



STATE OF ILLINOIS  
**OFFICE OF THE  
 AUDITOR GENERAL**

William G. Holland, Auditor General

**SUMMARY REPORT DIGEST**

**ILLINOIS FINANCE AUTHORITY**

**Financial Audit  
 For the Year Ended June 30, 2014**

**Release Date: January 15, 2015**

FINDINGS THIS AUDIT: 2	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
<b>Category 1:</b>	<b>0</b>	<b>1</b>	<b>1</b>	2013	<b>14-01</b>	14-02	
Category 2:	0	1	1				
Category 3:	<u>0</u>	<u>0</u>	<u>0</u>				
<b>TOTAL</b>	<b>0</b>	<b>2</b>	<b>2</b>				
<b>FINDINGS LAST AUDIT: 4</b>							

**INTRODUCTION**

This digest covers the Illinois Finance Authority’s financial audit as of and for the year ended June 30, 2014. A State Compliance Examination will be performed next year for the two years ending June 30, 2015.

**SYNOPSIS**

- **(14-01)** The Authority prepared inaccurate financial statements for the Authority’s Fire Truck Revolving Loan Fund and the Ambulance Revolving Loan Fund.

**Category 1:** Findings that are **material weaknesses** in internal control and/or a **qualification** on compliance with State laws and regulations (material noncompliance).  
**Category 2:** Findings that are **significant deficiencies** in internal control and **noncompliance** with State laws and regulations.  
**Category 3:** Findings that have **no internal control issues but are in noncompliance** with State laws and regulations.

{Financial information is summarized on next page.}

**ILLINOIS FINANCE AUTHORITY**  
**FINANCIAL AUDIT**  
**For the Year Ended June 30, 2014**

<b>STATEMENT OF NET POSITION</b> (in thousands)	<b>2014</b>	<b>2013</b>
<b>Assets</b>		
Cash and cash equivalents.....	\$ 7,377	\$ 61,814
Investments.....	30,778	85
Receivables.....	31,141	7,580
Restricted cash and cash equivalents.....	133,518	33,727
Restricted investments.....	51,648	99,444
Restricted receivables.....	121,513	120,156
Other.....	9,288	12,674
<b>Total Assets.....</b>	<b>385,263</b>	<b>335,480</b>
<b>Deferred Outflows of Resources</b>		
Net loss on debt refundings.....	971	-
<b>Total.....</b>	<b>971</b>	<b>-</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities.....	800	7,081
Bonds payable.....	185,926	198,096
Other.....	82,562	34,840
<b>Total Liabilities.....</b>	<b>269,288</b>	<b>240,017</b>
<b>Net Position</b>		
Net investment in capital assets.....	119	116
Restricted.....	48,224	26,723
Unrestricted.....	68,603	68,624
<b>Total.....</b>	<b>\$ 116,946</b>	<b>\$ 95,463</b>

<b>REVENUES, EXPENSES, AND CHANGES IN NET POSITION</b> (in thousands)	<b>2014</b>	<b>2013</b>
<b>Revenues</b>		
Interest on loans.....	\$ 5,944	\$ 8,073
Interest and investment income.....	2,209	2,523
Administrative service fees.....	3,573	3,912
Other.....	25,858	1,741
<b>Total Revenues.....</b>	<b>37,584</b>	<b>16,249</b>
<b>Expenses</b>		
Interest expense.....	7,820	9,921
Employee related expenses.....	1,712	1,790
Professional services.....	1,658	1,409
Other.....	4,942	685
<b>Total Expenses.....</b>	<b>16,132</b>	<b>13,805</b>
<b>Change in net position.....</b>	<b>\$ 21,452</b>	<b>\$ 2,444</b>

**EXECUTIVE DIRECTOR**

During Audit Period: Mr. Christopher B. Meister

Currently: Mr. Christopher B. Meister

**FINDINGS, CONCLUSIONS, AND  
RECOMMENDATIONS**

**NEED TO IMPROVE PROCEDURES FOR  
IDENTIFYING IMPACTS ON FINANCIAL  
REPORTING FROM REGULATORY CHANGES**

The Illinois Finance Authority (Authority) did not prepare accurate major fund financial statements for the Authority's Fire Truck Revolving Loan Fund or the Ambulance Revolving Loan Fund (Authority's funds).

During the current audit, the Authority and the Office of the State Fire Marshal (Fire Marshal) executed an interagency agreement on April 8, 2014. Upon execution pursuant to Public Act 97-0901, all moneys and future moneys within the State Treasury's Fire Truck Revolving Loan Fund or the Ambulance Revolving Loan Fund (State Treasury's funds) became due to the Authority's funds.

After the implementation of Public Act 97-0901, the Authority was authorized to grant interest-free and interest-bearing loans for the purchase of fire trucks and ambulances, based upon need determined by the Fire Marshal, to both local governments and non-profit ambulance services. Additionally, the Authority was authorized by the General Assembly to make loans, outside of the annual appropriations process, from the Authority's funds. Finally, while the Authority was still required to deposit all interest income and repayments of loans into the State Treasury's funds pursuant to the Illinois Finance Authority Act, the Fire Marshal is required to immediately return the cash collections back to the Authority's funds pursuant to Public Act 97-0901.

During testing, the auditors noted the following:

**Authority overstated amounts due to the State by \$17.47 million**

- For financial reporting purposes only, the Authority did not eliminate the \$17,052,813 and \$415,920 due to the primary government within the Authority's funds. As the principal and interest amounts collected from the local governments and non-profit entities will be retained by the Authority after briefly passing through the State Treasury only to be returned to the Authority, the Authority did not have a present obligation to sacrifice the resources represented by the loans and interest receivable from the local governments and non-profit entities to the State.

**Authority did not record receivables for amounts due from the State**

- The Authority did not record \$14 thousand in cash on deposit and \$46 thousand in accounts receivable arising from fines collected by circuit clerks as due from the State Treasury's funds within the Authority's funds as of June 30, 2014.

According to Authority officials, these errors were due to the Authority continuing to rely upon accounting guidance received from the Office of the State Comptroller in 2008. In the view of the Authority's management, the ambiguous language of Public Act 97-0901 did not trigger a consideration during ongoing discussions among the involved parties, including representatives from the Authority, Fire Marshal, Office of the State Comptroller, and external accounting contractors, that would distinguish "loans" as being entitled to a separate presentation from the broad interpretation of "moneys" and "funds" under Public Act 97-0901. (Finding 1, pages 77-81)

We recommended the Authority enhance its procedures to review any changes to its regulatory environment for any potential impact on the Authority's financial reporting process.

**Authority officials accept the finding** Authority officials accepted the auditor's recommendation.

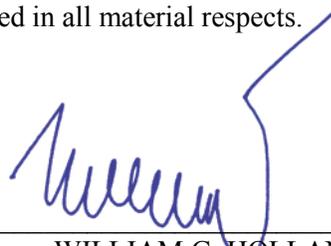
#### **OTHER FINDING**

The remaining finding pertains to failing to write-off uncollectible balances from non-conduit debt. This finding is reportedly being given attention by the Authority.

We will review the Authority's progress towards the implementation of our recommendations in our next audit.

#### **AUDITOR'S OPINION**

The auditors stated the financial statements of the Illinois Finance Authority as of and for the year ended June 30, 2014, are fairly stated in all material respects.



---

WILLIAM G. HOLLAND  
.. Auditor General

WGH:djn

#### **SPECIAL ASSISTANT AUDITORS**

Our Special Assistant Auditors for this audit were E.C. Ortiz & Co., LLP.