

State of Illinois Illinois Finance Authority

Compliance Examination
(In Accordance with the Single Audit Act
and OMB Circular A-133)
For the Year Ended June 30, 2009

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

TABLE OF CONTENTS

	<u>Page</u>
Agency Officials	1
Management Assertion Letter	2
Compliance Report	
Summary	3
Accountants' Reports	
Independent Accountants' Report on State Compliance, on Internal Control Over Compliance, and on Supplementary Information for State Compliance Purposes	5
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	8
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	10
Schedule of Findings and Questioned Costs	
Summary of Auditors' Results	12
Current Finding – <i>Government Auditing Standards</i>	13
Current Finding – State Compliance	14
Prior Findings Not Repeated	15
Financial Statement Report	
The Authority's financial statement report for the year ended June 30, 2009, which includes the report of independent auditors, basic financial statements and notes, supplementary information, and the independent auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of basic financial statements performed in accordance with <i>Government Auditing Standards</i> has been issued separately.	
Supplementary Information for State Compliance Purposes	
Summary	17
Fiscal Schedules and Analysis	
Schedule of Expenditures of Federal Awards	18
Notes to the Schedule of Expenditures of Federal Awards	19
Schedule of Appropriations, Expenditures and Lapsed Balances	21
Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances	22
Comparative Schedule of Revenues and Expenses	24
Schedule of Changes in State Property	25
Reconciliation of Cash Receipts to Deposits Remitted to the State Comptroller	26
Analysis of Significant Variations in Expenses	27

TABLE OF CONTENTS (Continued)

	<u>Page</u>
Supplementary Information for State Compliance Purposes (Continued)	
Fiscal Schedules and Analysis (Continued)	
Analysis of Significant Variations in Revenues	28
Analysis of Significant Lapse Period Spending	29
Analysis of Significant Account Balances	30
Analysis of Accounts Receivable	31
Schedule of Cash Funds and Depositories	32
Schedule of Investments	34
Schedule of Contracts	35
Schedule of Conduit Debt	36
Analysis of Operations	
Authority Functions and Planning Program	37
Employee Compensation Plan	39
Average Number of Employees	40
Ten-Year Schedule of Jobs Created or Retained by Loans, Revenue Bonds and Investments Made by the Authority (Unaudited)	41
Summary of Agriculture, Fire Truck and Ambulance Loan Programs:	
Agricultural Development Bonds	45
State Guarantee Program for Restructuring Agricultural Debt	48
Farmer and Agri-Business Loan Guarantee Program	49
Young Farmer Loan Guarantee Program	50
Specialized Livestock Loan Guarantee Program	51
Fire Truck Revolving Loan Program	52
Ambulance Revolving Loan Program	52
Historical Summary of Agricultural Loans Issued by Program by County (Unaudited)	53
Service Efforts and Accomplishments (Unaudited)	61
Schedule of Federal and Nonfederal Expenditures	62

State of Illinois
Illinois Finance Authority

Compliance Examination
For the Year Ended June 30, 2009

Agency Officials

Executive Director	Mr. Christopher Meister (12/08/09 to Current)
Executive Director	Mr. John Filan (11/17/2008 to 06/30/09)
Executive Director	Ms. Kym Hubbard (05/08/07 to 07/15/08)
Chairman of the Board of Directors	Mr. William A. Brandt
Chief Financial Officer	Ms. Yvonne Towers (02/23/09 to Current)
Assistant Chief Financial Officer	Ms. Ximena Granda
Chief Administrative Officer	Mr. Stuart Boldry
General Counsel and Deputy Director	Mr. Christopher Meister (to 12/08/09)
Board Member	William Barclay
Board Member	Ronald E. DeNard
Board Member	Michael W. Goetz
Board Member	Dr. Roger D. Herrin
Board Member	Edward H. Leonard, Sr.
Board Member	Terrance M. O'Brien
Board Member	Juan B. Rivera
Board Member	April Verrett
Board Member	Bradley A. Zeller

Authority offices are located at:

Chicago Office

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

Springfield Office

620 E. Adams St. 3rd Floor
Springfield, Illinois 62701

Mount Vernon Office

2929 Broadway Street # 7B
Mount Vernon, Illinois 62864

Peoria Office

100 S.W. Water Street
Peoria, Illinois 61602

MANAGEMENT ASSERTION LETTER

March 8, 2010

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

Ladies and Gentlemen:

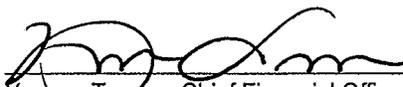
We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the Illinois Finance Authority (Authority). We are responsible for and we have established and maintained an effective system of, internal controls over compliance requirements. We have performed an evaluation of the Authority's compliance with the following assertions during the year ended June 30, 2009. Based on this evaluation, we assert that during the year ended June 30, 2009, the Authority has materially complied with the assertions below.

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

Yours very truly,

ILLINOIS FINANCE AUTHORITY



Chris Meister, Executive Director

Yvonne Towers, Chief Financial Officer

COMPLIANCE REPORT

SUMMARY

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

ACCOUNTANTS' REPORTS

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

SUMMARY OF FINDINGS

<u>Number of</u>	<u>Current</u>	<u>Prior</u>
Findings	2	7
Repeated findings	0	4
Prior recommendations implemented or not repeated	7	4

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS (<i>GOVERNMENT AUDITING STANDARDS</i>)			
09-01	13	Valuation of Venture Capital Investments	Significant Deficiency
FINDINGS AND QUESTIONED COSTS (<i>FEDERAL COMPLIANCE</i>)			
No matters noted.			
FINDINGS (<i>STATE COMPLIANCE</i>)			
09-02	14	No Formal Procedures for the IFABond Application Database	Noncompliance and Significant Deficiency

State of Illinois
 Illinois Finance Authority

Compliance Examination
 For the Year Ended June 30, 2009

SUMMARY OF FINDINGS AND QUESTIONED COSTS (Continued)

Item No.	Page	Description	Finding Type
----------	------	-------------	--------------

In addition, the following finding which is reported as a current finding relating to *Government Auditing Standards* also meet the reporting requirements for State Compliance.

09-01	13	Valuation of Venture Capital Investments	Noncompliance and Significant Deficiency
-------	----	--	--

PRIOR FINDINGS NOT REPEATED

A	15	Draft Financial Statements Not Completed Timely
B	15	Failure to Provide a Listing of Laws and Regulations Applicable to the Authority
C	15	Missing Policy on Nondiscrimination
D	15	Failure to Report Revenue Bond Information to the Illinois Office of the Comptroller
E	15	No Established Rules to Administer Loan Program
F	16	Failure to Administer the Exporter Award Program
G	16	No Formal Record Retention Plan

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Authority personnel at an exit conference on January 6, 2010 and February 1, 2010. Attending were:

ILLINOIS FINANCE AUTHORITY

Christopher Meister	Executive Director
Yvonne Towers	Chief Financial Officer
Ximena Granda	Assistant Chief Financial Officer
Joy Kuhn	Assistant Treasurer
Pam Lenane	Vice President/Acting General Counsel
Robert Litchfield	IT Manager (February 1, 2010 meeting only)

AUDITOR GENERAL

Jon Fox	Audit Manager
---------	---------------

MCGLADREY & PULLEN, LLP

Joe Evans	Partner
Sean Hickey	Manager

Responses to the recommendations were provided by Yvonne Towers in correspondence dated January 6, 2010 and February 8, 2010.

McGladrey & Pullen

Certified Public Accountants

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

Honorable William G. Holland
Auditor General
State of Illinois
and

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

Compliance

As Special Assistant Auditors for the Auditor General, we have examined the State of Illinois, Illinois Finance Authority's compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the year ended June 30, 2009. The management of the State of Illinois, Illinois Finance Authority is responsible for compliance with these requirements. Our responsibility is to express an opinion on the State of Illinois, Illinois Finance Authority's compliance based on our examination.

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

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

In our opinion, the State of Illinois, Illinois Finance Authority complied, in all material respects, with the requirements listed in the first paragraph of this report during the year ended June 30, 2009. However, the results of our procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of findings and questioned costs as findings 09-1 and 09-2.

Internal Control

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

A *deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with the requirements listed in the first paragraph of this report on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a requirement listed in the first paragraph of this report will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance described in findings 09-1 and 09-2 in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over compliance. A *significant deficiency* is a deficiency, or 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.

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

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

Supplementary Information for State Compliance Purposes

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of each major fund and the aggregate remaining fund information of the State of Illinois, Illinois Finance Authority as of and for the year ended June 30, 2009, which collectively comprise the State of Illinois, Illinois Finance Authority's basic financial statements, and have issued our report thereon dated January 22, 2010. The accompanying supplementary information, as listed in the table of contents as Supplementary Information for State Compliance Purposes, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the State of Illinois, Illinois Finance Authority. The 2009 Supplementary Information for State Compliance Purposes, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2009, taken as a whole.

We have also previously audited, in accordance with auditing standards generally accepted in the United States, the State of Illinois, Illinois Finance Authority's basic financial statements for the years ended June 30, 2008 and June 30, 2007. In our reports dated May 20, 2009 and January 25, 2008, we expressed unqualified opinions on the respective financial statements of each major fund and the aggregate remaining fund information. In our opinion, the 2008 and 2007 Supplementary Information for State Compliance Purposes, except for the portion marked "unaudited" is fairly stated in all material respects in relation to the basic financial statements for the years ended June 30, 2008 and June 30, 2007, taken as a whole.

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

McGladrey & Pullen, LLP

Schaumburg, Illinois
March 8, 2010

McGladrey & Pullen

Certified Public Accountants

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

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

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of each major fund, and the aggregate remaining fund information of the State of Illinois, Illinois Finance Authority (Authority), a component unit of the State of Illinois, as of and for the year ended June 30, 2009, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated January 22, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in 09-1 in the accompanying schedule of finding that we consider to be a significant deficiency in internal control over financial reporting. 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.

Compliance and Other Matters

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

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

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

McGladrey & Pullen, LLP

Schaumburg, Illinois
January 22, 2010

McGladrey & Pullen

Certified Public Accountants

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

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

Compliance

We have audited the compliance of the State of Illinois, Illinois Finance Authority, a component unit of the State of Illinois, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The State of Illinois, Illinois Finance Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the State of Illinois, Illinois Finance Authority's management. Our responsibility is to express an opinion on the State of Illinois, Illinois Finance Authority's compliance based on our audit.

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

In our opinion, the State of Illinois, Illinois Finance Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

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

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

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of each major fund and the aggregate remaining fund information of the State of Illinois, Illinois Finance Authority, a component unit of the State of Illinois, as of and for the year ended June 30, 2009, and have issued our report thereon dated January 22, 2010. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the State of Illinois, Illinois Finance Authority's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

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

McGladrey & Pullen, LLP

Schaumburg, Illinois

March 8, 2010, except for the Schedule of Federal Awards, as to which the date is January 22, 2010

State of Illinois
 Illinois Finance Authority

Compliance Examination
 For the Year Ended June 30, 2009

Schedule of Findings and Questioned Costs
 Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

Unqualified

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

_____ Yes X No

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

10.767

Intermediary Relending Program

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

\$ 300,000

Auditee qualified as low-risk auditee?

_____ Yes X No

State of Illinois
Illinois Finance Authority

Compliance Examination
For the Year Ended June 30, 2009

Current Finding – *Government Auditing Standards*

Finding #09-01 Valuation of Venture Capital Investments

The Illinois Finance Authority (Authority) has not had an independent valuation of its venture capital investments since fiscal year 2006.

The Authority maintained a portfolio of the venture capital investments valued at \$5.4 million as of June 30, 2009. Venture capital investments are not a readily marketable investment. Traditionally the Authority has hired an independent valuation professional to value these non-marketable investments. During the current year audit, we noted the last time an independent valuation of venture capital investments was performed was in fiscal year 2006.

In accordance with generally accepted accounting principles, management is responsible for making the fair value measurements and disclosures included in the financial statements. As part of fulfilling its responsibility, management should establish an accounting and financial reporting process for determining the fair value measurements and disclosures, select valuation methods, identify and adequately support any significant assumptions used and prepare the valuation.

Authority management indicated that due to budget constraints, the cost benefit analysis of engaging an independent firm's valuation was contemplated during fiscal year 2009; however, a valuation was not performed.

Without the proper valuation procedures to determine if venture capital investments are impaired, the Authority could be overstating the value of its venture capital investments. (Finding Code No. 09-01)

Recommendation

We recommend the Authority obtain an independent valuation of the venture capital investment portfolio periodically in order to support the amounts recorded and disclosed in the Authority's financial statements.

Authority Response

The Authority accepts the auditor's recommendation. The independent valuation of the venture capital investment portfolio was delayed due to budget constraints. The Authority has since begun the solicitation process to procure an independent firm's valuation services. The Authority expects the procurement and execution of the service to be finalized by June 30, 2010.

State of Illinois
Illinois Finance Authority

Compliance Examination
For the Year Ended June 30, 2009

Current Finding – State Compliance

Finding # 09-02 No Formal Procedures for the IFABond Application Database

The Authority did not have formal procedures for the use of its IFABond application database.

During our audit, we noted the Authority did not have formal procedures for the use of its IFABond database. The database is utilized to track information pertaining to the \$23.7 billion in conduit revenue bonds outstanding at June 30, 2009 of the Authority. There were no formal procedures to explain the methods for proper source document origination, authorization, input preparation, error resolution, retention and reconciliation of the IFABond database.

Generally accepted information technology guidance requires that systems have adequate written policies and procedures, adequate written system documentation, and adequate input, processing, and output controls. IT general and application controls are necessary to preserve the integrity of the system, to provide reliance on the results produced by the system, and to ensure that the processing of transactions is performed in accordance with laws and regulations and with management's design and intent.

The Authority management indicated it failed to formally document procedures pertaining to the IFABond Application Database due to management oversight.

Without formal procedures to maintain and use the IFABond application database, the Authority increases the risks that it will not be able to properly and accurately track its conduit revenue bonds. (Finding Code No. 09-02)

Recommendation

We recommend that the Authority develop formal procedures for software application controls of its IFABond application database.

Authority Response

The Authority accepts the auditor's recommendation. The Authority is in the process of developing formal procedures for the use of its IFABond database.

State of Illinois
Illinois Finance Authority

Compliance Examination
For the Year Ended June 30, 2009

Prior Findings Not Repeated

A. Draft Financial Statements Not Completed Timely

The Illinois Finance Authority (Authority) did not provide the auditors with complete financial statements on a timely basis. (Finding Code No. 08-01)

During our current year audit, the Authority provided a complete set of financial statements in accordance with the timeline presented at the entrance conference.

B. Failure to Provide a Listing of Laws and Regulations Applicable to the Authority

The Authority did not have a complete listing of statutory mandates that are applicable to the Authority. (Finding Code No. 08-02)

During our current year audit, the Authority provided auditors with a current listing of laws and regulations that apply to the Authority and its policies and procedures to monitor laws and regulations that are applicable to the Authority.

C. Missing Policy on Nondiscrimination

The Authority did not have a policy to comply with the Farmers Home Administration program requirements for nondiscrimination. (Finding Code No. 08-03, 07-01)

During our sample testing, we noted the Authority complied with the requirements to include nondiscrimination policies on its loan applications.

D. Failure to Report Revenue Bond Information to the Illinois Office of the Comptroller

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

During our sample testing of revenue bond information submitted to the Illinois Office of the Comptroller, we noted the exception rate for not reporting revenue bond information to the Comptroller was significantly less than in the prior year therefore the finding is not repeated in this report. However, it is reflected in the letter of immaterial findings. (Finding Code No. 08-04, 07-02, 06-02, 05-03)

E. No Established Rules to Administer Loan Program

The Authority has not adopted rules for the fire sprinkler dormitory revolving loan program. (Finding Code No. 08-05, 07-06)

During our testing, we noted the Authority adopted rules for the fire sprinkler revolving loan program.

State of Illinois
Illinois Finance Authority

Compliance Examination
For the Year Ended June 30, 2009

Prior Findings Not Repeated

F. **Failure to Administer the Exporter Award Program**

The Authority failed to operate an annual awards program for Illinois-based exporters during the examination period. (Finding Code No. 08-06, 07-08)

During our testing, we noted the Authority implemented procedures to participate in an awards program for Illinois-based exporters.

G. **No Formal Record Retention Plan**

The Authority did not have a formal records retention plan. (Finding Code No. 08-07)

During our testing, we noted the Authority adopted and implemented a formal records retention plan.

SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

SUMMARY

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

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

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

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

State of Illinois
 Illinois Finance Authority

Compliance Examination
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2009

Federal Grant/Program Title	Federal CFDA Number	Project Number	Program or Award Amount	Grant Proceeds	Program Loan Outstanding	Federal Portion of Interest/ Other Income	Expenditures
U.S. Department of Commerce: Department of Commerce and Economic Opportunity: Economic Adjustment Assistance Program	11.307	06-19-01916	\$ 424,000	\$ -	\$ 91,484	\$ 4,182	\$ -
U.S. Department of Agriculture: Intermediary Relending Program	10.767		1,500,000	-	617,777	4,318	9,979
Total			\$ 1,924,000	\$ -	\$ 709,261	\$ 8,500	\$ 9,979

See Notes to Schedule of Expenditures of Federal Awards.

Notes to Schedule of Expenditures of Federal Awards

Note 1. Organization

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

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

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

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

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

Note 2. Summary of Significant Accounting Policies

Basis of Accounting

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

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

Terms of Agreements

Economic Adjustment Assistance Program (Non-major Program)

The Economic Adjustment Assistance Program provides low-cost supplemental financing to manufacturing companies located in areas declared eligible for Title IX assistance by the Economic Development Administration. Loans under this program are up to \$100,000 for small and mid-sized manufacturers, and carry a fixed interest rate of 7.5% with maturity dates up to ten years. Total loans outstanding as of June 30, 2009, were \$91,484. The Economic Adjustment Assistance Program loans are fully reserved.

Notes to Schedule of Expenditures of Federal Awards (Continued)

Note 2. Summary of Significant Accounting Policies (Continued)

Intermediary Relending Program (Major Program)

The Intermediary Relending Program participates with the Rural Development Administration's (the former Farmers Home Administrations') Intermediary Relending Program to provide loans to business facilities and community development projects in rural areas for land acquisitions, facility construction and renovation, and machinery and equipment purchases. The Authority will contribute up to 75% or \$250,000 of fixed asset costs at a 6% interest rate with maturity dates up to ten years. Total loans outstanding as of June 30, 2009 were \$617,777.

State of Illinois
 Illinois Finance Authority

Compliance Examination
 For the Year Ended June 30, 2009

Schedule of Appropriations, Expenditures and Lapsed Balances
 Appropriations for Fiscal Year 2009

P.A. 95-0734	Appropriation (Net After Transfers)	Expenditures Through 06/30/09	Lapse Period Expenditures 07/01/08 to 08/31/09	Total Expenditures	Balances Reappropriated
<u>Appropriated Funds</u>					
0572 - Fire Truck Revolving Loan Fund					
Loans to Fire Departments	\$ 10,630,807	\$ 10,377,465	\$ 250,000	\$ 10,627,465	\$ 3,342
0334- Ambulance Revolving Loan Fund					
Loans to Fire Departments	4,000,000	993,200	-	993,200	3,006,800
Total Fiscal Year 2009	<u>\$ 14,630,807</u>	11,370,665	250,000	11,620,665	<u>\$ 3,010,142</u>
Non-appropriated Funds					
0205 - Illinois Farmer and Agri-Business Guarantee Fund					
Awards and grants		399,882	-	399,882	
Grand Total - All Funds		<u>\$ 11,770,547</u>	\$ 250,000	<u>\$ 12,020,547</u>	

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

State of Illinois
 Illinois Finance Authority

Compliance Examination
 For the Year Ended June 30, 2009

Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances
 Years Ended June 30, 2009, 2008 and 2007

	2009 Public Act 95-0734	2008 Public Act 95-0348 & 95-0717	2007 Public Act 94-0798
0572 - Fire Truck Revolving Loan Fund			
Appropriations (Net of Transfers)	\$ 10,630,807	\$ 3,344,371	\$ 1,144,371
<u>Expenditures</u>			
Loans to Fire Departments	10,627,465	1,713,564	-
Total Expenditures	10,627,465	1,713,564	-
Reappropriated Balances	\$ 3,342	\$ 1,630,807	\$ 1,144,371
0334 - Ambulance Revolving Loan Fund			
Appropriations (Net of Transfers)	\$ 4,000,000	\$ -	\$ -
<u>Expenditures</u>			
Loans to Fire Departments and Ambulance Services	993,200	-	-
Total Expenditures	993,200	-	-
Reappropriated Balances	\$ 3,006,800	\$ -	\$ -

State of Illinois
 Illinois Finance Authority

Compliance Examination
 For the Year Ended June 30, 2009

Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances (Continued)
 Years Ended June 30, 2009, 2008 and 2007

	2009 Public Act 95-0734	2008 Public Act 95-0348 & 95-0717	2007 Public Act 94-0798
All Funds			
Appropriations (Net of Transfers)	\$ 14,630,807	\$ 3,344,371	\$ 1,144,371
Total Expenditures	11,620,665	1,713,564	-
Reappropriated Balances	\$ 3,010,142	\$ 1,630,807	\$ 1,144,371
Non-appropriated Funds			
0205 - Illinois Farmer and Agri-Business Guarantee Fund			
<u>Expenditures</u>			
Awards and Grants	\$ 399,882	\$ 656,500	\$ -
Total Expenditures	\$ 399,882	\$ 656,500	\$ -

State of Illinois
 Illinois Finance Authority

Compliance Examination
 For the Year Ended June 30, 2009

Comparative Schedule of Revenues and Expenses

	2009	2008	Increase (Decrease)	% Variance
Revenues				
Interest on loans	\$ 10,941,522	\$ 10,121,129	\$ 820,393	8 %
Interest and investment income	5,878,031	8,942,648	(3,064,617)	(34)
Administrative service fees	4,885,211	7,140,725	(2,255,514)	(32)
Annual fees	761,197	1,128,340	(367,143)	(33)
Appreciation (depreciation) in fair value of investments	286,945	(54,213)	341,158	(629)
Application fees	107,200	159,525	(52,325)	(33)
Miscellaneous	106,147	42,974	63,173	147
Bad debt recoveries	18,509	156,894	(138,385)	(88)
Transfer from other State funds	-	13,000,000	(13,000,000)	(100)
Grants	-	2,000,000	(2,000,000)	(100)
Total Revenues	22,984,762	42,638,022	(19,653,260)	(46)
Expenses				
Transfer of interest in programs to State of Illinois	23,329,923	-	23,329,923	N/A
Interest expense	14,457,696	15,401,759	(944,063)	(6)
Employee related expenses	3,275,386	3,444,591	(169,205)	(5)
Transfer to State Fund	3,000,000	-	3,000,000	N/A
Professional services	1,284,861	1,837,280	(552,419)	(30)
Loan loss provision	489,838	235,911	253,927	108
Occupancy costs	441,252	452,473	(11,221)	(2)
General and administrative	378,313	410,772	(32,459)	(8)
Depreciation	72,018	76,974	(4,956)	(6)
Total Expenses	46,729,287	21,859,760	24,869,527	114
Excess (Deficiency) of Revenues over Expenses	\$ (23,744,525)	\$ 20,778,262	\$ (44,522,787)	(214) %

State of Illinois
Illinois Finance Authority

Compliance Examination
For the Year Ended June 30, 2009

Schedule of Changes in State Property

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
Cost				
Capital Assets Being Depreciated:				
Leasehold Improvements	\$ 2,000	\$ -	\$ -	\$ 2,000
Furniture and Equipment	262,673	11,702	24,533	249,842
Computers and Software	213,077	-	1,304	211,773
Total Capital Assets Being Depreciated	<u>477,750</u>	<u>11,702</u>	<u>25,837</u>	<u>463,615</u>
Accumulated Depreciation				
Leasehold Improvements	2,000	-	-	2,000
Furniture and Equipment	173,036	26,431	24,040	175,427
Computers and Software	143,714	45,094	1,304	187,504
Total Accumulated Depreciation	<u>318,750</u>	<u>71,525</u>	<u>25,344</u>	<u>364,931</u>
Capital Assets, Net of Accumulated Depreciation	<u>\$ 159,000</u>	<u>\$ (59,823)</u>	<u>\$ 493</u>	<u>\$ 98,684</u>

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

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

State of Illinois
Illinois Finance Authority

Compliance Examination
For the Year Ended June 30, 2009

Reconciliation of Cash Receipts to Deposits Remitted to the State Comptroller

Illinois Farmer and Agri-Business Loan Guarantee Fund #205

Repayment of loan guarantees	\$ 691,929
Cash receipts per Agency records	691,929
Add cash in transit, beginning of period	-
Less cash in transit, end of period	<u>(656,550)</u>
Deposits remitted to the Comptroller	<u><u>\$ 35,379</u></u>

Fire Truck Revolving Loan Fund #572

Repayment of loans	\$ 586,672
Cash receipts per Agency records	586,672
Add cash in transit, beginning of period	-
Less cash in transit, end of period	<u>-</u>
Deposits remitted to the Comptroller	<u><u>\$ 586,672</u></u>

State of Illinois
 Illinois Finance Authority

Compliance Examination
 For the Year Ended June 30, 2009

Analysis of Significant Variations in Expenses

	June 30, 2009	June 30, 2008	Increase (Decrease)	% Variance	Explanation of Significant Variations (Variance of 20% and \$100,000 or more)
Transfer of interest in programs to State of Illinois	\$ 23,329,923	\$ -	\$ 23,329,923	N/A	% Due to a transfer of equity interest in programs to the State of Illinois.
Transfer to State fund	3,000,000	-	3,000,000	N/A	Due to a one-time transfer of funds to the State of Illinois.
Professional services	1,284,861	1,837,280	(552,419)	(30)	Decrease is due to a drop in outside legal expenses, accounting services and loan service provider.
Loan loss provision	489,838	235,911	253,927	108	Increase is due to guarantee payouts in our Agricultural Programs.

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

State of Illinois
Illinois Finance Authority

Compliance Examination
For the Year Ended June 30, 2009

Analysis of Significant Variations in Revenues

	June 30, 2009	June 30, 2008	Increase (Decrease)	%	Explanation of Significant Variations (Variance of 20% and \$100,000 or more)
Interest and investment income	\$ 5,878,031	\$ 8,942,648	\$ (3,064,617)	(34) %	Decrease is due to lower interest rates based on market conditions.
Administrative service fees	4,885,211	7,140,725	(2,255,514)	(32)	Decrease is due to decreased number of loans serviced and closed during the fiscal year.
Annual fees	761,197	1,128,340	(367,143)	(33)	Decrease is due to lower volume of refinancings of loans versus the prior year.
Appreciation (depreciation) in fair value of investments	286,945	(54,213)	341,158	(629)	The increase was due to investments that were sold with a realized gain.
Bad debt recoveries	18,509	156,894	(138,385)	(88)	Decrease is due to collection on two loans during fiscal year 2008.
Transfers from other State funds	-	13,000,000	(13,000,000)	(100)	Decrease is due to no transfers from the State during current year.
Grants	-	2,000,000	(2,000,000)	(100)	Decrease is due to no grants received during the current year.

* Information obtained from the Comparative Schedule of Revenues and Expenses

State of Illinois
Illinois Finance Authority

Compliance Examination
For the Year Ended June 30, 2009

Analysis of Significant Lapse Period Spending

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

State of Illinois
 Illinois Finance Authority

Compliance Examination
 For the Year Ended June 30, 2009

Analysis of Significant Account Balances

Following are the account balances with significant change (greater than \$2 million) between June 30, 2008 and June 30, 2009

	June 30, 2009	June 30, 2008	Increase (Decrease)	% Variance	Analysis of Significant Change
Assets					
Cash and cash equivalents	\$ 65,927,336	\$ 75,675,753	\$ (9,748,417)	(13) %	Decrease is due to reduced appropriations for both Firetruck and Ambulance Revolving loan funds.
Investments	122,925,293	136,170,456	(13,245,163)	(10)	Decrease is due to matured investments- IL EPA Revolving Fund, a required disclosure implemented by GASB Interp. No. 2.
Receivables, net	234,716,760	239,244,933	(4,528,173)	(2)	Decrease is due to principal payment on loans.
Liabilities					
Bonds payable	301,073,055	323,555,189	(22,482,134)	(7)	Decrease is due to principal payments on the bonds.

State of Illinois
Illinois Finance Authority

Compliance Examination
For the Year Ended June 30, 2009

Analysis of Accounts Receivable

The Authority's accounts receivable balance at June 30, 2009 totaled \$10,521. The Authority's past-due accounts receivable at June 30, 2009 totaled \$10,521. An aging of the past-due accounts receivable by number of days is as follows:

<u>0 - 30 Days</u>	<u>31 - 90 Days</u>	<u>91 - 180 Days</u>	<u>Over 180 Days</u>
-	-	-	\$10,521

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

Analysis of Loans Receivable

The Authority's loans receivable balance at June 30, 2009 totaled \$101,754,136. The Authority's past-due loans receivable at June 30, 2009 totaled \$1,877,919. An aging of the past-due loans receivable by number of days is as follows:

<u>0 - 30 Days</u>	<u>31 - 90 Days</u>	<u>91 - 180 Days</u>	<u>Over 180 Days</u>
\$99,028,207	\$399,883	\$271,704	\$2,054,342

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

Analysis of Fees Receivable

The Authority's fees receivable balance at June 30, 2009 totaled \$125,854. The Authority's past-due fees receivable at June 30, 2009 totaled \$56,034. An aging of the past-due fees receivable by number of days is as follows:

<u>0 - 30 Days</u>	<u>31 - 90 Days</u>	<u>91 - 180 Days</u>	<u>Over 180 Days</u>
\$69,820	-	-	\$56,034

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

State of Illinois
Illinois Finance Authority

Compliance Examination
For the Year Ended June 30, 2009

Schedule of Cash Funds and Depositories

General Operating Fund:

Banterra Bank of Marion, Illinois - Money Market	\$	538,650
The Illinois Funds – Money Market		13,964,978
The Illinois Funds – Prime Fund		872,165

Industrial Revenue Bond Insurance Fund:

Banterra Bank of Marion, Illinois – Money Market		2,835,345
JP Morgan in Chicago, Illinois - Prime Money Market Fund		1,873,016
The Illinois Funds – Money Market		6,928,913

SBA MicroLoan Fund:

Banterra Bank of Marion, Illinois – Money Market		43,135
--	--	--------

Credit Enhancement Fund:

JP Morgan in Chicago, Illinois – Money Market		222
US Bank - First American Government Obligation Fund		600,000
Federated Government Obligations - Tax Managed		33,500

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

Banterra Bank of Marion, Illinois – Savings		752,530
---	--	---------

Rural Development Revolving Loan Fund:

Banterra Bank of Marion, Illinois – Money Market		94,059
Bank of America in Chicago Illinois		1,661,467

State of Illinois
Illinois Finance Authority

Compliance Examination
June 30, 2009

Schedule of Cash Funds and Depositories (Continued)

Illinois Agricultural Loan Guarantee Fund:

Illinois Treasurer's - Cash \$ 9,863,697

Bond Fund:

US Bank in Minneapolis, Minnesota 18,279

First American Treasury Obligations Fund 1,142,026

Short-Term Investments Treasury 16,778

Goldman Financial Square Treasury Obligations 12,470,293

Illinois Farmer Agribusiness Loan Guarantee Fund:

Illinois Treasurer's - Cash 7,592,937

Illinois Housing Partnership Program Fund:

The Illinois Funds - Money Market 1,823,794

IRBB Special Reserve Fund:

The Illinois Funds - Prime Fund 2,562,316

The Illinois Funds - Money Market 6,530

Renewable Energy Development Fund

Bank of America in Chicago, Illinois 232,706

\$ 65,927,336

State of Illinois
 Illinois Finance Authority

Compliance Examination
 For the Year Ended June 30, 2009

Schedule of Investments

Description	Type	Interest Rate	Maturity Date	Recorded Value June 30, 2009
General Operating Fund:				
LaSalle Bank	Certificate of Deposit	3.21%	06/26/2009	\$ 85,000
Venture Investment Fund:				
Clearstack	Venture Capital			450,000
Firefly Energy, Inc.	Venture Capital			975,000
Harmonic Vision	Venture Capital			261,000
Illinois Arch Fund Partnership	Venture Capital			165,032
Lemko Corporation	Venture Capital			300,000
Metalconforming Controls	Venture Capital			575,000
Moire, Inc.	Venture Capital			600,000
Nephrx	Venture Capital			110,000
Neuronautics	Venture Capital			300,000
Ohmx Corporation	Venture Capital			300,000
Open Channel Software	Venture Capital			250,000
Smart Signal	Venture Capital			293,848
Stonewater Software	Venture Capital			4,759
Video Home Tour	Venture Capital			250,000
Zuchem, Inc.	Venture Capital			543,100
Bond Fund:				
US Bank in Minneapolis, Minnesota	Pooled Investment			8,882,470
Amalgamated Bank of Chicago	Conduit Debt			108,580,084
				\$ 122,925,293

State of Illinois
Illinois Finance Authority

Compliance Examination
For the Year Ended June 30, 2009

Schedule of Contracts

Contractor	Services Provided	Contract Amount	Total Expenses Incurred
427 E. Monroe, LLC	Office Rent - Springfield	\$	28,463
ADP Total Source	Payroll and HR	Payroll Services	233,483
Anthes, Pruyn & Associates	Accounting Services	\$67 per hour	37,326
Arthur J. Gallagher	Brokerage/Risk Management		65,402
BFPRU I, LLC	Office Rent - Chicago		287,595
Bloomberg, LLP	Financial Information Database		21,600
Burke Burns & Pinelli	Issuers Counsel		66,000
CBIZ Information Systems	Computer Systems		6,381
Chicago Office Technology Group	Copy Machine Repair		5,877
Concorde Printing & Copying Inc.	Printing Services		1,914
DA Davidson	Senior Financial Advisor		225,813
Data Tel Communications	Telecommunications Provider		18,657
DLS Internet Services	Chicago Internet Access		6,770
Dykema Gossett Law Offices	Legal		22,479
GE Capital	Copier Lease		36,588
Klatt Employment Services	Temp Services		51,761
Laner Muchin	Legal Services - 457 Plan		9,960
Mabsco Capital	Loan Management Services		105,992
Manpower	HR Recruitment		4,737
Marj Halperin Consulting	Media Consulting		23,612
Mayer, Brown, Rowe & Maw LLP	Legal		40,688
McGuire Woods, LLP	Legal		6,275
National Tek Services, Inc	Computer Systems		44
Paetec Communications	Telecommunications Provider		13,696
Pitney Bowes	Mail Services		7,305
Paper Tiger Documents Solutions	Electronic Data Storage		2,736
Pickens Kane	Storage		10,821
Pugh, Jones, Johnson & Quandt	Procurement & Contracting		10,675
Rider Dickerson, Inc.	Printing Services		1,523
Scott Balice Strategies	Senior Financial Advisor		12,618
Shefsky & Froelich Ltd.	Legal Services		72,545
Shred-it	Document Disposal Services		1,373
Shaw, Gussis, Fishman	Issuer's Counsel		3,772
Sterling Network	Professional - Network		7,476
Swanson Property Mgmt.	Office Rent - Mt. Vernon		14,809
The Heartland Partnership	Office Rent - Peoria		6,215
		Total	\$ 1,472,981

State of Illinois
 Illinois Finance Authority

Compliance Examination
 For the Year Ended June 30, 2009

Schedule of Conduit Debt

	Principal Outstanding	Number of Issues Outstanding
Illinois Finance Authority		
Revenue Bonds	\$ 14,140,517,000	439
Environmental Bonds	317,704,000	9
Notes	364,554,000	8
Distressed City Bonds	2,925,000	1
Leases	8,087,000	7
Beginner Farmer Bonds	35,764,879	237
Total Illinois Finance Authority	<u>14,869,551,879</u>	<u>701</u>
Predecessor Authorities		
Illinois Development Finance Authority		
Total 501(c)3 Not-for-Profit Bonds and Leases	1,676,208,000	122
Total Environmental Bonds	407,370,000	22
Total Industrial Revenue Bonds	630,423,000	93
Total Infrastructure Bonds	530,649,000	39
Total Housing Bonds	150,192,000	17
Total Leases	832,000	2
Total Distressed Bonds	5,720,000	1
Total Illinois Development Finance Authority	<u>3,401,394,000</u>	<u>296</u>
Illinois Health Facilities Authority	3,655,331,000	128
Illinois Educational Facilities Authority	1,673,421,000	60
Illinois Farm Development Authority	47,029,075	611
Illinois Rural Bond Bank	34,585,000	21
Total Predecessor Authorities	<u>8,811,760,075</u>	<u>1,116</u>
Grand Total Illinois Finance Authority	<u>\$ 23,681,311,954</u>	<u>1,817</u>

**State of Illinois
Illinois Finance Authority**

**Compliance Examination
For the Year Ended June 30, 2009**

Authority Functions and Planning Program

The Authority maintains offices at 180 North Stetson Avenue, Suite 2555, Chicago, Illinois 60601; 620 E. Adams St., 3rd Floor, Springfield, Illinois 62701; 100 S.W. Water Street, Peoria, Illinois 61602; and 2929 Broadway Street # 7B, Mt. Vernon, Illinois 62864. The Authority's Board consists of 10 members (below), appointed by the Governor, and Mr. Christopher Meister is the Executive Director.

Following are the Members of the Board of Directors:

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

Functions

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

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

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

State of Illinois
Illinois Finance Authority

Compliance Examination
For the Year Ended June 30, 2009

Authority Functions and Planning Program (Continued)

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

Planning Program

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

State of Illinois
Illinois Finance Authority

Compliance Examination
For the Year Ended June 30, 2009

Employee Compensation Plan

IFA Merit Compensation Plan

The Authority has adopted a Merit Compensation Plan (the "Plan") on February 12, 2008, that rewards its employees based on certain performance standards and measures. The Plan is a performance based plan that provides a flat dollar increase to employees, based on the employees' overall performance rating during the fiscal year.

Funding Managers are eligible for an Award Percentage based on both the Funding Manager's overall performance as well as the degree to which the Funding Manager meets or exceeds their Sales Revenue Target. The maximum total annual salary and bonuses that an employee can earn is \$150,000. For fiscal year 2009, total bonuses of \$48,765 were accrued for 17 employees.

Defined Contribution Deferred Compensation Plan

The Authority created a new defined contribution deferred compensation plan for its employees on October 1, 2006, called the Illinois Finance Authority Individual Account Plan. The purpose of the plan is to provide incentive to employees to save for their retirement and serves as an effective recruiting tool for the Authority. Under the terms of the plan, the Authority will match 200% of employee contributions into their deferred compensation accounts up to 5% of their compensation. Total contributions by the Authority into the plan accounts for fiscal year 2009 were \$187,458.

State of Illinois
Illinois Finance Authority

Compliance Examination
For the Year Ended June 30, 2009

Average Number of Employees

The following is a summary of the average number of employees employed at the Authority for the year ended June 30, 2009:

	June 30, 2009	June 30, 2008
Executive Director	1	1
General Counsel	1	1
Administrative Assistant	7	7
Executive Management Staff	6	4
Funding Manager	13	11
Accountant/ Finance/ Compliance	4	4
IT Manager/ MIS Administrator	1	1
Public Information/ Marketing Administrator	1	1
Database Administrator	1	1
Total average number of employees	35	31

State of Illinois
 Illinois Finance Authority

Compliance Examination
 For the Year Ended June 30, 2009

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

Fiscal Year	Healthcare Bond Amounts Closed	Jobs Created and/or Retained	Educational Bond Amounts Closed	Jobs Created and/or Retained
2009	\$ 2,869,285,000	766	\$ 530,600,000	126
2008	3,755,647,778	2,438	872,831,000	283
2007	1,925,140,000	684	582,306,100	679
2006	968,185,000	821	231,410,000	101
2005	937,800,000	229	842,460,000	577
2004	1,819,401,340	790	563,445,000	802
2003	-	-	-	-
2002	-	-	-	-
2001	-	-	-	-
2000	-	-	-	-

Note: Information for the former Illinois Health Facilities Authority and the Illinois Educational Facilities Authority from 2000 through 2003 is not available.

State of Illinois
 Illinois Finance Authority

Compliance Examination
 For the Year Ended June 30, 2009

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

Fiscal Year	Direct/ Participation Loan Amounts Closed	Jobs Created and/or Retained	Industrial Revenue Bond Amounts Closed	Jobs Created and/or Retained
2009	\$ 3,115,609	18	\$ 59,389,000	242
2008	7,273,579	59	100,525,005	756
2007	12,275,734	259	138,187,750	688
2006	9,019,869	141	25,931,000	118
2005	3,670,727	133	53,218,000	224
2004	1,224,878	82	437,339,500	799
2003	1,342,383	55	92,555,000	170
2002	1,902,658	180	253,645,000	665
2001	2,663,378	332	71,535,000	861
2000	1,928,833	222	59,814,990	837

Note: Information from 2000 through 2003 were obtained from the former Illinois Development Finance Authority, while 2004 information represents July 1, 2003 through December 31, 2003 obtained from the former Illinois Development Finance Authority and January 1, 2004 through June 30, 2004 provided by Illinois Finance Authority.

State of Illinois
 Illinois Finance Authority

Compliance Examination
 For the Year Ended June 30, 2009

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

Fiscal Year	FmHA & E.D.A. Title IX Amounts Closed	Jobs Created and/or Retained	Investments in Venture Capital Companies	Jobs Created and/or Retained
2009	\$ -	-	\$ -	-
2008	516,250	4	300,000	10
2007	317,000	12	600,000	108
2006	109,000	6	875,000	27
2005	-	-	841,697	52
2004	-	-	2,124,098	28
2003	-	-	390,100	20
2002	-	-	1,934,270	85
2001	220,000	22	2,951,000	474
2000	-	-	1,150,000	44

Note: Information from 2000 through 2003 were obtained from the former Illinois Development Finance Authority, while 2004 information represents July 1, 2003 through December 31, 2003 obtained from the former Illinois Development Finance Authority and January 1, 2004 through June 30, 2004 provided by Illinois Finance Authority.

State of Illinois
Illinois Finance Authority

Compliance Examination
For the Year Ended June 30, 2009

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

Fiscal Year	Other Projects Closed	Jobs Created and/or Retained	Total Construction Jobs
2009	\$ 363,562,053	503	6,209
2008	707,188,230	727	12,112
2007	315,834,330	621	6,181
2006	294,337,360	341	7,151
2005	220,767,900	447	3,946
2004	-	-	8,147
2003	-	-	826
2002	-	-	579
2001	-	-	1,880
2000	-	-	3,528

Note: Information from 2000 through 2003 were obtained from the former Illinois Development Finance Authority, while 2004 information represents July 1, 2003 through December 31, 2003 obtained from the former Illinois Development Finance Authority and January 1, 2004 through June 30, 2004 provided by Illinois Finance Authority.

Summary of Agriculture, Fire Truck and Ambulance Loan Programs

I. Agricultural Development Bonds

Overview:

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

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

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

Interest Rates:

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

Revenues of the Program:

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

Bonds Issued:

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

State of Illinois
 Illinois Finance Authority

Compliance Examination
 For the Year Ended June 30, 2009

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

I. Agricultural Development Bonds (Continued)

Bonds issued and outstanding by purpose as of June 30, 2009:

Purpose	Number	Amount	Percent of Total
Land and depreciable property	277	\$ 36,065,529	12.28%
Farmland loans	1961	214,107,149	72.91%
New Equipment	484	15,379,768	5.24%
Used Equipment	91	2,460,490	0.84%
New improvements	179	10,558,830	3.60%
Used Improvements	2	46,000	0.02%
Breeding stock	47	1,536,650	0.52%
Soil conservation-permanent	28	584,763	0.20%
Agri-Business	79	10,386,203	3.54%
Tiling	52	1,549,276	0.53%
New no-till equipment	55	998,271	0.34%
	<u>3,255</u>	<u>\$ 293,672,929</u>	<u>100.00%</u>
Principal payments to June 30, 2009		<u>\$ 210,878,975</u>	
Principal outstanding at June 30, 2009		<u>\$ 82,793,954</u>	

State of Illinois
Illinois Finance Authority

Compliance Examination
For the Year Ended June 30, 2009

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

I. Agricultural Development Bonds (Continued)

Bonds issued by year:

Fiscal Year Ended June 30*	Number	Amount
1983	322	\$ 13,580,269
1984	620	32,518,257
1985	459	29,628,084
1986	221	18,414,717
1987	55	4,554,117
1988	69	6,212,934
1989	52	4,078,217
1990	75	7,939,779
1991	90	9,018,835
1992	96	9,594,370
1994	101	11,835,969
1995	81	8,236,393
1996	99	11,899,866
1997	108	14,262,251
1998	118	14,138,025
1999	78	9,284,274
2000	92	12,085,703
2001	98	11,756,702
2002	63	8,639,030
2003	83	12,428,828
2004	49	6,565,001
2005	50	7,607,515
2006	24	3,488,437
2007	51	8,511,039
2008	48	8,159,662
2009	53	9,234,655
	3,255	\$ 293,672,929

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

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

II. State Guarantee Program For Restructuring Agricultural Debt

Overview:

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

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

Amount of Loans:

During the year ended June 30, 2009, four (4) loans were approved totaling \$1,621,426. New loan amounts ranged from \$309,000 to \$500,000. Total outstanding loans at June 30, 2009, amounted to \$22,473,326. There was a statutory limit of \$160,000,000 for this guarantee program. A breakdown of loans issued by county immediately follows this section.

Revenues and Expenses of the Program:

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

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

Benefits to the Participants and Estimated Costs to the State:

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

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

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

Enterprise Fund:

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

III. Farmer and Agri-Business Loan Guarantee Program

Overview:

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

Amount of Loans:

The amount of loans outstanding as of June 30, 2009 was \$38,092,400. A breakdown of loans issued by county immediately follows this section.

Revenues and Expenses of the Program:

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

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

Benefits to the Participants and Estimated Costs to the State:

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

Enterprise Fund:

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

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

IV. Young Farmer Loan Guarantee Program

Overview:

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

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

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

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

The eligible applicant must:

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

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

Amount of Loans:

There was one new loan of \$500,000 in fiscal year 2009. The amount of loans outstanding as of June 30, 2009 was \$2,925,090. A breakdown of loans issued by county immediately follows this section.

IV. Young Farmer Loan Guarantee Program (Continued)

Revenues and Expenses of the Program:

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

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

Benefits to the Participants and Estimated Costs to the State:

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

V. Specialized Livestock Loan Guarantee Program

Overview:

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

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

The total outstanding loan balance under the Young Farmer Loan Guarantee Program, Farmer and Agri-Business Loan Guarantee Program and the Specialized Livestock Loan Guarantee Program could not exceed \$75 million. The total outstanding loan balance for these three programs at June 30, 2009 was \$53,713,161.

Amount of Loans:

The amount of loans outstanding as of June 30, 2009 was \$12,695,671. A breakdown of loans issued by county immediately follows this section.

V. Specialized Livestock Loan Guarantee Program (Continued)

Revenues and Expenses of the Program:

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

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

VI. Fire Truck Revolving Loan Program

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

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

The loan funds are made out of the fire truck revolving loan fund, a special fund in the State Treasury. During the year ended June 30, 2009 fifty loans (50) were approved totaling \$10,377,465. The amounts of loans outstanding as of June 30, 2009 were \$19,258,322.

VII. Ambulance Revolving Loan Program

The ambulance revolving loan program was authorized by Public Act 94-829. This program was funded by a \$4,000,000 transfer from the State of Illinois. This program was established to provide zero-interest loans for the purchase of ambulances by a fire department, a fire protection district, a township fire department or a non-profit ambulance service based on need, as determined by the State Fire Marshal. Under the terms of the program the loans may not exceed \$100,000 to any fire department, fire protection district or non-profit ambulance service. The repayment period may not exceed 10 years and requires a minimum repayment of 5% of the principal borrowed each year.

The loan funds are made out of the ambulance revolving loan fund, a special fund in the State Treasury. During the year ended June 30, 2009 ten loans (10) were approved totaling \$993,200. The amounts of loans outstanding as of June 30, 2009 were \$993,200.

State of Illinois
 Illinois Finance Authority

Compliance Examination
 For the Year Ended June 30, 2009

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

Program:	Agricultural Development Bonds (Issued)		State Guarantee Program of Restructuring Agricultural Debt Loans (Issued)		Farmer and Agri-Business Loan Guarantee Program Loans (Issued)		Young Farmer Loan and Farm Purchase Guarantee Program Loans (Issued)		Specialized Livestock Loan Guarantee Program Loans (Issued)	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
County	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
Adams	73	\$ 6,477,068	27	\$ 4,304,838	1	\$ 36,000	4	\$ 526,000	3	\$ 1,917,000
Alexander	-	-	1	180,000						
Bond	57	4,403,668	11	2,032,000			1	192,000	2	1,184,000
Boone	11	1,406,100	5	1,443,000						
Brown	2	160,000	14	3,436,000					1	840,000
Bureau	135	10,650,807	21	4,422,014			2	356,000	4	1,246,000
Calhoun	2	181,000	5	936,110			2	340,000		
Carroll	47	5,418,655	7	1,608,000					3	1,144,000
Cass	11	1,331,276	8	1,663,043	2	2,244,330			3	1,475,000
Champaign	67	4,662,464	22	3,831,011	1	362,000				
Christian	83	8,257,292	11	2,611,500			3	445,000	2	1,572,000
Clark	9	497,000	12	1,718,000						
Clay	46	2,997,679	6	1,079,000			1	85,000	1	780,000
Clinton	68	6,463,642	10	2,541,101	5	10,990,000	2	77,000	5	2,670,000

State of Illinois
Illinois Finance Authority

Compliance Examination
For the Year Ended June 30, 2009

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

Program:	Agricultural Development Bonds (Issued)		State Guarantee Program of Restructuring Agricultural Debt Loans (Issued)		Farmer and Agri-Business Loan Guarantee Program Loans (Issued)		Young Farmer Loan Guarantee Program Loans (Issued)		Specialized Livestock Loan Guarantee Program Loans (Issued)	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
County	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
Coles	20	\$ 1,347,944	14	\$ 2,317,000						
Cook										
Crawford	41	2,923,455	33	8,189,625	6	\$ 2,676,000	3	\$ 51,500	4	\$ 501,500
Cumberland	18	1,447,788	3	606,000	1	150,000				
DeKalb	62	5,510,839	36	10,057,000			1	40,000	8	4,032,000
DeWitt	14	685,675	3	940,000	1	225,000				
Douglas	43	2,892,011	17	2,712,750			1	124,000	1	700,000
Edgar	47	4,806,843	28	5,770,164	1	625,000	4	513,000	1	75,000
Edwards	10	493,100	1	135,000						
Effingham	39	4,147,804	1	85,000						
Fayette	40	2,753,230	8	2,060,000						
Ford	54	6,230,700	8	1,440,000			1	250,000	3	1,925,000
Franklin	49	2,860,615	16	3,892,000	2	3,695,000				
Fulton	31	4,046,600	13	2,211,900	2	172,000			1	88,000

State of Illinois
 Illinois Finance Authority

Compliance Examination
 For the Year Ended June 30, 2009

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

Program:	Agricultural Development Bonds (Issued)		State Guarantee Program of Restructuring Agricultural Debt Loans (Issued)		Farmer and Agri-Business Loan Guarantee Program Loans (Issued)		Young Farmer Loan Guarantee Program Loans (Issued)		Specialized Livestock Loan Guarantee Program Loans (Issued)	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Gallatin	10	\$ 1,643,750	6	\$ 1,298,000	1	\$ 450,000	2	\$ 650,000		
Greene	1	250,000	10	1,896,000						
Grundy	11	903,375	11	2,408,000	1	160,000				
Hamilton	40	3,580,050	2	840,000			1	171,000	2	\$ 1,280,000
Hancock	43	4,414,138	38	5,914,888					4	782,000
Hardin					2	1,900,000				
Henderson	27	3,062,480	17	3,273,500	1	45,000	2	262,000	5	2,015,000
Henry	43	5,385,828	29	5,043,000			1	57,000	3	1,140,000
Iroquois	97	7,966,216	13	2,733,000					1	170,000
Jackson	6	607,780	7	1,246,000			1	71,000		
Jasper	86	5,321,587	45	8,431,626			2	240,000	12	2,155,000
Jefferson	20	1,251,800	12	2,599,000			3	765,000	1	790,000
Jersey	4	433,500	1	300,000						
JoDaviess	9	716,561	26	6,710,547	2	907,000			3	1,180,000

State of Illinois
Illinois Finance Authority

Compliance Examination
For the Year Ended June 30, 2009

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

Program:	Agricultural Development Bonds (Issued)		State Guarantee Program of Restructuring Agricultural Debt Loans (Issued)		Farmer and Agri-Business Loan Guarantee Program Loans (Issued)		Young Farmer Loan Guarantee Program Loans (Issued)		Specialized Livestock Loan Guarantee Program Loans (Issued)	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
County	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
Johnson	4	\$ 413,650	7	\$ 1,990,000						
Kane	4	351,200	18	4,616,000					3	\$ 1,915,000
Kankakee	10	1,269,270	2	438,000			1	\$ 46,000		
Kendall	3	273,000	9	1,642,000						
Knox	36	3,625,554	15	2,979,460	1	\$ 65,000	2	232,000	2	434,000
Lake			-							
LaSalle	111	11,429,430	33	6,571,300			1	54,000	1	1,000,000
Lawrence	46	3,225,338	9	1,945,500					3	3,000,000
Lee	58	6,827,792	22	5,599,000			1	110,000	1	455,000
Livingston	144	13,678,091	24	6,176,210	9	7,939,000	2	388,000	4	1,230,000
Logan	38	2,376,460	13	2,200,000			2	190,000	1	520,000
Macon	11	1,035,000	5	700,000			1	75,000		
Macoupin	32	4,171,752	22	4,453,000			3	416,000	6	3,400,000
Madison	21	2,326,940	16	4,359,000			9	1,756,000		

State of Illinois
 Illinois Finance Authority

Compliance Examination
 For the Year Ended June 30, 2009

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

Program:	Agricultural Development Bonds (Issued)		State Guarantee Program of Restructuring Agricultural Debt Loans (Issued)		Farmer and Agri-Business Loan Guarantee Program Loans (Issued)		Young Farmer Loan Guarantee Program Loans (Issued)		Specialized Livestock Loan Guarantee Program Loans (Issued)	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
County	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
Marion	12	\$ 960,510	31	\$ 6,022,160	1	\$ 3,200,000	3	\$ 640,000	2	\$ 507,000
Marshall	25	2,129,081	8	1,611,000			3	513,000		
Mason	54	4,357,809	9	2,212,702	1	137,000				
Massac	2	30,000	2	435,000						
McDonough	13	1,522,550	14	3,116,000	1	300,000	1	87,000	1	520,000
McHenry	3	440,000	8	2,060,000			1	190,000	1	69,000
McLean	114	8,671,535	32	5,371,734	1	175,000	7	1,015,000	2	1,250,000
Menard	14	1,097,965	16	3,384,000	1	375,000	1	72,000		
Mercer	29	3,535,861	17	3,304,600			7	707,000	11	5,838,300
Monroe	35	3,880,075	26	5,758,707					1	51,000
Montgomery	82	10,676,040	15	3,458,577					5	1,952,000
Morgan	14	1,193,830	25	5,433,319	1	1,000,000	1	194,000	1	668,000
Moultrie	30	1,627,250	6	995,500	1	40,000			1	250,000
Ogle	70	6,780,047	10	2,335,000			4	751,000	2	375,000

State of Illinois
 Illinois Finance Authority

Compliance Examination
 For the Year Ended June 30, 2009

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

Program:	Agricultural Development Bonds (Issued)		State Guarantee Program of Restructuring Agricultural Debt Loans (Issued)		Farmer and Agri-Business Loan Guarantee Program Loans (Issued)		Young Farmer Loan Guarantee Program Loans (Issued)		Specialized Livestock Loan Guarantee Program Loans (Issued)	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Peoria	24	\$ 2,470,520	25	\$ 6,037,000			2	\$ 322,000	1	\$ 150,000
Perry	10	636,256	19	3,672,900	3	\$ 1,020,000				
Piatt	37	1,824,734	9	1,638,000						
Pike	6	945,111	47	10,167,519	1	250,000	9	1,814,000	7	4,990,000
Pope			1	500,000						
Pulaski			3	940,000						
Putnam	11	1,222,859	5	568,681					1	615,000
Randolph	6	552,400	14	2,583,010			2	165,000	2	380,000
Richland	32	1,724,704	5	1,523,000	8	2,353,000	2	285,000	2	605,000
Rock Island	6	1,046,623	6	1,282,000					3	1,285,000
Saline	11	677,835	3	1,082,000			1	150,000		
Sangamon	38	3,090,315	41	7,679,043			1	300,000	2	925,000
Schuyler	8	698,780	-							
Scott	6	783,300	8	1,379,538			1	181,000		

State of Illinois
Illinois Finance Authority

Compliance Examination
For the Year Ended June 30, 2009

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

Program:	Agricultural Development Bonds (Issued)		State Guarantee Program of Restructuring Agricultural Debt Loans (Issued)		Farmer and Agri-Business Loan Guarantee Program Loans (Issued)		Young Farmer Loan Guarantee Program Loans (Issued)		Specialized Livestock Loan Guarantee Program Loans (Issued)	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Shelby	75	\$ 5,562,279	18	\$ 3,770,267	1	\$ 47,000	1	\$ 81,000		
St. Clair	29	2,163,180	5	1,156,000	1	40,000				
Stark	22	2,521,200	15	3,612,000			1	300,000		
Stephenson	30	2,729,210	28	6,304,498	13	17,184,495	2	176,000	4	\$ 2,317,000
Tazewell	80	6,572,336	23	4,515,049			1	255,000	1	218,000
Union	21	1,131,036	2	800,000	1	860,000				
Vermillion	29	3,380,140	26	3,978,640	3	24,848,000	1	89,000		
Wabash	5	181,300	3	676,000						
Warren	50	5,993,996	17	3,507,000	1	4,000,000	3	589,000	8	3,845,000
Washington	36	2,453,570	10	2,045,000					2	1,250,000
Wayne	17	1,530,125	4	1,008,000	1	2,651,000			1	643,000
White	1	30,000	5	1,442,500						
Whiteside	94	10,697,345	27	5,338,000					6	2,552,000
Will	17	1,307,940	1	300,000						

State of Illinois
 Illinois Finance Authority

Compliance Examination
 For the Year Ended June 30, 2009

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

Program:	Agricultural Development Bonds (Issued)		State Guarantee Program of Restructuring Agricultural Debt Loans (Issued)		Farmer and Agri-Business Loan Guarantee Program Loans (Issued)		Young Farmer Loan Guarantee Program Loans (Issued)		Specialized Livestock Loan Guarantee Program Loans (Issued)	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
County										
Williamson	2	\$ 132,000	-		1	\$ 1,750,000				
Winnebago	9	944,750	8	1,343,000	2	305,412	1	\$ 500,000		
Woodford	52	4,172,735	18	3,011,810	2	635,000	1	100,000	3	\$ 227,000
	3,255	\$ 293,672,929	1,368	\$ 285,943,841	84	\$ 93,812,237	116	\$ 17,958,500	164	\$ 73,097,800

State of Illinois
Illinois Finance Authority

Compliance Examination
For the Year Ended June 30, 2009

Service Efforts and Accomplishments (Unaudited)

Issuance Performance

Total number of new issues		54
New issue value	\$	3,829,591,400
Application fees	\$	107,200
Administrative service fees	\$	4,885,211

Operating Performance

Total number of issues		1,817
Total outstanding issue value	\$	23,681,311,954
Annual fees	\$	761,197
Annual fees/total outstanding issue value		0.0032%
Total expenses, excluding transfers	\$	20,399,364
Total expenses/total outstanding issue value		0.0861%
Total expenses/total number of issues	\$	11,227

State of Illinois
 Illinois Finance Authority

Compliance Examination
 Year Ended June 30, 2009

Schedule of Federal and Nonfederal Expenditures
 (expressed in thousands)

Schedule A - Federal Financial Component

Total Federal Expenditures Reported on SEFA Schedule	\$ 9,979
Total New Loans Made not included on SEFA Schedule	-
Amount of Federal Loan Balances at Beginning of the Year (not included on the SEFA schedule and continued compliance is required)	820,816
Other noncash Federal Award Expenditures (not included on SEFA Schedule)	-
	<hr/>
Total Schedule A	<u>\$ 830,795</u>

Schedule B - Total Financial Component

Total Operating Expenses (from Financial Statements)	\$ 20,399,364
Total Nonoperating Expenses (from Financial Statements)	26,329,923
Total New Loans Made	-
Amount of Federal Loan Balances at Beginning of the Year	820,816
Other noncash Federal Award Expenditures	-
	<hr/>
Total Schedule B	<u>\$ 47,550,103</u>

Schedule C

		Percent
Total Schedule A	\$ 830,795	1.7 %
Total Nonfederal Expenses	46,719,308	98.3
	<hr/>	
Total Schedule B	<u>\$ 47,550,103</u>	<u>100.00 %</u>