678,485,034		

Concentration of Credit Risk

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

- Certificates of deposit from any single financial institution may not comprise more than 20% of the Authority's portfolio or 5% of the financial institution's total deposits.
- Commercial paper purchases may not exceed 20% of the Authority's portfolio in total and 5% of the Authority's portfolio in any single issuer's name.
- No investment category shall exceed 30% of the Authority's portfolio, with the exception of U.S. Treasury securities and cash equivalents, including certificates of deposit.

Note 3. Cash, Deposits and Investments (Continued)

Concentration of Credit Risk (Continued)

As of June 30, 2019, investments in any one issuer (other than U.S. Treasury securities and external investment pools) that represent 5% or more of the total Authority investments are as follows:

Issuer	Investment Type	Amount
Goldman Sachs Financial Square Government Fund	Money Market Mutual Funds	$ 198,025,782

Custodial Credit Risk

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

1. U.S. Government securities;
2. Securities guaranteed by the federal government;
3. Obligations of the State of Illinois;
4. Letters of credit issued by the Federal Home Loan Bank of Chicago or equivalent entity; and,
5. Surety bonds issued by Municipal Bond Insurance Association ("MBIA") or equivalent entity.

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

The Authority has entered into a repurchase agreement with Bank of America ("Bank"). Under the terms of this agreement, at the end of each business day, the Bank will sell the Authority government securities. The Bank promises to repurchase these same securities at the beginning of the next banking day for the amount invested plus interest. The interest rate is established each day by the Bank. If, on the maturity date, the Bank defaults on its obligation to repurchase the securities, the Bank will transfer the securities to a custodian to hold for the benefit of the Authority. If this occurs, the Authority could incur a loss if the value of the securities declines. At June 30, 2019, the Authority had invested $685,913 under this agreement. The underlying securities are held by Bank of America's safekeeping department.

Note 4. Fair Value Measurement

In accordance with GASB 72, the Authority's investments are measured and reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments are classified according to the following hierarchy.

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

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

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

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

The following table presents the Authority's fair value hierarchy for those assets measured at fair value on a recurring basis as of June 30, 2019.

Assets Investments	Total	Level 1	Level 2	Level 3
U.S. Treasury notes	$ 15,114,450	$ 15,114,450	$ -	$ -
U.S. Government agency securities	320,947,601	-	320,947,601	-
Corporate debt securities	143,669,828	-	143,669,828	-
Repurchase agreements	685,913	685,913	-	-
Money market mutual funds	198,067,242	198,067,242	-	-
Total Investments	$ 678,485,034	$ 213,867,605	$ 464,617,429	$ -

Note 5. Securities Lending Transactions

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

During fiscal years 2019 and 2018, Deutsche Bank AG lent U.S. Agency securities and U.S. Treasury securities and received as collateral U.S. dollar denominated cash. Borrowers were required to deliver collateral for each loan equal to at least 100% of the aggregate fair value of the loaned securities. Loans are marked to market daily. If the fair value of collateral falls below 100%, the borrower must provide additional collateral to raise the fair value to 100%.

Note 5. Securities Lending Transactions (Continued)

The State Treasurer did not impose any restrictions during fiscal years 2019 and 2018 on the amount of loans of available, eligible securities. In the event of borrower default, Deutsche Bank AG provides the State Treasurer with counterparty default indemnification. In addition, Deutsche Bank AG is obligated to indemnify the State Treasurer if Deutsche Bank AG loses any securities, collateral or investments of the State Treasurer in Deutsche Bank AG's custody. There were no losses during fiscal years 2019 and 2018 resulting from a default of the borrowers or Deutsche Bank AG.

During fiscal years 2019 and 2018, the State Treasurer and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested in repurchase agreements with approved counterparties collateralized with securities approved by Deutsche Bank AG and marked to market daily at no less than 102%. Because the loans are terminable at will, their duration did not generally match the duration of the investments made with cash collateral. The State Treasurer had no credit risk as a result of its securities lending program as the collateral held exceeded the fair value of the securities lent.

The securities lending collateral received that were invested in repurchase agreements allocated to the Illinois Agricultural Loan Guarantee and Illinois Farmer Agribusiness Loan Guarantee Fund were $2,832,000 and $2,221,000, respectively, as of June 30, 2019.

Note 6. Bonds, Notes and Loans Receivable

The Authority sponsors a variety of lending programs including direct lending and direct lending participation loans. The Authority also makes loans through its federal program, the Rural Development Loan Program. Bonds and notes receivable from local governmental units represent amounts loaned to the units through the purchase of their securities.

<u>Illinois Housing Partnership Program</u> - The Authority participates in the Illinois Housing Partnership Program ("IHPP") which was established by the Illinois General Assembly in 1985 in order to finance the acquisition and renovation of multi-family housing units. The total loan outstanding as of June 30, 2019 was zero.

<u>Direct Lending Participation Program</u> - The Authority allows for the purchase of land, building, construction, or renovation of a building, and acquisition of machinery and equipment up to the lesser of $500,000 or 50% of the project. By purchasing a participation of the bank at a lower interest rate than the borrower would receive on its own, the Authority requires the bank to pass savings directly to the borrower. The Authority participations are on a pro-rata 50/50 basis with the bank. Loans under this program carry a variable interest rate that is up to 100 basis points less than the bank's rate with maturity dates up to ten years. Total loans outstanding as of June 30, 2019, were $808,186 within the General Operating Fund.

<u>Deferred Action for Childhood Arrivals ("DACA") Loan Program</u> - The Deferred Action for Childhood Arrivals Loan Program is the Authority's loan program designed to provide student loans for eligible applicants to medical and dental schools in Illinois. The program was funded by $1.6 million in unrestricted monies transferred from the Authority's General Operating Fund, in July 2014, to the DACA sub-fund. On October 1, 2015 an additional $854,835 was transferred to the DACA sub-fund. Total loans outstanding as of June 30, 2019 were $2,709,754 within the General Operating Fund.

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

Fire Truck Revolving Loan Program - This program provides zero and low interest rate loans for the purchase of fire trucks by fire departments, fire protection districts, or township fire departments. Public Act 97-900, effective August 6, 2012, expanded this program to include loans for "brush trucks". Brush truck loans under the program will bear interest at 2% simple interest if both the chassis and the apparatus are built outside Illinois, 1% simple interest if either the chassis or the apparatus is built in Illinois, or zero interest if both the chassis and apparatus are built in Illinois. The loans to each department, district or township may not exceed $350,000 and must be repaid within 20 years. A loan for the purchase of brush trucks may not exceed $100,000 per truck. The program was originally funded by a transfer of $19,000,000 from the State of Illinois and administered by the Authority, through a Locally Held Fund. This transfer of funds was converted to program interest for the Authority, as recorded on the financial statements for the fiscal year ended June 30, 2014. Current and future program transfers are funded from State of Illinois collections on outstanding loans and fines from traffic violations. Total loans outstanding as of June 30, 2019, were $16,137,230 within the Locally Held Fire Truck Revolving Loan Fund, a nonmajor fund. As of June 30, 2019, no loans had been made under this program for brush trucks.

Ambulance Revolving Loan Program - This program provides zero and low interest rate loans for the purchase of ambulances by fire departments, fire protection districts, township fire departments, and non-profit ambulance services. The loans may not exceed $100,000 and must be repaid within 10 years. The program was originally funded by an appropriation of $4,000,000 received by the State of Illinois and administered by the Authority, through a Locally Held Fund. This transfer of funds was converted to program interest for the Authority, as recorded on the financial statements for the Fiscal Year ended June 30, 2014. Current and future program transfers are funded from State of Illinois collections on outstanding debt. Total loans outstanding as of June 30, 2019, were $1,109,320 within the Locally Held Ambulance Revolving Loan Fund, a nonmajor fund.

Local Government Financing Assistance Program - This program provides financing to units of local government located in the State of Illinois by purchasing the securities of the local governments. These loans are typically used by the local governments to finance short-term financing needs until a longer term financing solution becomes available under the Bond Bank Lending Program. Total loans outstanding as of June 30, 2019, were $1,064,894 in the General Operating Fund.

Local Government Borrowing Program - This program facilitates the financing needs of a broad array of governmental units located throughout the State. The loans are used by the local governments to finance long term water and sewer infrastructure improvements and general capital improvement projects. The local government units make payments on the loans from taxes, revenues, rates, charges, or assessments, in an amount sufficient to pay the principal of and interest on its local government securities when due. This program was funded by the issuance of revenue bonds. Further information on these revenue bonds can be found in Note 9 of the financial statements. Total loans outstanding as of June 30, 2019, were $8,305,837 in the General Operating Fund.

Loans with the Primary Government and Component Units of the State of Illinois - The Authority has provided financing to the State of Illinois and to component units of the State of Illinois. The loans under this program were used to fund Illinois's Clean Water and Drinking Water revolving loan program administered by the State of Illinois, Environmental Protection Agency and to fund capital projects of other State agencies. This program was funded by the issuance of revenue bonds. Further information on these revenue bonds can be found in Note 9 to the financial statements. The borrowers make payments in an amount sufficient to pay the principal of and interest on the bonds when due. Total loans outstanding as of June 30, 2019, were $1,132,614,723 in the Other State of Illinois Debt Fund.

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

Allowance for Doubtful Accounts

The allowance for doubtful accounts for all loans and notes receivable on June 30, 2019 is comprised of two components: a general reserve and a reserve for delinquencies. Loans which are delinquent greater than 90 days are reserved for at 100% of principal outstanding. In addition, the Authority provides a general reserve at approximately 2% for the principal balance of all other loans outstanding. Loans in the DACA Loan Program, Fire Truck Revolving Loan Program, Ambulance Revolving Loan Program, Local Government Financing Assistance Program, Local Government Borrowing Program, Loans with Primary Government and Component Units of the State of Illinois have not experienced a default; therefore, the allowance for doubtful accounts based on prior experience is zero.

The Authority's accounts, bonds, notes and loans receivable for the year ended June 30, 2018, consisted of the following:

	Fund	All Receivables June 30, 2019	Allowance for Doubtful Accounts	Net Receivable June 30, 2019
Accounts Receivable	General Operating	$ 62,770	$ (7,038)	$ 55,732
DACA Loan Program	General Operating	2,709,754	-	2,709,754
Direct Lending Participation Program	General Operating	808,186	(19,270)	788,916
Fire Truck Revolving Loan Program	Nonmajor	16,137,230	-	16,137,230
Ambulance Revolving Loan Program	Nonmajor	1,109,320	-	1,109,320
Local Government Financing Assistance Program	General Operating	1,064,894	-	1,064,894
Local Government Borrowing Program	General Operating	8,305,837	-	8,305,837
Loans with the Primary Government and Component Units of the State of Illinois	Other State of Illinois Debt	1,132,614,723	-	1,132,614,723
		$ 1,162,812,714	$ (26,308)	$ 1,162,786,406

Note 7. Interfund Transfers and Balances

Interfund Transfers

Interfund transfers are defined as the flow of assets, such as cash or goods, without equivalent flows of assets in return. Interfund borrowings are reflected as "Due to/from Other Funds" on the accompanying financial statements. All other interfund transfers are reported as transfers in/out. There were no interfund transfers in the year ended June 30, 2019.

Note 8. Capital Assets

Capital assets activity for the year ended June 30, 2019, was as follows:

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019
Capital assets being depreciated:				
Furniture and equipment	$ 195,646	$ 2,652	$ 5,399	$ 192,899
Computers	194,349	3,822	59,434	138,737
Software	287,799	-	-	287,799
Total capital assets being depreciated	677,794	6,474	64,833	619,435
Less: Accumulated depreciation				
Furniture and equipment	192,396	1,988	5,399	188,985
Computers	134,658	14,910	59,434	90,134
Software	287,712	-	-	287,712
Total accumulated depreciation	614,766	16,898	64,833	566,831
Capital assets, net of depreciation	$ 63,028	$ (10,424)	$ -	$ 52,604

The Authority's records were reconciled to the records maintained by the Comptroller of the State of Illinois as of June 30, 2019.

Note 9. Long-term Obligations

Revenue Bonds Payable

The following schedule details the changes of all revenue bonds payable as of June 30, 2019:

Revenue bonds payable:	Balance June 30, 2018	Additions	(Retirements)	Balance June 30, 2019	Amounts Due Within One Year
Northern Illinois University Foundation	$ 1,099,096	$ -	$ (328,674)	$ 770,422	$ 366,082
Illinois Environmental Protection Agency Clean Water Series 2013	57,775,000	-	(17,410,000)	40,365,000	14,664,998
Illinois Environmental Protection Agency Clean Water Series 2016	476,315,000	-	(28,575,000)	447,740,000	29,870,000
Illinois Environmental Protection Agency Clean Water Series 2017	560,025,000	-	(18,700,000)	541,325,000	23,720,000
Illinois Environmental Protection Agency Clean Water Series 2019	-	450,000,000	-	450,000,000	-
	$ 1,095,214,096	$ 450,000,000	$ (65,013,674)	$ 1,480,200,422	$ 68,621,080

Note 9. Long-term Obligations (Continued)

The future debt service requirements for revenue bonds as of June 30, 2019, including interest payments are as follows:

Fiscal Year Ending June 30,	Total Outstanding Revenue Bonds Principal	Interest	Total
2020	$ 68,621,080	$ 64,936,844	$ 133,557,924
2021	87,929,342	67,794,869	155,724,211
2022	88,985,000	63,395,038	152,380,038
2023	89,965,000	58,971,063	148,936,063
2024	91,465,000	54,606,463	146,071,463
2025-2029	452,460,000	206,139,838	658,599,838
2030-2034	393,955,000	99,584,863	493,539,863
2035-2039	201,270,000	21,140,844	222,410,844
2040-2044	5,550,000	207,750	5,757,750
	$ 1,480,200,422	$ 636,777,572	$ 2,116,977,994

Each revenue bond issue is payable only out of the trust estate established for each issue. The trust estate is comprised of all rights, title, and interest of the Authority in the loan securities, the purchase agreements, the intercept proceedings, and all moneys and securities held in all funds and accounts under the indenture, except moneys and securities on deposit in the redemption fund which are for the payment of the principal and interest of bonds called for redemption prior to maturity. The Authority has pledged future loan revenues to repay the outstanding principal of the revenue bonds. Proceeds from the bonds provided financing for various loan programs. The bonds are payable solely from principal and interest revenues under the related loans and are payable through the final maturity of the bonds in 2041. Principal and interest payments on the bonds are expected to require approximately 100% of these loan revenues. All bonds outstanding at June 30, 2019, are revenue bonds of the Authority and are payable solely from the revenues or funds pledged or available for their payment as authorized by the Illinois Finance Authority Act (20 ILCS 3501/801-40(c)). Neither the faith and credit nor the taxing power of the State of Illinois is pledged to the payment of the principal or interest on the bonds.

Moral Obligation - The Authority may issue revenue bonds with the State's moral obligation pledge attached. This pledge means that in the event it is determined that money will not be available for payment of principal and interest of these obligations, the Governor is to submit the shortfall amount to the General Assembly for subsequent appropriation.

Component Units and Primary Government - The revenue bonds of the component units and primary government of the State of Illinois were not issued with the State's moral obligation pledge. Bonds issued for the benefit of other agencies and component units of the State of Illinois are comprised of the following:

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

Note 9. Long-term Obligations (Continued)

Revenue Bonds Payable (Continued)

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

State of Illinois Revolving Fund, Series 2016 (Clean Water Initiative) – The original issue of $500,000,000 dated September 12, 2016, provides for serial retirement of principal beginning July 1, 2017, and every January 1 and July 1, thereafter, and interest payable on January 1 and July 1 of each year at rates of 1.00% to 5.00%. Final maturity is July 1, 2036.

State of Illinois Revolving Fund, Series 2013 (Clean Water Initiative) – The original issue of $141,700,000 dated December 5, 2013, provides for serial retirement of principal beginning July 1, 2014, and every January 1 and July 1, thereafter, and interest payable on January 1 and July 1 of each year at rates of 1.00% to 5.00%. Final maturity is July 1, 2023.

Northern Illinois University Foundation, Series 2013 – The principal amount is not to exceed $6,100,000 and provides for advances as needed to pay construction costs. Interest is payable February 15 and August 15 of each year commencing August 15, 2013, at the rate of 1.62%. Final maturity is February 15, 2021.

Revolving Loans

Locally Held Fire Truck Revolving Loan Fund - The Fire Truck Revolving Loan program was authorized by the Illinois Finance Authority Act (20 ILCS 3501/825-80). The loan program is jointly administered by the Authority and the Office of the Illinois State Fire Marshal. The Fire Prevention Fund and Build Illinois Bond Fund originally loaned $9 million and $10 million, respectively, to the Authority, to fund zero-interest or low-interest loans for the purchase of fire trucks and brush trucks by fire departments, fire protection districts, or township fire departments based on need as determined by the State Fire Marshal. This transfer of funds was converted to program interest for the Authority, through a Locally Held Fund, as recorded on the financial statements for the fiscal year ended June 30, 2014. Under the terms of the program, the loans to any fire department, fire protection district, or township fire department may not exceed $350,000. A loan for the purchase of brush trucks may not exceed $100,000. The repayment period for each loan may not exceed 20 years and requires that a minimum of 5% of the principal amount borrowed is repaid each year.

Locally Held Ambulance Revolving Loan Fund - The Ambulance Revolving Loan program was authorized by the Illinois Finance Authority Act (20 ILCS 3501/825-85). The loan program is jointly administered by the Authority and the Office of the Illinois State Fire Marshal. The State's Fire Prevention Fund originally loaned $4 million to the Authority, to fund zero-interest or low-interest loans for the purchase of ambulances by fire departments, fire protection districts, township fire departments, or non-profit ambulance services based on need as determined by the State Fire Marshal. This transfer of funds was converted to program interest for the Authority, through a Locally Held Fund, as recorded on the financial statements for the fiscal year ended June 30, 2014. Under the terms of the program, the loans to any fire department, fire protection district, or non-profit ambulance service may not exceed $200,000. Loan repayment periods may not exceed 10 years and requires a minimum 5% of principal borrowed to be repaid each year.

Note 9. Long-term Obligations (Continued)

Revolving Loans (Continued)

In April 2014, the Authority and the Office of the State Fire Marshal entered into an intergovernmental agreement to jointly administer the Fire Truck, Fire Station, and Ambulance Revolving Loan programs. Shortly after the adoption of this intergovernmental agreement, the Office of the State Fire Marshal paid all moneys on deposit in these funds to the Authority for the sole purpose of funding loans under the loan programs as required by the Illinois Finance Authority Act. In addition, all moneys deposited in the future into the State Treasury's Fire Truck Revolving Loan and Ambulance Revolving Loan Funds, will be paid to the Authority to provide future funding for loans. In Fiscal Year 2019, with regards to these deposits, the State of Illinois transferred capital of $449,463 for the Fire Truck Revolving Loan program to the Authority.

In addition, per the implementation of Public Act 97-0901, the Authority, for financial reporting purposes only, does not report balances due to the primary government within the Authority's funds. As the principal and interest amounts collected from the local governments and non-profit entities will ultimately be retained by the Authority, the Authority no longer possesses a present obligation to sacrifice the resources represented by the loans and interest receivable from the local governments and non-profit entities to the State.

Note 10. Refunding and Extinguishment of Debt

Defeasance of Revenue Bonds

On June 30, 2014, the Authority deposited $34,932,649 in an irrevocable trust to defease all outstanding Illinois Rural Bond Bank revenue bonds, with the par value of $32,355,000. On February 1, 2019, the escrow fully paid off the outstanding bonds from this defeasance.

Note 11. Lease Commitments

Operating Leases

Total rent expense for all three Illinois Finance Authority locations for the year ended June 30, 2019 was $117,756, including utilities.

State of Illinois, Department of Central Management Services/Michael A. Bilandic Building – On August 1, 2015, the Chicago Office of the Authority relocated to the tenth floor of the Michael A. Bilandic building (a State-owned facility) at 160 N. LaSalle Street, Suite S-1000 in Chicago, Illinois 60601. As the building is managed by the Department of Central Management Services, the Authority compensates the State of Illinois for the use of its office space. Total rent expense for the year ended June 30, 2019, was $105,348.

State of Illinois, Department of Commerce and Economic Opportunity - The Authority entered into an interagency agreement with the Department of Commerce and Economic Opportunity to lease office space in Springfield, with no charge to the Authority, effective July 1, 2016, until June 30, 2019.

Note 11. Lease Commitments

Operating Leases (Continued)

One Oaks - The Authority entered into a rental lease agreement for office space for its Mount Vernon Office at 2929 Broadway, Suite #7B; Mount Vernon, Illinois 62864. The initial term of the lease expires on June 30, 2019. The lessee has the right to renew the lease for a further period of 60 months, at the rate in effect during the final month of the lease term, beginning in 2020. Annual base rent payments are approximately $12,408, with utilities charged per the rental agreement.

Equipment Leases - The Authority entered into an equipment lease agreement. The annual base rental payments for this lease are approximately $11,342. The Authority has a total of four equipment lease agreements for its Chicago office and one equipment lease for its Mount Vernon office, totaling approximately $16,088, for the year ended June 30, 2019.

The future minimum lease commitments as of June 30, 2019, are as follows:

Fiscal Year Ending June 30	Amount
2020	$ 21,826
2021	15,091
2022	12,661
2023	12,914
2024	12,914
	$ 75,406

Note 12. Commitments and Contingencies

Current Federally Assisted Programs

Loan Guarantees

The Authority has a contingent liability regarding the loan guarantees outstanding at June 30, 2019. When a guaranteed loan defaults, the Authority is responsible for 85% of the liability, with the participating lender being responsible for the remaining 15%. Any guarantee that must be paid out by the State of Illinois because of a claim properly filed by a bank that has a guaranteed loan that has defaulted, becomes a receivable on the books of the Authority. The State Treasurer maintains the cash and cash equivalents of the Illinois Agricultural Loan Guarantee Fund and the Illinois Farmer Agribusiness Loan Guarantee Fund which are restricted by enabling legislation to secure the State guarantees. The Authority must first liquidate the loan collateral, and absorb any loss due to uncollectible amounts. Any recoveries on the defaulted loan are first used to repay the Authority's guarantee and then used to repay the lender. These future liabilities, if any, cannot be estimated.

Note 12. Commitments and Contingencies (Continued)

Loan Guarantees (Continued)

According to the certifications received by the Authority from lenders, the maximum guarantees outstanding and the corresponding cash deposits used to secure the liabilities are as follows:

	Balance at June 30, 2019		
	Illinois Agricultural Loan Guarantee Fund	Illinois Farmer Agribusiness Loan Guarantee Fund	Total
Cash Deposits	$ 10,498,184	$ 8,232,680	$ 18,730,864
Maximum Outstanding Guarantees:			
State Guarantee Program for Restructuring Agricultural Debt	3,354,831	-	3,354,831
Specialized Livestock Loan Guarantee Program	-	1,068,066	1,068,066
Young Farmer Loan Guarantee Program	-	195,270	195,270
Farm Purchase Program	-	825,743	825,743
Total	$ 3,354,831	$ 2,089,079	$ 5,443,910

Approved payouts specific to the Specialized Livestock Loan Guarantee Program, the Young Farmer Loan Guarantee Program, and the Farm Purchase Program, may be made from either the Illinois Agricultural Loan Guarantee Fund or the Illinois Farmer Agribusiness Loan Guarantee Fund per statute. In addition to the loan guarantee funds held by the State Treasury, the Illinois Finance Authority Act (20 ILCS 3501/805-20(j)), authorizes the Authority to make payments on State guarantees from the Industrial Project Insurance Fund. This fund has cash and investments totaling $11,890,711 at June 30, 2019.

Note 13. Risk Financing Activities

The Authority addresses the possibility of loss due to certain business related operations such as theft, asset damage, employee injuries, or natural disasters through the purchase of commercial insurance coverage. The Authority’s coverage under its current risk management policy has not experienced any significant changes nor has the impact of any settlements exceeded coverage over the past three years.
The Authority maintains sufficient cash balances and/or liquidity in its General Operating Fund to appropriately handle any associated financial obligations that may occur due to the above mentioned risks.

Note 14. Defined Contribution Plan

The Authority's members approved the Illinois Finance Authority Deferred Compensation Plan ("Plan"). The Authority's members have the power to amend the Plan. The Plan is administered through the State of Illinois, Department of Central Management Services and the Plan is considered a defined contribution plan. This plan allows participants to invest a portion of their salary in a choice of investment programs. Federal and State income taxes are deferred on the total amount through the plan as well as on investment earnings. However, the total contributions are subject to FICA taxes. The program provides a tax sheltered retirement account. The employee may begin participating in the Plan after 30 days of employment have been completed.

The maximum contributions through the calendar year 2018 are:

Year	Maximum Contribution	Age 50 Catch Up
2019	$19,000	$25,000

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

Total employer and employee contributions for Fiscal Year 2019 were $148,068 and $144,554, respectively.

Note 15. Transactions with the Primary Government

The Authority is principally engaged in issuing taxable and tax-exempt bonds, making loans, and investing capital for businesses, non-profit corporations, local government units, and primary government including component units of the State of Illinois. This includes moral obligation bonds which were inherited from the predecessor Illinois Development Finance Authority used to finance a primary government project. The Authority also administers certain programs for the State.

<u>Due to primary government ("CMS")</u> – The Department of Central Management Services ("CMS") is the manager of real property for the State of Illinois. As such, amounts due for monthly rent expense and telecommunications costs for the Chicago Office have been incurred by the Authority and owed to CMS as of June 30, 2019. The Authority is indebted with CMS in the amount of $3,226. This amount is a component of the amount reported as account payable in the Authority's General Operating Fund.

Note 16. Subsequent Events

Deferred Action for Childhood Arrivals Program

On November 12, 2019, the United States Supreme Court heard oral arguments on the rescission of the DACA Program. The Court's ruling is likely to be known in 2020. This ruling may impact the immigration status of approximately 700,000 undocumented immigrants in the United States. Those impacted may include existing and future recipients of the Authority's pilot DACA program who received medical school loans from the Authority in exchange for future service in medically underserved communities in Illinois.

Note 16. Subsequent Events (Continued)

Expanded Organizational Talent and Skill Capacity

On the week of October 27, 2019, the Authority hired five new employees, four of which were newly created positions. As part of the ongoing objectives of the Transformation Initiative, the new employees adds talent, and experience; allow for the further segregation of duties, provides for capacity redundancy and a possible succession framework; and appropriately staff key organizational functions. This new cohort also demonstrates the validity of the Authority employer/employee value proposition in a tight employment market. This expansion represented a 20 percent growth of staff, bringing the total of all employees to 24.

Property Assessed Clean Energy ("PACE")

On July 29, 2019, Governor Pritzker signed into law House Bill 3501 (Public Act 101-0169, effective immediately), which was a comprehensive technical rewrite of the Property Assessed Clean Energy Act ("PACE") (50 ILCS 50/1, et seq.)

On November, 8, 2019, the Authority issued the first PACE Bond in Illinois history in the amount $21,250,000, for the rehabilitation of a hotel in Chicago to improve water and energy efficiency and posted revenue related thereto on November 13, 2019.

Conduit Bond Issuance on behalf of For-Profit Business

The Authority issued Exempt Facility federally tax-exempt conduit bonds under Section 142 of the United States Internal Revenue Code on behalf of Waste Management, Inc. for capital investment in landfill facilities on November 6, 2019 in the amount of $50,000,000 and on behalf of American Water Capital Corporation to refund existing bonds issued to finance certain facilities owned and operated by American Water Capital Corporation on November 14, 2019 in the amount of $28,500,000. These issues represented the first time the Authority has issued bonds on behalf of either borrower in over nine years. For both public mission and revenue impact, the reemergence of for-profit borrowers is a positive trend for the Authority. Historically, conduit bonds issued for both small manufacturing companies and Exempt Facility projects (e.g., solid waste disposal facilities and investor-owned water utilities) comprised a significant portion of the Authority's issuance activity and annual conduit bond issuance revenues.

Senate Bill 1300

On November 14, 2019, Senate Bill 1300 ("SB 1300") passed both chambers of the Illinois General Assembly. SB 1300 creates two new investment funds: The Police Officers' Pension Investment Fund and The Firefighters' Pension Investment Fund. Through the creation of these funds, and the consolidation of the $14.2 billion of associated pension assets, the downstate and suburban police and fire fund systems will go from 650 investment portfolios, to two.

The Authority will play a critical role in the consolidation of these funds. SB 1300 authorizes the Authority to lend, and each of the two funds to borrow, up to $7.5 million in capital (for a combined total up to $15 million) to be used for start-up expenses. The legislation defines a 30 month transition period, after which those monies are to be paid back to the Authority, together with interest thereon, at an interest rate at a spread over LIBOR.

SUPPLEMENTARY INFORMATION

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

Combining Statement of Net Position-Nonmajor Funds
June 30, 2019

	Industrial Project Insurance Fund	Locally Held Fire Truck Revolving Loan fund	Locally Held Ambulance Revolving Loan Fund
ASSETS			
Current assets:			
Current unrestricted assets:			
Cash and cash equivalents	$ -	$ -	$ -
Investments	-	-	-
Accrued interest receivable	-	-	-
Total current unrestricted assets	-	-	-
Current restricted assets:			
Cash and cash equivalents	7,891	8,037,821	3,227,386
Investments	8,813,657	-	-
Securities lending collateral equity with the State Treasurer	-	-	-
Accrued interest receivable	52,566	22,410	6,815
Loans receivables, net	-	1,722,545	249,320
Total current restricted assets	8,874,114	9,782,776	3,483,521
Total current assets	8,874,114	9,782,776	3,483,521
Noncurrent assets:			
Noncurrent unrestricted assets:			
Investments	-	-	-
Total noncurrent unrestricted assets	-	-	-
Noncurrent restricted assets:			
Cash and cash equivalents	-	-	-
Investments	3,069,163	-	-
Accrued interest receivable	-	-	-
Loans receivables, net	-	14,414,685	860,000
Total noncurrent restricted assets	3,069,163	14,414,685	860,000
Total noncurrent assets	3,069,163	14,414,685	860,000
Total assets	11,943,277	24,197,461	4,343,521
DEFERRED OUTFLOWS OF RESOURCES			
Net loss on debt refundings	-	-	-
Total deferred outflows of resources	-	-	-
Total assets and deferred outflows of resources	11,943,277	24,197,461	4,343,521

Illinois Agricultural Loan Guarantee Fund	Illinois Farmer Agribusiness Loan Guarantee Fund	Illinois Housing Partnership Program Fund	Illinois Finance Authority Development Not-for-Profit Fund	Total Nonmajor Funds
$ -	$ -	$ 49,419	$ -	$ 49,419
-	-	3,189,622	-	3,189,622
-	-	18,626	-	18,626
-	-	3,257,667	-	3,257,667
-	-	-	11,877	11,284,975
-	-	-	-	8,813,657
2,832,000	2,221,000	-	-	5,053,000
-	-	-	-	81,791
-	-	-	-	1,971,865
2,832,000	2,221,000	-	11,877	27,205,288
2,832,000	2,221,000	3,257,667	11,877	30,462,955
-	-	1,233,905	-	1,233,905
-	-	1,233,905	-	1,233,905
10,498,184	8,232,680	-	-	18,730,864
-	-	-	-	3,069,163
19,000	15,000	-	-	34,000
-	-	-	-	15,274,685
10,517,184	8,247,680	-	-	37,108,712
10,517,184	8,247,680	1,233,905	-	38,342,617
13,349,184	10,468,680	4,491,572	11,877	68,805,572
-	-	-	-	-
-	-	-	-	-
13,349,184	10,468,680	4,491,572	11,877	68,805,572

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

Combining Statement of Net Position-Nonmajor Funds (Continued)
June 30, 2019

	Industrial Project Insurance Fund	Locally Held Fire Truck Revolving Loan fund	Locally Held Ambulance Revolving Loan Fund
LIABILITIES			
Current liabilities:			
Payable from unrestricted current assets:			
Accounts payable	$ -	$ -	$ -
Total current liabilities payable from unrestricted current assets	-	-	-
Payable from restricted current assets:			
Accounts payable	1,493	947	404
Due to other funds	-	-	-
Obligation under securities lending of the State Treasurer	-	-	-
Total current liabilities payable from restricted current assets	1,493	947	404
Total current liabilities	1,493	947	404
Noncurrent liabilities:			
Payable from restricted noncurrent assets:			
Noncurrent portion of long-term debt	-	-	-
Noncurrent loan reserve	-	-	-
Total noncurrent liabilities payable from restricted noncurrent assets	-	-	-
Total noncurrent liabilities	-	-	-
Total liabilities	1,493	947	404
NET POSITION			
Restricted for:			
Industrial revenue debt and agricultural guarantees	11,941,784	-	-
Public safety loans	-	24,196,514	4,343,117
Agricultural and rural development loans	-	-	-
Renewable energy development	-	-	-
Credit enhancement	-	-	-
Low income community investments	-	-	-
Unrestricted	-	-	-
Total net position	$ 11,941,784	$ 24,196,514	$ 4,343,117

Illinois Agricultural Loan Guarantee Fund	Illinois Farmer Agribusiness Loan Guarantee Fund	Illinois Housing Partnership Program Fund	Illinois Finance Authority Development Not-for-Profit Fund	Total Nonmajor Funds
$ -	$ -	561	$ -	$ 561
-	-	561	-	561
-	-	-	-	2,844
-	-	-		-
2,832,000	2,221,000	-	-	5,053,000
2,832,000	2,221,000	-	-	5,055,844
2,832,000	2,221,000	561	-	5,056,405
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
2,832,000	2,221,000	561	-	5,056,405
-	-	-	-	11,941,784
-	-	-	-	28,539,631
10,517,184	8,247,680	-	-	18,764,864
-	-	-	-	-
-	-	-	-	-
-	-	-	11,877	11,877
-	-	4,491,011	-	4,491,011
$ 10,517,184	$ 8,247,680	$ 4,491,011	$ 11,877	$ 63,749,167

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

Combining Statement of Revenues, Expenses and Changes in Net Position-Nonmajor Funds
For the Year Ended June 30, 2019

	Industrial Project Insurance Fund	Locally Held Fire Truck Revolving Loan Fund	Locally Held Ambulance Revolving Loan Fund
Operating revenues:			
Closing fees	$ -	$ -	$ -
Interest income - loans	-	12,376	1,240
Total operating revenues	-	12,376	1,240
Operating expenses:			
Professional services	7,902	5,240	3,535
Total operating expenses	7,902	5,240	3,535
Operating income (loss)	(7,902)	7,136	(2,295)
Nonoperating revenues:			
Transfer of funds and interest in program from the State of Illinois	-	449,463	-
Interest and investment income	336,874	161,682	71,150
Other	-	-	-
Total nonoperating revenues	336,874	611,145	71,150
Change in net position	328,972	618,281	68,855
Net position - beginning of year	11,612,812	23,578,233	4,274,262
Net position - end of year	$ 11,941,784	$ 24,196,514	$ 4,343,117

Illinois Agricultural Loan Guarantee Fund	Illinois Farmer Agribusiness Loan Guarantee Fund	Illinois Housing Partnership Program Fund	Illinois Finance Authority Development Not-for-Profit Fund	Total Nonmajor Funds
$ -	$ -	$ -	$ -	$ -
-	-	-	-	13,616
-	-	-	-	13,616
-	-	4,220	56	20,953
-	-	4,220	56	20,953
-	-	(4,220)	(56)	(7,337)
-	-	-	-	449,463
222,961	175,279	128,049	-	1,095,995
-	-	-	-	-
222,961	175,279	128,049	-	1,545,458
222,961	175,279	123,829	(56)	1,538,121
10,294,223	8,072,401	4,367,182	11,933	62,211,046
$ 10,517,184	$ 8,247,680	$ 4,491,011	$ 11,877	$ 63,749,167

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

Combining Statement of Cash Flows-Nonmajor Funds
For the Year Ended June 30, 2019

	Industrial Project Insurance Fund	Locally Held Fire Truck Revolving Loan Fund	Locally Held Ambulance Revolving Loan Fund
Cash flows from operating activities:			
Cash received for fees and other	$ -	$ -	$ -
Cash payments to suppliers for goods and services	(7,861)	(4,939)	(3,493)
Net cash used in operating activities	(7,861)	(4,939)	(3,493)
Cash flows from noncapital financing activities:			
Permanent capital transfer from State	-	449,463	-
Due to other funds	-	-	-
Net cash provided by (used in) noncapital financing activities	-	449,463	-
Cash flows from investing activities:			
Purchase of investments	(19,055,345)	(25,428,756)	(11,825,152)
Sales and maturities of investments	18,605,425	30,109,109	14,014,382
Interest and dividends on investments	187,435	126,770	57,580
Cash received for interest on loans	-	13,149	496
Cash received on loan receivables and guarantees	-	1,872,030	269,320
Net cash provided by (used in) investing activities	(262,485)	6,692,302	2,516,626
Net increase (decrease) in cash and cash equivalents	(270,346)	7,136,826	2,513,133
Cash and cash equivalents - beginning of year	278,237	900,995	714,253
Cash and cash equivalents - end of year	$ 7,891	$ 8,037,821	$ 3,227,386
Reconciliation of operating income (loss) to net cash used in operating activities:			
Operating income (loss)	$ (7,902)	$ 7,136	$ (2,295)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:			
Interest on loans	-	(12,376)	(1,240)
Changes in assets and liabilities:			
Accounts payable	41	301	42
Net cash used in operating activities	$ (7,861)	$ (4,939)	$ (3,493)

Illinois Agricultural Loan Guarantee Fund	Illinois Farmer Agribusiness Loan Guarantee Fund	Illinois Housing Partnership Program Fund	Illinois Finance Authority Development Not-for-Profit Fund	Total Nonmajor Funds
$ -	$ -	$ -	$ -	$ -
-	-	(4,204)	(55)	(20,552)
-	-	(4,204)	(55)	(20,552)
-	-	-	-	449,463
-	-	-	(208)	(208)
-	-	-	(208)	449,255
-	-	(6,665,885)	-	(62,975,138)
-	-	6,350,237	-	69,079,153
220,961	173,279	68,834	-	834,859
-	-	-	-	13,645
-	-	-	-	2,141,350
220,961	173,279	(246,814)	-	9,093,869
220,961	173,279	(251,018)	(263)	9,522,572
10,277,223	8,059,401	300,437	12,140	20,542,686
$ 10,498,184	$ 8,232,680	$ 49,419	$ 11,877	$ 30,065,258
$ -	$ -	$ (4,220)	$ (56)	$ (7,337)
-	-	-	-	(13,616)
-	-	16	1	401
$ -	$ -	$ (4,204)	$ (55)	$ (20,552)

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

Statement of Changes in Assets and Liabilities - Agency Fund
June 30, 2019

	Metro East Police District Commission Fund	
Assets		
Cash and cash equivalents		
July 1, 2018	$	4,952
Additions		2,194
Deductions		(3,087)
Total Cash and cash equivalents		
June 30, 2019		4,059
Total Assets		
July 1, 2018		4,952
Additions		2,194
Deductions		(3,087)
Total Assets		
June 30, 2019	$	4,059
Liabilities		
Other Liabilities		
July 1, 2018	$	4,952
Additions		2,194
Deductions		(3,087)
Total Other Liabilities		
June 30, 2019		4,059
Total Liabilities		
July 1, 2018		4,952
Additions		2,194
Deductions		(3,087)
Total Liabilities		
June 30, 2019	$	4,059

See accompanying notes to the basic financial statements.

RSM

Independent Auditor's 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*

RSM US LLP

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Board of Directors
Illinois Finance Authority

Report on the Financial Statements

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 of America, the financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the Illinois Finance Authority (Authority), a component unit of the State of Illinois, as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 13, 2019. Our report contains an emphasis of matter paragraph that the financial statements present only information attributable to the Illinois Finance Authority. Our opinion was not modified with respect to this matter.

Internal Control Over Financial Reporting

Management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting (internal control).

In planning and performing our audit of the financial statements, we considered the Authority's 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 Authority's internal control. Accordingly, we do not express an opinion on the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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

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

SIGNED ORIGINAL ON FILE

Schaumburg, Illinois
December 13, 2019