

**STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY**

**COMPLIANCE EXAMINATION
FOR THE TWO YEARS ENDED JUNE 30, 2017**

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



**State of Illinois
Illinois Finance Authority**

**Compliance Examination
For the Two Years Ended June 30, 2017**

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Illinois Finance Authority**

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For the Two Years Ended June 30, 2017**

Agency Officials

Chairman of the Board of Directors (4/18/17 – Present)	Mr. Eric Anderberg
Chairman of the Board of Directors (4/13/15 – 4/13/17)	Mr. R. Robert Funderburg, Jr.
Executive Director	Mr. Christopher Meister
Chief Financial Officer (3/27/2014 – 8/17/2016)	Ms. Melinda M. Gildart
Controller	Ms. Ximena Granda
General Counsel (7/13/15 – Present)	Ms. Elizabeth Fleming Weber

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

Member (4/13/15 – 4/13/17)	Mr. R. Robert Funderburg, Jr.
Member (10/5/12 – 7/25/16)	Mr. Mordecai Tessler
Member (7/25/16 – Present)	Ms. Beth Smoots
Member (9/9/15 – 3/17/16)	Mr. Adam Israelov
Member (7/8/16 – Present)	Mr. George Obernagel
Member (7/1/13 - 1/4/16)	Mr. Barrett F. Pedersen
Member (1/5/16 – Present)	Mr. Lyle McCoy
Member (7/1/14 – 7/31/15)	Mr. Norman M. Gold
Member (8/13/15 – Present)	Mr. Robert Horne
Member (7/1/14 – 7/31/15)	Mr. Edward Leonard, Sr.
Member (8/12/15 – Present)	Mr. Eric Anderberg
Member (9/9/15 – Present)	Ms. Arlene Juracek
Member (7/9/15 – 10/9/17)	Mr. John Yonover
Member	Ms. Gila J. Bronner
Member	Mr. James J. Fuentes
Member	Mr. Michael W. Goetz
Member	Mr. Lerry Knox
Member	Mr. Terrence M. O'Brien
Member	Mr. Roger Poole
Member	Mr. Bradley A. Zeller

Agency offices are located at:

Chicago Office
160 North LaSalle Street, Suite S-1000
Chicago, Illinois 60601

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

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

February 21, 2018

RSM US LLP
Certified Public Accountants
20 N. Martingale Road
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. 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 Illinois Finance Authority's compliance with the following assertions during the two-year period ended June 30, 2017. Based on this evaluation, we assert that during the years ended June 30, 2016 and June 30, 2017, the Illinois Finance Authority has materially complied with the assertions below.

- A. The 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 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 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 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 Illinois Finance Authority on behalf of the State or held in trust by the Illinois Finance Authority have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Yours truly,

Illinois Finance Authority

SIGNED ORIGINAL ON FILE

Christopher Meister, Executive Director

Ximena Granda, Controller

Elizabeth Fleming Weber, General Counsel

**State of Illinois
Illinois Finance Authority**

**Compliance Examination
For the Two Years Ended June 30, 2017**

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' REPORT

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

SUMMARY OF FINDINGS

Number of	Current Report	Prior Report
Findings	9	8
Repeated findings	4	6
Prior recommendations implemented or not repeated	4	5

SCHEDULE OF FINDINGS

Item No.	Page	Description	Finding Type
FINDINGS (GOVERNMENT AUDITING STANDARDS)			
2017-001	11	Failure to Reconcile and Record Cash Received	Significant Deficiency
FINDINGS (STATE COMPLIANCE)			
2017-002	13	Monitoring of Debt	Significant Deficiency and Noncompliance
2017-003	15	Internal Audit	Significant Deficiency and Noncompliance
2017-004	17	Delinquent and Inaccurate Reporting of Bond Activity	Significant Deficiency and Noncompliance
2017-005	19	Noncompliance with Travel Policies and Regulations	Significant Deficiency and Noncompliance
2017-006	22	Contracts not Property Executed	Significant Deficiency and Noncompliance
2017-007	24	Employee Performance Evaluations not Documented	Significant Deficiency and Noncompliance

**State of Illinois
Illinois Finance Authority**

**Compliance Examination
For the Two Years Ended June 30, 2017**

SCHEDULE OF FINDINGS (CONTINUED)

Item No.	Page	Description	Finding Type
FINDINGS (STATE COMPLIANCE) (Continued)			
2017-008	25	Noncompliance with Illinois Finance Authority Act 20 ILCS 3501 845-25	Significant Deficiency and Noncompliance
2017-009	26	Agency Workforce Report not Submitted Timely	Significant Deficiency and Noncompliance
PRIOR FINDINGS NOT REPEATED			
A	27	Inaccurate Financial Statements for the Industrial Project Insurance Fund	
B	27	Failure to Write Off Uncollectible Balances	
C	28	Noncompliance with the Illinois Finance Authority Act	
D	28	Inadequate Controls over Personal Services	

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

2017-001	11	Failure to Reconcile and Record Cash Received	Significant Deficiency and Noncompliance
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EXIT CONFERENCE

The Authority waived an exit conference in correspondence dated February 7, 2018. The Authority's responses to the recommendations were provided by Ximena Granda, Controller, in correspondence dated February 16, 2018.



RSM US LLP

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

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Board of Directors
Illinois Finance Authority

Compliance

As Special Assistant Auditors for the Auditor General, we have examined the Illinois Finance Authority's (Authority) 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 two years ended June 30, 2017. The management of the Authority is responsible for compliance with these requirements. Our responsibility is to express an opinion on the Authority's compliance based on our examination.

- A. The 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 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 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 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 Illinois Finance Authority on behalf of the State or held in trust by the Illinois Finance Authority have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the Audit Guide as adopted by the Auditor General pursuant to the Act (the Audit Guide). Those standards, the Act, and the Audit Guide require that we plan and perform the examination to obtain reasonable assurance about whether the Authority complied, in all material respects, with the specified requirements listed above. An examination involves performing procedures to obtain evidence about whether the Authority complied with the specified requirements listed above. The nature, timing and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error.

We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on the Authority's compliance with specified requirements.

In our opinion, the Authority complied, in all material respects, with the compliance requirements listed in the first paragraph of this report during the two years ended June 30, 2017. However, the results of our procedures disclosed instances of noncompliance with the requirements, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of findings as items 2017-001 through 2017-009.

The Authority's responses to the findings identified in our examination are described in the accompanying schedule of findings. The Authority's responses were not subjected to the procedures applied in the compliance examination and, accordingly, we express no opinion on the responses.

The purpose of this report on compliance is solely to describe the scope of our testing and the results of that testing in accordance with the requirements of the Audit Guide issued by the Illinois Office of the Auditor General. Accordingly, this report is not suitable for any other purpose.

Internal Control

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the requirements listed in the first paragraph of this report on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings as items 2017-001 through 2017-009, that we consider to be significant deficiencies.

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

The Authority's responses to the internal control findings identified in our examination are described in the accompanying schedule of findings. The Authority's responses were not subjected to the procedures applied in the compliance examination and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Audit Guide, issued by the Illinois Office of the Auditor General. Accordingly, this report is not suitable for any other purpose.

Supplementary Information for State Compliance Purposes

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the Authority as of and for the year ended June 30, 2017, and have issued our report thereon dated December 6, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Illinois, Illinois Finance Authority's basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to December 6, 2017. The accompanying supplementary information for the year ended June 30, 2017 in Schedules 1 through 10 is presented for the purposes of additional analysis and is not a required part of the basic financial statements of the State of Illinois, Illinois Finance Authority. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The accompanying supplementary information for the year ended June 30, 2017 in Schedules 1 through 10 has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information for the year ended June 30, 2017 in Schedules 1 through 10 is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2017.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the State of Illinois, Illinois Finance Authority's basic financial statements as of and for the year ended June 30, 2016 (not presented herein), and have issued our report thereon dated December 16, 2016, which contained unmodified opinions on the respective financial statements of the business-type activities, each major fund, and the aggregate remaining fund information. The accompanying supplementary information for the year ended June 30, 2016 in Schedules 2 through 5 and 7 through 10 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the June 30, 2016 financial statements. The accompanying supplementary information for the year ended June 30, 2016 in Schedules 2 through 5 and 7 through 10 has been subjected to the auditing procedures applied in the audit of the June 30, 2016 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those basic financial statements or to those basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information for the year ended June 30, 2016 in Schedules 2 through 5 and 7 through 10 is fairly stated in all material respects in relation to the basic financial statements as a whole from which it has been derived.

The State of Illinois, Illinois Finance Authority's basic financial statements for the year ended June 30, 2015 (not presented herein), were audited by other auditors whose report thereon dated January 19, 2016, expressed unmodified opinions on the respective financial statements of the business-type activities, each major fund, and the aggregate remaining fund information. The other auditors' report on Supplementary Information for State Compliance Purposes dated January 25, 2016, stated that the accompanying supplementary information for the year ended June 30, 2015 in Schedules 3 and 8 through 10 was subjected to the auditing procedures applied in the audit of the 2015 basic financial statements and certain additional auditing procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those basic financial statements or to those basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and, in their opinion, was fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2015.

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

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Schaumburg, Illinois
February 21, 2018



RSM US LLP

**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 Frank J. Mautino
Auditor General
State of Illinois

and

Board of Directors
Illinois Finance Authority

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the State of Illinois, Illinois Finance Authority, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the State of Illinois, Illinois Finance Authority's basic financial statements, and have issued our report thereon dated December 6, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings as item 2017-001 that we consider to be a significant deficiency.

Compliance and Other Matters

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

State of Illinois, Illinois Finance Authority

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

Purpose of this Report

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

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Schaumburg, Illinois
December 6, 2017

**State of Illinois
Illinois Finance Authority**

**Schedule of Findings
For the Two Years Ended June 30, 2017**

Current Finding - Government Auditing Standards

Finding 2017-001 Failure to Reconcile and Record Cash Received

The Illinois Finance Authority (Authority) did not reconcile and record cash received in a bank account pertaining to fiscal year 2018 interest income received in advance from local governments in fiscal year 2017.

During testing, the auditors confirmed all outstanding bank account balances held by the Authority at year-end and noted that the ending cash balance for the Local Government Borrowing Fund was understated by \$36,411 relating to advances of interest income that related to fiscal year 2018. This revenue relates to prepayments of interest due August 1, 2017 and according to the Authority's accounting policies, is accrued ratably over six months. As of June 30, 2017, the Authority had accrued \$30,343 as accrued interest receivable. Thus, this resulted in an overstatement of accrued interest receivable of \$30,343 and an understatement of unearned revenue of \$6,068. No statement of revenue, expenses, and changes in net position were affected. The Authority deemed the amount to be immaterial and thus did not record an adjusting entry.

In accordance with generally accepted accounting principles, revenue received in advance should be recorded as a liability (unearned revenue) and the cash received as part of assets. These amounts should be included in the financial statements of the Authority.

Additionally, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Authority to establish and maintain a system or systems of internal fiscal and administrative controls, which shall provide assurance that: (1) resources are utilized efficiently, effectively and in compliance with applicable law; (2) obligations and costs are in compliance with applicable law; (3) funds, property and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation; (4) revenues, expenditures, and transfers of assets resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources; and (5) funds held outside the State Treasury are managed, used, and obtained in strict accordance with the terms of their enabling authorities and that no unauthorized funds exist. Effective internal controls should include procedures to accurately reconcile and record financial transactions and accurately prepare financial statements.

The Authority recorded certain loan prepayments received from local government borrowers using an incomplete schedule of prepayments provided to the Authority by the paying agent on June 30, 2017, and thus, caused a discrepancy on the Authority's books regarding cash received. The issue underlying this finding was identified when the special assistant auditor independently confirmed the balances with the paying agent.

Failure to reconcile and accurately record financial transactions resulted in misstatements in the Authority's financial statements. (Finding Code No. 2017-001)

Recommendation

We recommend the Authority reconcile all bank accounts and record financial transactions in the correct fiscal year.

**State of Illinois
Illinois Finance Authority**

**Schedule of Findings
For the Two Years Ended June 30, 2017**

Current Findings – Government Auditing Standards

Finding 2017-001 Failure to Reconcile and Record Cash Received (Continued)

Authority Response

The Authority accepts the external auditor's recommendation.

This issues originates from the Authority's decision to use its reserve program funds to redeem all outstanding debt issued to make the loans to local governments under the Rural Bond Bank program 30 ILCS 360/2-6(c). Upon the redemption of the bonds all trust indentures entered into securing the bonds were terminated. The Authority entered into new agreements with a paying agent who collects the loan payments from the local governments. It is the responsibility of the paying agent to accurately report payments received by the paying agent prior to them remitting the funds to the Authority.

This portfolio of legacy local government loans originated with the now terminated Authority (and predecessor) Rural Bond Bank pooled loan and bond program (RBB Bond portfolio) that was enhanced by State moral obligation 20 ILCS 3501/801-40(w) or contingent state taxpayer guarantee. The origination dates of this legacy local government portfolio, currently numbering 57 loans, ranges between 1992 and 2009. In June 2014, the Authority used its own locally-held balance sheet and the reserve funds held within the RBB Bonds to redeem the entire portfolio of RBB Bonds, at the time valued at \$34,932,649. The Authority undertook the redemption of the RBB Bond portfolio in order to remove an unnecessary risk to State taxpayer funds posed by the State moral obligation that was also no longer providing enhancement to the underlying local government borrowers. In addition, the Authority saved millions of dollars in interest costs while also providing a greater rate of return on the Authority's program investments.

On a going forward basis, the Authority will compare the schedule of payments received by the Pay Agent with the underlying account statements with respect to this portfolio of legacy local government loans.

In the future, the Authority will reconcile the schedule of prepayments and cash received to the quarterly account statements to ensure accuracy with respect to this portfolio of legacy local government loans.

**State of Illinois
Illinois Finance Authority**

**Schedule of Findings
For the Two Years Ended June 30, 2017**

Current Findings – State Compliance

Finding 2017-002 Monitoring of Debt

The Illinois Finance Authority (Authority) did not have adequate internal controls to properly maintain records for monitoring covenant compliance for conduit debt or debt issued on behalf of other State agencies.

In accordance with the Illinois Finance Authority Act (20 ILCS 3501/801-40(c)), the Authority issues limited obligation revenue bonds and participates in lending and leasing agreements to provide low cost financing to businesses, agribusinesses, health care facilities, educational facilities, municipalities, and other organizations secured by the property financed. Although the Authority, State of Illinois, nor any political subdivision of the State of Illinois is obligated in any manner for the repayment of the debt, the various official bond documents from each debt issuance assign functions and responsibilities to the Authority. Additionally, the Authority also issues limited obligation revenue bonds for the purpose of providing loans to other State of Illinois agencies and component units of the State of Illinois. These bonds are similar to conduit debt and the official bond documents assign the Authority various oversight responsibilities; however, as the bonds are issued on behalf of other parties within the Authority's financial reporting entity they are not classified as conduit debt on the financial statements.

As of June 30, 2017, the Authority had \$23.7 billion in conduit debt outstanding and \$579.0 million in limited obligation debt issued on behalf of other State agencies.

During our testing of the Authority's records for 60 bond issuances outstanding during the examination period we noted the following:

- 51 of the 60 (85%) bond issuances required annual certifications from borrowers that could not be provided by the Authority for the auditors to review. The Authority requires borrowers to submit these annual certifications as a means of monitoring compliance with required covenants. In the certifications, the borrower verifies they have reviewed the activities of the prior year for the purpose of determining their compliance with the covenants and that they are not in default on any covenant. If the borrower is in default on one or more covenants, the borrower is required to list and detail each instance of non-compliance.
- 10 of the 42 (24%) bond issuances which required the Authority to set-up trustee accounts were missing documentation showing all required trustee accounts had been established. The bond documents require these accounts as a way to track and properly account for the funds obtained through the bond issuance and the funds accumulated to pay off the obligation. Between the 10 bond issuances, there were 30 accounts for which no documentation was provided to show the account was established.
- In fiscal year 2014, the Authority began developing a new monitoring checklist to better monitor the Authority's compliance requirements for outstanding bond issuances. This process was delayed due to staffing constraints and so no monitoring checklists were made for the 60 issuances selected for testing.

**State of Illinois
Illinois Finance Authority**

**Schedule of Findings
For the Two Years Ended June 30, 2017**

Current Findings – State Compliance (Continued)

Finding 2017-002 Monitoring of Debt (Continued)

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001), requires agencies to establish and maintain a system, or systems of internal fiscal and administrative controls to provide assurance that: (1) resources are utilized effectively, and in compliance with applicable law; (2) obligations and cost are in compliance with applicable law; (3) funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation; (4) revenues, expenditures, and transfers of assets, resources or funds applicable to operations are properly recorded and accounted for to permit preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources; and (5) funds held outside the State Treasury are managed, used, and obtained in strict accordance with the terms of their enabling authorities and that no unauthorized funds exist. In this case, the Authority's internal controls should provide assurance that it will fulfill its ministerial and monitoring functions as created and established within official bond documents.

Authority officials stated these exceptions were primarily due to the borrowers and bond trustees not submitting requested information to the Authority and current understaffing within the Authority's compliance functions.

Failure to fulfill the Authority's ministerial and monitoring functions as created and established within official bond documents represents noncompliance with the official bond document specifying the compliance requirement. (Finding Code No. 2017-002, 2015-004, 2013-005, 12-5)

Recommendation

We recommend the Authority strengthen and maintain adequate controls over its monitoring of conduit covenant compliance.

Authority Response

We accept this finding. Over a number of years, the Authority needed to address revenues connecting with its self-funded business model. As a result, the Authority did not have the resources to invest in this functional area. The Authority intends to do so in the next upcoming budget cycle. The Authority will present a fiscal year 2019 budget to its board in June 14, 2018 meeting.

**State of Illinois
Illinois Finance Authority**

**Schedule of Findings
For the Two Years Ended June 30, 2017**

Current Findings – State Compliance (Continued)

Finding 2017-003 Internal Audit

The Authority did not have a full-time internal audit program in place during the examination period.

Early in fiscal year 2016, the Authority terminated its contract with an independent accounting firm serving as the Authority's internal audit function. The function was re-established in June 2017, when the Authority entered into an intergovernmental agreement with the Department of Central Management Services (CMS) for CMS to provide the service. Due to this time gap, the following deficiencies were noted:

- An audit of the Authority's 2015 GAAP package and financial statement process was the only internal audit completed in fiscal year 2016.
- No internal audits were conducted during fiscal year 2017.
- The Authority implemented a major revision to its financial system during fiscal year 2016 which was not reviewed by the Authority's internal audit function.
- No report was provided to the Director of the Authority in fiscal year 2016 or 2017 summarizing how the audit plan had been carried out, including any significant findings and the implementation status of any suggested corrective actions.

The Fiscal Control and Internal Auditing Act (Act) (30 ILCS 10/2001 (a)) requires the Authority maintain a full-time program of internal auditing. The Act (30 ILCS 10/2003 (a) (2)) specifies that this full-time program must include audits of major systems of internal accounting and administrative control conducted on a periodic basis so that all major systems are reviewed at least once every 2 years and include testing of the following:

- A. The obligation, expenditure, receipt, and use of public funds of the State and of funds held in trust to determine whether those activities are in accordance with applicable laws and regulations; and
- B. Grants received or made by the designated State agency to determine that the grants are monitored, administered, and accounted for in accordance with applicable laws and regulations.

The Act (30 ILCS 10/2003 (a) (3)) further specifies that the internal audit function review the design of major new electronic data processing systems and major modifications of those systems before their installation to ensure the systems provide for adequate audit trails and accountability.

Finally, after the conclusion of each fiscal year, the Act (30 ILCS 10/2003(a)(1)) requires the internal auditor submit a written report by September 30 to the Authority's Executive Director detailing how the audit plan for that year was carried out, the significant findings, and the extent to which recommended changes were implemented.

Authority officials stated it took longer than anticipated after terminating the agreement with the external accounting firm to reach an agreement with CMS to serve as the Authority's internal audit function.

**State of Illinois
Illinois Finance Authority**

**Schedule of Findings
For the Two Years Ended June 30, 2017**

Current Findings – State Compliance (Continued)

Finding 2017-003 Internal Audit (Continued)

Failure to establish an internal audit program in accordance with the requirements of the Act - where the internal auditor develops a deep understanding of the Authority's functions and processes, performs audits of the Authority's major systems of internal accounting and administrative controls on a periodic basis, reviews major new and modifications to information systems prior to implementation, and provides timely reports - is noncompliance with State law and weakens the Authority's ability to assess its overall internal control environment. (Finding Code No. 2017-003, 2015-005, 2013-006)

Recommendation

We recommend the Authority work with its newly appointed internal auditor to ensure compliance with the requirements of the Fiscal Control and Internal Auditing Act going forward.

Authority Response

We accept this finding. On June 28, 2017, the Authority and its sister agency, the Illinois Department of Central Management Services' ("CMS") Internal Audit Division, entered into an intergovernmental agreement that allows CMS to act as the statutory internal auditor for the Authority. Based upon the Authority's work with CMS since the execution of the intergovernmental agreement, the Authority anticipates compliance with the internal audit statutory mandate with the next compliance audit cycle.

**State of Illinois
Illinois Finance Authority**

**Schedule of Findings
For the Two Years Ended June 30, 2017**

Current Findings – State Compliance (Continued)

Finding 2017-004 Delinquent and Inaccurate Reporting of Bond Activity

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

During testing of 60 bond issuances and the 367 distinct payments selected for testing which required the filing of a Notice of Payment of Bond Interest and/or Principal report (Form C-08) during the examination period, the auditors noted the following:

- 46 of the 367 (13%) Form C-08s tested were submitted to the Office of the State Comptroller between 3 and 752 days late. For each of the issues tested, the Authority had agreements in place for the paying agents to file the Form C-08 within the required timeframe.
- 12 of the 367 (3%) Form C-08s could not be provided by the Authority for testing and were deemed missing.
- 3 of the 54 (6%) Form C-08s tested which were filed after a new Bond Interest and Redemption Schedule (Form C-05) was required to be filed with the Office of the Comptroller during the examination period did not agree with the Form C-05.
- 3 of the 60 (5%) Form C-08s tested for the last payment made before the end of the Authority's fiscal year-end reported higher ending outstanding principal balances than the ending principal balances recorded in the Authority's records and reported in the notes to its financial statements.

The Statewide Accounting Management System (SAMS) (Procedure 31.30.20) requires a Form C-08 to be prepared and sent to the Office of the State Comptroller within 30 days from the date the voucher is processed for payment when the form is sent by the paying agent. The form is required to include the amount of principal outstanding after the payment being reported is applied. Additionally, if early payments of principal are made, a revised Form C-05 should be submitted.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires agencies to establish and maintain a system, or systems of internal fiscal and administrative controls to provide assurance that: (1) resources are utilized effectively, and in compliance with applicable law; (2) obligations and cost are in compliance with applicable law; (3) funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation; (4) revenues, expenditures, and transfers of assets, resources or funds applicable to operations are properly recorded and accounted for to permit preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources; and (5) funds held outside the State Treasury are managed, used, and obtained in strict accordance with the terms of their enabling authorities and that no unauthorized funds exist. The Authority's system of internal controls should include procedures to ensure required reports filed on behalf of the Authority are filed timely, accurately and agree with the Authority's records.

Agency officials stated the exceptions were primarily due to the paying agents not submitting the information timely to either the Authority or the State Comptroller and the current understaffing of the Authority's compliance function.

**State of Illinois
Illinois Finance Authority**

**Schedule of Findings
For the Two Years Ended June 30, 2017**

Current Findings – State Compliance (Continued)

Finding 2017-004 Delinquent and Inaccurate Reporting of Bond Activity (Continued)

Failure to submit timely and accurate Form C-08 reports to the Office of the State Comptroller inhibits the State Comptroller's ability to record and monitor State debt transactions. (Finding Code No. 2017-004, 2015-006, 2013-007, 12-7, 11-5, 10-6)

Recommendation

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

Authority Response

We accept this finding. Over a number of years, the Authority needed to address revenues connecting with its self-funded business model. As a result, the Authority did not have the resources to invest in this functional area. The Authority intends to do so in the next upcoming budget cycle. The Authority will present a fiscal year 2019 budget to its board in June 14, 2018 meeting. The additional compliance personnel will add to the administrative costs of the Authority. The Authority notes that the full resolution of this finding will require more effective cooperation and communication with the Office of the Comptroller and the contractual bond indenture trustees. The Authority has made some progress in this area.

**State of Illinois
Illinois Finance Authority**

**Schedule of Findings
For the Two Years Ended June 30, 2017**

Current Findings – State Compliance (Continued)

Finding 2017-005 Noncompliance with Travel Policies and Regulations

The Illinois Finance Authority (Authority) did not comply with its travel policy and travel guide for the State of Illinois employees.

During testing of 19 travel expenditures, we noted the following:

- Two of 19 (11%) vouchers tested, totaling \$1,664, had per diem claims in excess of the maximum allowable rate resulting in overpayments of \$77.

The Illinois Administrative Code (Code) (80 Ill. Admin. Code 2800.500 Subpart E) states if a conference fee includes a meal, the meal or per diem allowance shall be reduced by the actual value of the meal or the amount of the applicable meal allowance shown in the Reimbursement Schedule, whichever is less. When an employee must purchase a meal at a conference as an expense separate from the conference fee and the amount is in excess of the meal allowance shown in the Reimbursement Schedule, the employee may request an exception to the Part, seeking reimbursement for the actual cost in accordance with the applicable Section in Subpart G. However, if the exception is granted, the employee's meal or per diem allowance shall be reduced by the applicable meal allowance shown in the Reimbursement Schedule.

- Three of 19 (16%) vouchers tested, totaling \$1,144, included charges for lunch totaling \$33.

The Code (80 Ill. Admin. Code 3000.510) states that lunch is not a reimbursable expense. The amount for lunch is established for the purpose of setting a per meal ceiling on conference lunches and meals purchased for non-State officers and employees.

- One of 19 (5%) vouchers tested, included a charge for limousine service from the conference venue to the airport totaling \$60. The estimated taxi rate is only \$34.

Per the Authority's travel policy, the modes of transportation authorized for official travel include automobiles, railroads, airlines, buses, taxicabs and other usual means of conveyance. All travel shall be by the most direct route. Expenses due to deviations for convenience shall be borne by the employee.

- One of 19 (5%) travel vouchers tested, totaling \$393, was charged to an incorrect account classification. The charge did not pertain to state travel and thus should not have been charged to the travel classification.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) states that revenues, expenditures, and transfers of assets, resources or funds applicable to operations are properly recorded and accounted for to permit preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

- One of 19 (5%) travel vouchers tested, totaling \$250, did not state the business purpose of the travel.

**State of Illinois
Illinois Finance Authority**

**Schedule of Findings
For the Two Years Ended June 30, 2017**

Current Findings – State Compliance (Continued)

Finding 2017-005 Noncompliance with Travel Policies and Regulations (Continued)

The Code (80 Ill. Admin. Code 2800.240(a)) requires all claims for the reimbursement of travel expenses indicate the purpose of the travel.

- One of 19 (5%) travel vouchers tested, totaling \$1,326, had charges for the purchase of a charger/batteries totaling \$31, full web browsing access for \$12 and claims for 2 pieces of luggage for both the departure and the arrival, totaling \$70.

The Code (80 Ill. Admin. Code 3000.600) states the cost of business related special expenses, if reasonable, shall be reimbursable. Travel update 10-06 states airline fees incurred for a single piece of checked luggage per flight is reasonable, and shall be reimbursable to the employee while traveling out of State on official State of Illinois business.

Exception requests are to be submitted in writing on Agency letterhead and personally signed by the Agency Head in order to be considered by the Board.

- Two of 19 (11%) travel vouchers tested, totaling \$1,600, were for travel expenses incurred outside of the borders of the State of Illinois. The Authority was unable to provide support that a travel request was submitted to the Governor's Office of Management and Budget for the out-of-State travel.

Travel update 04-04, in cooperation with the Governor's Travel Control Board has modified the procedure for the processing of out-of-state travel requests. The agencies under the jurisdiction of the Board will no longer be required to receive approval from the Office of Management and Budget for out-of-state travel that does not require overnight lodging. Any out-of-state travel that includes overnight lodging, even at no cost to the state, will still require approval from the Office of Management and Budget prior to the anticipated departure date.

- One of 19 (5%) travel vouchers tested, totaling \$380, did not include the conference registration fee that was charged to the Authority credit card, on the travel expense report.

The Code (80 Ill. Admin. Code 2800.260 (b)) states employees may not be reimbursed for items billed directly to the State. Such direct billed items shall be indicated on the travel voucher along with all reimbursable items. All columns of travel vouchers are to be totaled and cross-footed. The direct-billed total will then be deducted from the cross-footed total with the balance being the amount to be reimbursed to the employee. In all such cases supporting documentation shall also be attached if available.

- On 1 of 19 (5%) travel vouchers tested, the traveler claimed per diem; however, the time of travel and the points of departure and arrival were not indicated on the travel expense report.

**State of Illinois
Illinois Finance Authority**

**Schedule of Findings
For the Two Years Ended June 30, 2017**

Current Findings – State Compliance (Continued)

Finding 2017-005 Noncompliance with Travel Policies and Regulations (Continued)

The Code (80 Ill. Admin. Code 2800.240(b)(c)) requires the travel voucher to show in the space provided, the dates and times of travel, the points of departure and destination, the mode of transportation, the cost of the transportation secured, lodging, meals per diem and other expenses. If meals or per diem are not claimed, the times of arrival and departure are not required.

Additionally, during testing of the Authority's travel expenditures, the auditors noted the Authority did not submit any travel exceptions to the Governor's Travel Control Board during fiscal years 2016 and 2017. As the auditors' sample testing indicated exceptions requiring either the approval or disapproval of the Governor's Travel Control Board, this did not appear reasonable or proper.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Authority establish and maintain a system, or systems of internal fiscal and administrative controls to provide assurance obligations and costs are in compliance with applicable law. Good internal controls include ensuring travel exceptions are submitted for review by the Governor's Travel Control Board and implementing controls to avoid duplicate payments.

Authority officials stated the exceptions were due to the oversight of a former staff member and the transition following their departure.

Failure to adhere to travel policies and regulations resulted in overpayments to travelers, represents an inefficient use of State funds, and represents noncompliance with the Authority's travel policy and the State's travel regulations. (Finding Code No. 2017-005, 2015-007, 2013-008, 12-8, 11-3, 10-7)

Recommendation

We recommend the Authority ensure all travel expenses paid by the Authority comply with its travel policy and State regulations.

Authority Response

We accept this finding. The Authority has extended the number of staff devoted to this functional area. The Authority notes, however, that none of the tested expenditures resulted in a non-appropriate expense of public funds. Rather, the issues with the expenditures highlighted in this finding appear to result from existing documentation not being consolidated. Further, the Authority recognizes the importance of resolving this in its entirety and intends to continue to devote resources to this goal.

**State of Illinois
Illinois Finance Authority**

**Schedule of Findings
For the Two Years Ended June 30, 2017**

Current Findings – State Compliance (Continued)

Finding 2017-006 Contracts not Properly Executed

The Illinois Finance Authority (Authority) did not ensure all necessary approvals were received, the agreements were executed prior to the performance or commencement of service, and contracts were filed with the State of Illinois Office of the Comptroller on a timely basis.

During our review of 17 contracts executed during fiscal years 2016 and 2017, we noted the following:

- Three of three contracts (100%) over \$250,000 (totaling to \$2,200,000) were not signed or approved by the Chief Legal Counsel and Chief Fiscal Officer.
- Five of seventeen contracts (29%) were executed subsequent to the start date of the contracts. The contract execution dates ranged from 1 to 110 days from start date of the contracts.
- One contract (6%) was not dated by the Chief Executive Officer.
- Six contracts (35%) were not submitted to the State Comptroller's Office, as required. Of the six, five contracts were filed 2 to 447 days late and one contract was not filed at all.

The Illinois Procurement Code (Code) (30 ILCS 500 et seq.) and Statewide Accounting Management System (Procedure 15.20 et seq. and 15.10.40) require contracts to contain certain signatures, clauses, and certifications, and also require State agencies to file contracts, purchase orders and leases exceeding \$20,000 with the Office of the State Comptroller within 30 calendar days after execution. Further, the State Finance Act (30 ILCS 105/9.02) states any new contract, contract renewal, order against a master contract, or any contract amendment of \$250,000 or more in a fiscal year, shall be signed or approved in writing by the agency's chief executive officer, chief legal counsel, and chief fiscal officer.

In addition, good business practices require all contracts to be properly approved and fully executed prior to the commencement of services. Moreover, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires agencies to establish and maintain a system, or systems of internal fiscal and administrative controls to provide assurance that: (1) resources are utilized effectively, and in compliance with applicable law; (2) obligations and cost are in compliance with applicable law; (3) funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation; (4) revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources; and (5) funds held outside the State Treasury are managed, used, and obtained in strict accordance with the terms of their enabling authorities and that no unauthorized funds exists. The Authority's system of internal controls should include procedures to ensure contracts are properly approved, fully executed prior to the performance and timely filed.

Authority officials stated the exceptions were due to staff turnover in procurement and oversight by staff.

Failure to fully execute a contract prior to the commencement of services leaves the Authority vulnerable to unnecessary liabilities and potential legal issues. In addition, failure to include all appropriate signatures and dates, and failure to file contracts with the Office of the Comptroller on a timely basis results in noncompliance with State statutes and regulations. (Finding Code No. 2017-006)

**State of Illinois
Illinois Finance Authority**

**Schedule of Findings
For the Two Years Ended June 30, 2017**

Current Findings – State Compliance (Continued)

Finding 2017-006 Contracts not Properly Executed (Continued)

Recommendation

We recommend the Authority establish procedures to ensure all contracts are completed, approved, and properly executed prior to the start of the services. Further, the Authority should review procedures to ensure all appropriate signatures are obtained prior to the effective date for all contracts and all applicable contracts are filed with the Office of the Comptroller in accordance with the State statutes and regulations.

Authority Response

We accept this finding. The Authority has implemented procedures to address this finding.

**State of Illinois
Illinois Finance Authority**

**Schedule of Findings
For the Two Years Ended June 30, 2017**

Current Findings – State Compliance (Continued)

Finding 2017-007 Employee Performance Evaluations not Documented

The Illinois Finance Authority (Authority) did not exercise adequate internal controls over employee performance evaluations.

The Authority's employee handbook requires annual performance evaluations be conducted for each employee; however, the employee handbook does not require the evaluations be written. During our review of the personnel files of seven employees, we noted there was no written documentation of evaluations for five employees (71%). The Authority asserted the evaluations were performed but were conducted verbally.

Section 4.1 *Performance and Development Reviews* of the employee handbook states reviews take place after 90 days of employment and then every 12 months.

In addition, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Authority to establish and maintain a system, or systems of internal fiscal and administrative controls to provide assurance that resources are utilized efficiently, effectively, and in compliance with applicable law; obligations and costs are in compliance with applicable law; funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation; revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources; and funds held outside the State Treasury are managed, used, and obtained in strict accordance with the terms of their enabling authorities and that no unauthorized funds exist. A good system of internal control includes keeping written documentation of performance evaluations performed to document the Authority is in compliance with its policy and to support any actions the Authority takes as a result of an employee's performance.

Authority officials stated the employee handbook states performance evaluations are to be performed every twelve months but does not state it has to be in writing and so the evaluations were conducted verbally.

Employee performance evaluations are a systematic approach used for the development of employees and communication of performance expectations. The evaluation measures actual work performance against the performance criteria established at the beginning of the appraisal period. Without a formal written record of an employee performance evaluation, there exists a risk of miscommunication between how the employee views their performance and how the Authority views their performance. Furthermore, as employee performance evaluations serve as a foundation for salary adjustments, promotions, demotions, discharges, lay-off, recall, or reinstatement decisions written documentation of evaluations is important to support these decisions. (Finding Code No. 2017-007)

Recommendation

We recommend the Authority implement procedures to ensure performance evaluations are documented in writing.

Authority Response

We accept this finding. The Authority has invested resources to upgrade its human resources functions to address this finding.

**State of Illinois
Illinois Finance Authority**

**Schedule of Findings
For the Two Years Ended June 30, 2017**

Current Findings – State Compliance (Continued)

Finding 2017-008 Noncompliance with Illinois Finance Authority Act 20 ILCS 3501 845-25

The Illinois Finance Authority (Authority) did not comply with the Illinois Finance Authority Act.

In fiscal year 2016, the Authority operated from July 1, 2015 to July 9, 2015 (8 days) without an approved budget while in fiscal year 2017, the Authority operated from July 1, 2016 to July 14, 2016 (13 days) without an approved budget. The Authority does not receive appropriations from the State of Illinois, all appropriations are made by its Board of Directors from the Authority's locally held funds.

The Illinois Finance Authority Act (20 ILCS 3501/845-25), states the Authority shall not incur any obligations for salaries, office or other administrative expenses prior to the making of appropriations to meet such expenses.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Authority to establish and maintain a system, or systems of internal fiscal and administrative controls, to provide assurance that: (1) resources are utilized efficiently, effectively, and in compliance with applicable law; (2) obligations and costs are in compliance with applicable law; (3) funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation; (4) revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources; and (5) funds held outside the State Treasury are managed, used, and obtained in strict accordance with the terms of their enabling authorities and that no unauthorized funds exist. The Authority's system of internal controls should include procedures to ensure their budget is approved before the start of the fiscal year.

Authority officials stated it has been the Authority's practice to prepare a budget for approval at the July meeting each fiscal year. The budget resolutions state that each budget is retroactive to July 1.

Expenditures incurred prior to approval of the Authority's budget were effectively unauthorized obligations and consequently resulted in noncompliance with the Illinois Finance Authority Act. (Finding Code No. 2017-008)

Recommendation

We recommend the Authority change its practice and approve its budget prior to the beginning of the fiscal year to comply with Illinois Finance Authority Act.

Authority Response

We accept this finding. On February 8, 2018, the Authority staff advised the Board in a public, yet non-quorum meeting, that the Fiscal Year 2019 budget will be presented for consideration to the Authority's Board at its regularly scheduled public meeting. This change of past practice should address this finding going forward.

**State of Illinois
Illinois Finance Authority**

**Schedule of Findings
For the Two Years Ended June 30, 2017**

Current Findings – State Compliance (Continued)

Finding 2017-009 Agency Workforce Report not Submitted Timely

The Illinois Finance Authority (Authority) did not file its fiscal year 2015 Agency Workforce Report (Report) with Office of the Governor and Secretary of State by the required date.

During our review of the Authority's fiscal year 2016 and 2015 Reports, we noted fiscal year 2015's Report, due on January 1, 2016, was not submitted to the Office of the Governor and Secretary of State until October 19, 2017 (657 days late).

The State Employment Records Act (Act) (5 ILCS 410/20) requires each State agency to file an annual Agency Workforce Report with the Governor's Office and Secretary of State by January 1st.

Authority officials stated the workforce report was prepared on December 14, 2015, prior to the due date of January 1, 2016; however, it was not filed timely due to an oversight owed primarily to the additional workload imposed by the implementation of the Vendor State Receivables Program, which also took place in December 2015.

Failure to submit the Authority's Report timely results in noncompliance with the Act and could deter efforts by State officials, administrators, and residents to achieve a more diversified State workforce. (Finding Code No. 2017-009)

Recommendation

We recommend the Authority implement procedures to ensure the Agency Workforce Report is submitted on time to the Office of the Governor and Secretary of State.

Authority Response

We accept this finding. Due to delegation of duties, the Authority intends to devote resources to addressing and resolving this issue.

**State of Illinois
Illinois Finance Authority**

**Prior Findings Not Repeated
For the Two Years Ended June 30, 2017**

Prior Findings Not Repeated

A. Finding: Inaccurate Financial Statements for the Industrial Project Insurance Fund

During the financial audit as of and for the year ended June 30, 2015, the Illinois Finance Authority (Authority) did not prepare accurate financial statements for the Authority's Industrial Project Insurance Fund, the Illinois Agricultural Loan Guarantee Fund, and the Illinois Farmer and Agribusiness Loan Guarantee Fund. (Finding Code No. 2015-001)

Disposition

During the financial audit as of and for the year ended June 30, 2016, the auditor's testing indicated the Authority improved its financial reporting for the Authority's Industrial Project Insurance Fund, the Illinois Agricultural Loan Guarantee Fund, and the Illinois Farmer and Agribusiness Loan Guarantee Fund. None of the errors noted in the fiscal year 2015 finding were repeated. Additionally, the Authority sought and obtained legislative changes to permit some of the types of transactions that were previously prohibited. On June 24, 2016, Public Act 99-0509 (Act) was enacted into law with an immediate effective date. This Act grants flexibility to the Authority for risk management purposes by allowing the Authority to allocate potential claims under the guarantee programs among the three funds.

B. Finding: Failure to Write Off Uncollectible Balances

The Illinois Finance Authority (Authority) had loan and guarantee receivables from non-conduit debt recorded in its financial books and records that should have been removed due to the balances being uncollectible. In addition, for the past several years, the Authority had carried on its books investments in partnerships and other companies totaling \$2,971,385 for which a 100% allowance for a decline in market value was recognized. (Finding Code No. 2016-001, 2015-002, 2014-002, 2013-004)

Disposition

As of August 31, 2017, the Authority obtained the approval of the Attorney General to write-off certain loan and guarantee receivables from non-conduit debt. Specifically, \$698,188 of General Operating Fund uncollectible balances, \$394,126 of cumulative Illinois Agricultural Loan Guarantee Fund and Illinois Farmer and Agribusiness Loan Guarantee Fund uncollectible balances, and as of October 6, 2017, \$235,000 from General Operating Fund uncollectible balances. This results in only \$3,171 of the \$1,330,485 prior year finding balance remaining uncollectible.

As of August 31, 2017, the Authority obtained the approval of the Attorney General to write-off its remaining Venture Capital Investments of \$2,971,385 (100% of prior year finding amount), for which a 100% allowance for a decline in the market value was previously recognized.

**State of Illinois
Illinois Finance Authority**

**Prior Findings Not Repeated
For the Two Years Ended June 30, 2017**

Prior Findings Not Repeated (Continued)

C. Finding: Noncompliance with the Illinois Finance Authority Act

In the prior examination period, the Illinois Finance Authority (Authority) returned money from the Fire Truck Revolving Fund to the Office of the State Fire Marshal. The return was a use of funds not allowed for in the Illinois Finance Authority Act. (Finding Code No. 2015-003)

Disposition

In the current examination period, the Authority did not return any funds from the Fire Truck Revolving Fund to the Office of the State Fire Marshal or any other entity

D. D. Finding: Inadequate Controls over Personal Services

In the prior examination period, the Authority overpaid several employees due to errors in timekeeping and processing payroll. Documentation of required approval for the use of vacation time was also missing for two employees selected for testing. Finally, one of the tested employees did not received an annual performance review. (2015-008, 2013-11, 12-11)

Disposition

In the current examination period, the employees selected for testing were properly compensated and did not use any unapproved vacation time. A finding is reported this year at 2017-007 for the documentation of performance reviews.

**State of Illinois
Illinois Finance Authority**

**Compliance Examination
For the Two Years Ended June 30, 2017**

Supplementary Information for State Compliance Purposes

Summary

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

- **Fiscal Schedules and Analysis:**
 - Schedule of Appropriations, Expenditures and Lapsed Balances
 - Fiscal Year Ended June 30, 2017
 - Fiscal Year Ended June 30, 2016
 - Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances
 - Schedule of Changes in State Property
 - Schedule of Cash Funds and Depositories
 - Schedule of Investments
 - Fiscal Year Ended June 30, 2017
 - Fiscal Year Ended June 30, 2016
 - Comparative Schedule of Cash Receipts and Reconciliation of Cash
 - Receipts to Deposits Remitted to the State Comptroller
 - Comparative Schedule of Revenues and Expenses
 - Comparative Schedule of Assets and Liabilities
- **Analysis of Operations (Unaudited):**
 - Agency Functions and Planning Program (Unaudited)
 - Analysis of Significant Variations in Expenditures (Unaudited)
 - Analysis of Significant Variations in Receipts (Unaudited)
 - Analysis of Significant Lapse Period Spending (Unaudited)
 - Analysis of Significant Variations in Revenues and Expenses (Unaudited)
 - Fiscal Year 2017
 - Fiscal Year 2016
 - Analysis of Significant Variations in Assets and Liabilities (Unaudited)
 - Fiscal Year 2017
 - Fiscal Year 2016
 - Analysis of Accounts Receivable (Unaudited)
 - Budget Impasse Disclosure (Unaudited)
 - Alternative Financing in Lieu of Appropriations and Programs to
 - Address Untimely Payments to Vendors (Unaudited)
 - Interest Costs on Fiscal Year 2017 and 2016 Invoices (Unaudited)
 - Employee Compensation Plan (Unaudited)
 - Average Number of Full-Time Employees (Unaudited)
 - Emergency Purchases (Unaudited)
 - Schedule of Vendor Payments (Unaudited)
 - Fiscal Year 2017
 - Fiscal Year 2016
 - Schedule of Conduit Debt (Unaudited)
 - Fiscal Year 2017
 - Fiscal Year 2016

**State of Illinois
Illinois Finance Authority**

**Compliance Examination
For the Two Years Ended June 30, 2017**

Supplementary Information for State Compliance Purposes (Continued)

Summary (Continued)

- Analysis of Operations (Unaudited) (Continued):
 - Schedule of Jobs Created or Retained by Loans, Revenue Bonds and Investments Made by the Authority (Unaudited)
 - Summary of Agricultural Loan Programs (Unaudited)
 - Agricultural Development Bonds (Unaudited)
 - State Guarantee Program for Restructuring Agricultural Debt (Unaudited)
 - Farmer and Agri-Business Loan Guarantee Program (Unaudited)
 - Young Farmer and Farm Purchase Loan Guarantee Program (Unaudited)
 - Specialized Livestock Loan Guarantee Program (Unaudited)
 - Historical Summary of Agricultural Loans Issued by Program and County (Unaudited)
 - Summary of Fire Truck and Ambulance Revolving Loan Programs (Unaudited)
 - Historical Summary of Fire Truck and Ambulance Revolving Loans Issued by Program and County (Unaudited)
 - Service Efforts and Accomplishments (Unaudited)

The accountant's 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 auditor's opinion, it is fairly stated, in all material respects, in relation to the basic financial statements as a whole from which it has been derived. The accountant's report also states the Analysis of Operations Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, they do not express an opinion or provide any assurance on it.

Schedule of Appropriations, Expenditures and Lapsed Balances
 Appropriations for Fiscal Year 2017
 Fourteen Months Ended August 31, 2017

	Appropriations (Net After Transfers)	Expenditures Through 06/30/17	Lapse Period Expenditures 07/01 to 08/31/17	Total Expenditures	Balances Lapsed
<u>APPROPRIATED FUNDS</u>					
<u>FIRE TRUCK REVOLVING LOAN FUND - 572</u>					
Loans to fire departments	\$ -	\$ -	\$ -	\$ -	\$ -
<u>AMBULANCE REVOLVING LOAN FUND - 334</u>					
Loans to fire departments and ambulance services	-	-	-	-	-
TOTAL - ALL APPROPRIATED FUNDS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>NON-APPROPRIATED FUNDS</u>					
<u>IL FARMER & AGRI-BUSINESS LN FUND - 205</u>					
Payments for claims against loan guarantees		\$ -	\$ -	\$ -	
<u>IL AGRICULTURAL LOAN GUARANTEE FUND - 994</u>					
Payments for claims against loan guarantees		\$ -	\$ -	\$ -	
TOTAL - ALL NON-APPROPRIATED FUNDS		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
TOTAL - ALL FUNDS		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

Note 1: Appropriations, expenditures and lapsed balances were obtained from Authority records and have been reconciled to the records of the State Comptroller.

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

Schedule of Appropriations, Expenditures and Lapsed Balances
 Appropriations for Fiscal Year 2016
 Fourteen Months Ended August 31, 2016

	Appropriations (Net After Transfers)	Expenditures Through 06/30/16	Lapse Period Expenditures 07/01 to 08/31/16	Total Expenditures	Balances Lapsed
<u>APPROPRIATED FUNDS</u>					
<u>FIRE TRUCK REVOLVING LOAN FUND - 572</u>					
Loans to fire departments	\$ -	\$ -	\$ -	\$ -	\$ -
<u>AMBULANCE REVOLVING LOAN FUND - 334</u>					
Loans to fire departments and ambulance services	-	-	-	-	-
TOTAL - ALL APPROPRIATED FUNDS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>NON-APPROPRIATED FUNDS</u>					
<u>IL FARMER & AGRI-BUSINESS LN FUND - 205</u>					
Payments for claims against loan guarantees		\$ -	\$ -	\$ -	
<u>IL AGRICULTURAL LOAN GUARANTEE FUND - 994</u>					
Payments for claims against loan guarantees		\$ 155,000	\$ -	\$ -	
TOTAL - ALL NON-APPROPRIATED FUNDS		<u>\$ 155,000</u>	<u>\$ -</u>	<u>\$ -</u>	
TOTAL - ALL FUNDS		<u>\$ 155,000</u>	<u>\$ -</u>	<u>\$ -</u>	

Note 1: Appropriations, expenditures and lapsed balances were obtained from Authority records and have been reconciled to the records of the State Comptroller.

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

**Comparative Schedule of Net Appropriations, Expenditures
and Lapsed Balances
For the Years Ended June 30, 2017, 2016 and 2015**

	Fiscal Years Ended June 30,		
	2017 N/A	2016 N/A	2015 PA 98-0675
<u>APPROPRIATED FUNDS</u>			
FIRE TRUCK REVOLVING LOAN FUND - 572			
Appropriations (net after transfers)	\$ -	\$ -	\$ 2,383,342
Expenditures			
Loans to Fire Departments	-	-	-
Total expenditures	-	-	-
Reappropriated balances	\$ -	\$ -	\$ 2,383,342
AMBULANCE REVOLVING LOAN FUND - 334			
Appropriations (net after transfers)	\$ -	\$ -	\$ 7,006,800
Expenditures			
Loans to Fire Departments and Ambulance Services	-	-	-
Total expenditures	-	-	-
Reappropriated balances	\$ -	\$ -	\$ 7,006,800
TOTAL - APPROPRIATED FUNDS			
Appropriations (net after transfers)	\$ -	\$ -	\$ 9,390,142
Expenditures	-	-	-
Reappropriated balances	\$ -	\$ -	\$ 9,390,142
<u>NON-APPROPRIATED FUNDS</u>			
<u>IL FARMER & AGRI-BUSINESS LN FUND - 205</u>			
Payments for claims against loan guarantees	\$ -	\$ -	\$ -
<u>IL AGRICULTURAL LOAN GUARANTEE FUND - 994</u>			
Payments for claims against loan guarantees	-	155,000	-
TOTAL - ALL NON-APPROPRIATED FUNDS	\$ -	\$ 155,000	\$ -
TOTAL - ALL FUNDS			
Expenditures	\$ -	\$ 155,000	\$ -

Note 1: Appropriations, expenditures and lapsed balances were obtained from Authority records and have been reconciled to the records of the State Comptroller.

Note 2: The Illinois Finance Authority received no appropriations in fiscal year 2017 or 2016. In fiscal year 2015, Public Act 097-0901 (the Act) was passed which mandated all amounts in the Fire Truck Revolving Loan Fund and the Ambulance Revolving Loan Fund (Treasury held Funds 572 and 334 respectively) be paid immediately to the Illinois Finance Authority which became locally held funds of the Authority. The Act requires all principal and interest payments on the revolving loans to be deposited into Treasury held Funds 572 and 334 versus the Authority's locally held funds. The State Fire Marshal has a continuing appropriation however to pay any amounts deposited into the Treasury held funds to the Authority to be kept in the Authority's locally held funds. As such, all appropriations for Funds 572 and 334 are reported by the State Fire Marshal.

Schedule of Changes in State Property
For the Year Ended June 30,

	Balance			Balance			Balance
	June 30, 2015	Additions	Deletions	June 30, 2016	Additions	Deletions	June 30, 2017
Furniture and equipment	\$ 195,313	\$ 5,929	\$ 7,336	\$ 193,906	\$ 1,740	\$ -	\$ 195,646
Computers	130,543	685	-	131,228	-	2,085	129,143
Software	287,799	-	-	287,799	-	-	287,799
Other state property equipment	178,447	16,434	10,144	184,737	6,157	8,276	182,618
Total	<u>\$ 792,102</u>	<u>\$ 23,048</u>	<u>\$ 17,480</u>	<u>\$ 797,670</u>	<u>\$ 7,897</u>	<u>\$ 10,361</u>	<u>\$ 795,206</u>

Note 1: This schedule has been reconciled to property reports submitted to the Office of the State Comptroller.

Note 2: This summary schedule was prepared using State property records required by the Illinois Administrative Code (Code). The capitalization policy in the Code is different than the capitalization policy established by the Office of the State Comptroller for financial reporting in accordance with generally accepted accounting principles

Note 3: The June 30, 2015 balances shown above differ from the balances shown in the compliance report for the prior examination period. In the prior report, the schedule showed assets capitalized for financial reporting. The schedule now shows assets capitalized under the Code's policy.

Schedule of Cash Funds and Depositories
For the Year Ended June 30,

Fund and Depository	2017	2016
<u>General Operating Fund</u>		
Bank of America in Chicago, Illinois - Repurchase Agreements	\$ 2,138,277	\$ 3,051,733
Bank of America in Chicago, Illinois	195,720	188,835
US Bank	-	55,930
Amalgamated Bank of Chicago - Money Market	13,777,422	6,391,789
<u>Other State of Illinois Debt Fund</u>		
Amalgamated Bank of Chicago - Money Market	197,034,949	75,867,439
<u>Industrial Revenue Bond Insurance Fund</u>		
Amalgamated Bank of Chicago - Money Market	626,442	753,637
<u>Credit Enhancement Fund</u>		
US Bank - Money Market	-	600,000
<u>Illinois Agricultural Loan Guarantee Fund</u>		
State Treasury - Cash	10,129,630	10,050,319
<u>Illinois Farmer Agribusiness Loan Guarantee Fund</u>		
State Treasury - Cash	7,943,659	7,881,462
<u>Rural Development Revolving Loan Fund</u>		
Bank of America in Chicago Illinois - Repurchase Agreements	1,791,198	1,829,852
Bank of America in Chicago Illinois	-	564
<u>Illinois Housing Partnership Program Fund</u>		
Amalgamated Bank of Chicago - Money Market	51,287	35,079
<u>Fire Truck Revolving Loan Fund</u>		
State Treasury - Cash	169,427	111,551
State Treasury - Deposit in Transit	53,000	52,500
Amalgamated Bank of Chicago - Money Market	693,872	1,043,822
<u>Ambulance Revolving Loan Fund</u>		
Amalgamated Bank of Chicago - Money Market	743,274	3,939,396
<u>Renewable Energy Development Fund</u>		
Bank of America in Chicago, Illinois - Repurchase Agreements	127,933	30,384
Amalgamated Bank of Chicago - Money Market	9,279	13,609
<u>Illinois Finance Authority Development Not for Profit</u>		
Bank of America in Chicago, Illinois - Cash	12,822	19,248
	\$ 235,498,191	\$ 111,917,149
<u>Metro East Police District Commission Fund</u>		
Bank of America in Chicago, Illinois - Cash	4,762	18,959
Total	\$ 235,502,953	\$ 111,936,108

Schedule of Investments
For the Year Ended June 30, 2017

Description	Type	Recorded Value June 30, 2017	Maturities Less than One Year	Maturities 1 - 5 Years
<u>General Operating Fund</u>				
Amalgamated Bank of Chicago	Corporate Debt	\$ 3,438,852	\$ 3,438,852	\$ -
Amalgamated Bank of Chicago	Municipal Bonds	234,934	234,934	-
Amalgamated Bank of Chicago	U.S. Agencies	16,743,983	13,417,762	3,326,221
Amalgamated Bank of Chicago	U.S. T- Notes	5,306,873	3,219,837	2,087,036
<u>Industrial Project Insurance Fund</u>				
Amalgamated Bank of Chicago	Corporate Debt	274,952	274,952	-
Amalgamated Bank of Chicago	Municipal Bonds	94,973	94,973	-
Amalgamated Bank of Chicago	U.S. Agencies	7,179,789	4,548,415	2,631,374
Amalgamated Bank of Chicago	U.S. T- Notes	3,281,789	1,512,147	1,769,642
<u>Illinois Housing Partnership Program Fund</u>				
Amalgamated Bank of Chicago	Corporate Debt	214,986	214,986	-
Amalgamated Bank of Chicago	U.S. Agencies	2,711,398	2,003,421	707,977
Amalgamated Bank of Chicago	U.S. T- Notes	1,336,395	568,603	767,792
<u>Renewable Energy Development Fund</u>				
Amalgamated Bank of Chicago	Corporate Debt	14,998	14,998	-
Amalgamated Bank of Chicago	U.S. Agencies	714,581	469,247	245,334
Amalgamated Bank of Chicago	U.S. T- Notes	284,217	144,704	139,513
<u>Locally Held Fire Truck Revolving Loan Fund</u>				
Amalgamated Bank of Chicago	U.S. Agencies	1,368,732	1,368,732	-
Amalgamated Bank of Chicago	U.S. T- Notes	749,093	749,093	-
<u>Locally Held Ambulance Revolving Loan Fund</u>				
Amalgamated Bank of Chicago	U.S. Agencies	1,819,241	1,819,241	-
<u>Other State of Illinois Debt Fund</u>				
Amalgamated Bank of Chicago	U.S. Agencies	3,345,504	3,345,504	-
		<u>\$ 49,115,290</u>	<u>\$ 37,440,401</u>	<u>\$ 11,674,889</u>

Note: In the Other State of Illinois Component Unit Debt Fund, \$3,345,504 of the amount shown as noncurrent municipal bonds, actually have a maturity of less than one year. They are presented in the audited financial statements as noncurrent, as they will be used to pay noncurrent obligations.

Schedule of Investments
For the Year Ended June 30, 2016

Description	Type	Recorded Value June 30, 2016	Maturities Less than One Year	Maturities 1 - 5 Years
<u>General Operating Fund</u>				
Amalgamated Bank of Chicago	Corporate Debt	\$ 1,281,267	\$ 1,281,267	\$ -
Amalgamated Bank of Chicago	Municipal Bonds	386,484	150,316	236,168
Amalgamated Bank of Chicago	U.S. Agencies	12,668,013	8,379,798	4,288,215
Amalgamated Bank of Chicago	U.S. T- Notes	4,042,532	2,214,767	1,827,765
<u>Industrial Project Insurance Fund</u>				
Amalgamated Bank of Chicago	Corporate Debt	375,867	375,867	-
Amalgamated Bank of Chicago	Municipal Bonds	190,672	95,200	95,472
Amalgamated Bank of Chicago	U.S. Agencies	8,432,446	4,326,221	4,106,225
Amalgamated Bank of Chicago	U.S. T- Notes	2,076,172	1,106,778	969,394
<u>Illinois Housing Partnership Program Fund</u>				
Amalgamated Bank of Chicago	Corporate Debt	77,066	77,066	-
Amalgamated Bank of Chicago	Municipal Bonds	5,011	5,011	-
Amalgamated Bank of Chicago	U.S. Agencies	1,282,929	581,870	701,059
Amalgamated Bank of Chicago	U.S. T- Notes	486,456	215,376	271,080
<u>Renewable Energy Development Fund</u>				
Amalgamated Bank of Chicago	Corporate Debt	45,050	45,050	-
Amalgamated Bank of Chicago	Municipal Bonds	5,011	5,011	-
Amalgamated Bank of Chicago	U.S. Agencies	705,811	240,744	465,067
Amalgamated Bank of Chicago	U.S. T- Notes	261,349	95,173	166,176
<u>Locally Held Fire Truck Revolving Loan Fund</u>				
Amalgamated Bank of Chicago	Municipal Bonds	60,127	60,127	-
Amalgamated Bank of Chicago	U.S. Agencies	25,113	25,113	-
<u>Locally Held Ambulance Revolving Loan Fund</u>				
Amalgamated Bank of Chicago	Municipal Bonds	35,074	35,074	-
<u>Other State of Illinois Debt Fund</u>				
Amalgamated Bank of Chicago	U.S. Agencies	3,349,693	3,349,693	-
		<u>\$ 35,792,143</u>	<u>\$ 22,665,522</u>	<u>\$ 13,126,621</u>

Note: In the Other State of Illinois Component Unit Debt Fund, \$3,349,693 of the amount shown as noncurrent municipal bonds, actually have a maturity of less than one year. They are presented in the audited financial statements as noncurrent, as they will be used to pay noncurrent obligations.

Comparative Schedule of Cash Receipts and Reconciliation of Cash Receipts to Deposits Remitted to the State Comptroller For the Years Ended June 30, 2017, 2016 and 2015

	Fiscal Years Ended June 30,		
	2017	2016	2015
AMBULANCE REVOLVING LOAN FUND - 334			
Repayment of loans	\$ 74,320	\$ 74,320	\$ 94,320
Total Receipts - Fund 334	<u>\$ 74,320</u>	<u>\$ 74,320</u>	<u>\$ 94,320</u>
Receipts, per Authority Records	74,320	74,320	94,320
Add: Deposits in Transit, Beginning of Fiscal Year	-	-	-
Subtract: Deposits in Transit, End of period	-	-	-
Deposits, Recorded by the State Comptroller	<u>\$ 74,320</u>	<u>\$ 74,320</u>	<u>\$ 94,320</u>
FIRE TRUCK REVOLVING LOAN FUND - 572			
Repayment of loans	\$ 1,973,105	\$ 1,456,302	\$ 1,504,735
Total Receipts - Fund 572	<u>\$ 1,973,105</u>	<u>\$ 1,456,302</u>	<u>\$ 1,504,735</u>
Receipts, per Authority Records	1,973,105	1,456,302	1,504,735
Add: Deposits in Transit, Beginning of Fiscal Year	52,500	-	-
Subtract: Deposits in Transit, End of period	(52,500)	(52,500)	-
Deposits, Recorded by the State Comptroller	<u>\$ 1,973,105</u>	<u>\$ 1,403,802</u>	<u>\$ 1,504,735</u>
GRAND TOTAL - ALL FUNDS			
Receipts, per Authority Records	\$ 2,047,425	\$ 1,530,622	\$ 1,599,055
Add: Deposits in Transit, Beginning of Fiscal Year	52,500	-	-
Subtract: Deposits in Transit, End of period	(52,500)	(52,500)	-
Deposits, Recorded by the State Comptroller	<u>\$ 2,047,425</u>	<u>\$ 1,478,122</u>	<u>\$ 1,599,055</u>

Note: After the implementation of Public Act 097-0901, the Authority is required to deposit all interest income and loan repayment into the State Treasury pursuant to the Illinois Finance Authority Act (Act) (20 ILCS 3501/825-80(d) and 20 ILCS 3501/825-85(c)); however, the Office of the State Fire Marshal is required to immediately return these cash collections back to the Authority's locally-held funds pursuant to the continuing appropriations of the Act (20 ILCS 3501/825-80(c) and 20 ILCS 3501/825-85(b)). As the Authority no longer has a present obligation to sacrifice the resources represented by these loan repayments and interest collections, these transactions have been eliminated for financial reporting purposes.

Comparative Schedule of Revenues and Expenses
For the Years Ended June 30, 2017, 2016 and 2015

	2017	2016	2015
<u>Revenues</u>			
Closing fees	\$ 4,046,736	\$ 3,707,376	\$ 2,355,601
Annual fees	318,082	341,544	365,391
Administrative service fees	243,500	114,429	136,000
Application fees	36,900	54,350	44,778
Miscellaneous fees	37,279	20,479	19,823
Interest income - loans	14,234,509	4,803,512	5,183,052
Interest and investment income	2,047,120	899,506	642,885
Bad debt recoveries	208,115	137,753	-
Other revenue	12,210	7,499	126,581
Transfers of funds and interest in program from the State of Illinois	452,379	425,846	447,531
Total revenues	21,636,830	10,512,294	9,321,642
<u>Expenses</u>			
Employee related expenses	1,769,136	1,798,679	1,702,215
Professional services	1,185,097	1,936,757	1,539,522
Occupancy costs	175,705	244,745	271,431
General and administrative	342,842	404,629	381,828
Interest expense	12,143,791	4,002,636	4,279,926
Loss on extinguishment of debt	2,880,123	-	-
Depreciation and amortization	17,970	47,775	52,854
Bad debt expense	-	691,341	771,633
Total expenses	18,514,664	9,126,562	8,999,409
Excess of revenues over expenses	\$ 3,122,166	\$ 1,385,732	\$ 322,233

Comparative Schedule of Assets and Liabilities
For the Years Ended June 30, 2017, 2016 and 2015

	2017	2016	2015
ASSETS			
Cash and cash equivalents	\$ 235,498,191	\$ 111,917,149	\$ 120,073,688
Securities lending collateral equity with State Treasurer	5,821,742	4,744,000	8,076,000
Investments	49,115,290	35,792,143	45,903,624
Receivables, net	25,337,284	26,556,017	18,954,194
Bonds and notes receivable	505,430,399	83,158,595	101,376,242
Receivable from pending investment sales	-	-	1,487,485
Accounts receivable, net	133,064	4,982,542	58,911
Accrued interest receivable	581,592	754,697	558,346
Due from other funds	169	25,450	19,661
Due from primary government	-	-	112,500
Due from other local government agencies	-	2,333,795	3,000,000
Prepaid expenses and deposits	39,746	37,331	34,231
Capital assets, net	12,655	28,885	70,046
Deferred outflows	408,860	577,011	766,953
	<u>\$ 822,378,992</u>	<u>\$ 270,907,615</u>	<u>\$ 300,491,881</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 152,324	\$ 594,389	\$ 258,683
Accrued interest payable	13,701,758	3,055,479	3,447,686
Due to employees	95,721	117,956	101,017
Due to primary government	50,001	85,001	168,777
Due to other funds	169	25,450	19,661
Obligation under securities lending of State Treasurer	5,821,742	4,744,000	8,076,000
Unearned revenue, net of accumulated amortization	70,000	131,930	70,000
Long-term debt	248,512	309,096	369,080
Bonds and notes payable	593,067,488	134,823,207	158,936,627
Unamortized issuance premium	87,365,400	7,924,717	11,057,886
Other liabilities and loan reserve	29,192	441,869	717,675
	<u>\$ 700,602,307</u>	<u>\$ 152,253,094</u>	<u>\$ 183,223,092</u>

**State of Illinois
Illinois Finance Authority**

**Agency Functions and Planning Program
For the Two Years Ended June 30, 2017
(Unaudited)**

The Illinois Finance Authority (Authority), a body politic and corporate, promotes a vigorous growing economy in the State of Illinois by providing access to capital to non-profit, private, individual, and public borrowers. In doing so, the Authority helps these borrowers to create and retain jobs and to promote the health, safety and general welfare of all of the people of Illinois.

In Fiscal Year 2017, the Authority welcomed a new Chair, Eric Anderberg, who, pursuant to statute, was appointed directly by the Governor. The Authority anticipates additional appointments. The Authority is governed by a fifteen-member volunteer board, also appointed by the Governor and confirmed by the State Senate. The Authority operates on an enterprise or business-type model without State taxpayer appropriations to support its operations. Annually, the Board appoints an Executive Director from nominations submitted by the Governor.

In July 2015, the Authority streamlined its committee structure to five committees: (1) Audit, Budget, Finance, Legislation, Investment and Procurement; (2) Governance, Personnel and Ethics; (3) Tax-Exempt Conduit Transactions; (4) Direct and Alternative Financing; and, (5) an Executive Committee. The Authority intends to use its new committee structure in its future planning program.

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

Current Authority Strategic Plan

In its Strategic Plan, the Authority established four goals to guide investments and asset allocation. This includes the following:

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

Each strategic goal includes action items and evaluation criteria that are designed to facilitate an effective implementation of the strategic plans.

Strategic Goal 1: Strengthening and Diversifying Product Offerings.

The Authority established a four-part framework to evaluate new programs: (a) public mission; (b) risk profile; (c) net revenue impact; and, (d) competitive position. The Authority also works to streamline the Authority's product offering by eliminating inactive programs and consolidating related programs.

**State of Illinois
Illinois Finance Authority**

**Agency Functions and Planning Program (Continued)
For the Two Years Ended June 30, 2017
(Unaudited)**

Strategic Goal 2: Improving Stewardship of Financial and Human Capital.

The Authority has maintained adequate reserves against financial risk on its agricultural guarantee and direct loan programs and has secured operating reserves and uses an investment manager to generate higher returns on its investment portfolio. The Authority continues to invest in the professional development of its staff. Currently, the Authority has four nationally-recognized, subject-matter experts in its senior management team.

An important priority of the Authority is to monitor and, if possible, reduce the remaining outstanding balance of the State Moral Obligation (contingent State taxpayer obligation) issued by the Authority in connection with the Illinois Medical District Commission's 2006 bonds. The Authority has also worked with the Governor's Office of Management and Budget (GOMB) to avoid risks to a State Moral Obligation commitment issued by another statutory authority.

Strategic Goal 3: Expand its partnership with the Governor as well as State and Federal Agencies.

Working with the Governor on his priorities, the Authority expects to strengthen existing partnerships with the Illinois Environment Protection Agency (State Revolving Fund/Clean Water Initiative) and the Office of the State Fire Marshal. The Authority hopes to initiate or expand partnerships with GOMB, the Department of Central Management Services, the Capital Development Board, the Department of Commerce and Economic Opportunity, and the Department of Transportation as well as with appropriate federal, regional, and local agencies and governments.

Strategic Goal 4: Enhance Accountability, Transparency and Flow of Information.

The objective of the Authority's new committee structure is to strengthen accountability, governance, and transparency. Performance measures such as the number and amount of bond issues per industry category are monitored and reported to the Board and documented in the monthly Board Book. Financial reports, new market sectors and financing participants, legislation updates, and operational reports are discussed during the monthly Board and Committee meetings. In addition, the Executive Director and senior staff meet individually and collectively to discuss and obtain the status of the Authority's operations and goals.

Future Planning

The Authority expects to revisit and update its current Strategic Plan in the coming months.

Head of the Agency, Location and Address
Christopher Meister, Executive Director
Illinois Finance Authority
Michael A. Bilandic Building
160 N. LaSalle Street, Suite S-1000
Chicago, Illinois 60601

**State of Illinois
Illinois Finance Authority**

**Analysis of Significant Variations in Expenditures
For the Two Years Ended June 30, 2017
(Unaudited)**

The Authority's analysis of significant fluctuation in expenditures as presented in the comparative schedules of net appropriations, expenditures and lapsed balances. Fluctuation in excess of 20% is considered significant.

Analysis of Significant Variations in Expenditures Between Fiscal Year 2017 and 2016

In fiscal year 2016, the Authority satisfied a claim arising from the settlement of litigation regarding a guarantee claim. There were no claim settlements in 2017.

Analysis of Significant Variations in Expenditures Between Fiscal Year 2016 and 2015

In fiscal year 2016, the Authority satisfied a claim arising from the settlement of litigation regarding a guarantee claim. There were no claim settlements in 2015.

**State of Illinois
Illinois Finance Authority**

**Analysis of Significant Variations in Receipts
For the Two Years Ended June 30, 2017
(Unaudited)**

The Authority's analysis of significant fluctuation in receipts as presented in the comparative schedules of cash receipts and reconciliation of cash receipts to deposits remitted to the State Comptroller. Fluctuation in excess of 20% is considered significant.

Analysis of Significant Variations in Receipts Between Fiscal Year 2017 and 2016

Fire Truck Revolving Loan Fund – 572

The increase in receipts in Fiscal Year 2017 from Fiscal Year 2016 of \$516,803, or 35%, was mainly due to the new loans issued in Fiscal Year 2016.

Analysis of Significant Variations in Receipts Between Fiscal Year 2016 and 2015

Ambulance Revolving Loan Fund – 334

The decrease in receipts in Fiscal Year 2016 from Fiscal Year 2015 of \$20,000, or 21%, was mainly due to full repayment of one outstanding loan received in Fiscal Year 2015.

**State of Illinois
Illinois Finance Authority**

**Analysis of Significant Lapse Period Spending
For the Two Years Ended June 30, 2017
(Unaudited)**

No significant lapse period expenditures during the year ended June 30, 2017 or June 30, 2016.

**State of Illinois
Illinois Finance Authority**

**Analysis of Significant Variations in Revenues and Expenses
For the Years Ended June 30, 2017 and 2016
(Unaudited)**

	2017	2016	Increase (Decrease)	% Variance	Explanation of Significant Variations (Variance of 20% and \$400,000 or more)
<u>Revenues:</u>					
Interest income - loans	\$ 14,234,509	\$ 4,803,512	\$ 9,430,997	196%	Increase is due to the issuance of new loans to the Illinois Environmental Protection Agency
Interest and investment income	2,047,120	899,506	1,147,614	128%	Increase is due to higher interest rates based on market conditions and additional funds which were invested due to the issuance of a new bond for the Illinois Environmental Protection Agency
<u>Expenses</u>					
Professional services	1,185,097	1,936,757	(751,660)	(39%)	Decrease is due to a decrease in the use of temporary staffing and information technology systems services
Interest expense	12,143,791	4,002,636	8,141,155	203%	Increase is attributable to additional debt, due to the issuance of \$500 million of bonds on behalf of the Illinois Environmental Protection Agency
Loss on extinguishment of debt	2,880,123	-	2,880,123	100%	Increase due to the early redemption of a portion of the outstanding bonds issued on behalf of the Illinois Medical District Commission
Bad debt expense	-	691,341	(691,341)	(100%)	Decrease due to the Authority allowing for the doubtful accounts inherited from predecessor agencies in prior fiscal years

* Information obtained from the Comparative Schedule of Revenues and Expenses

State of Illinois
Illinois Finance Authority

Analysis of Significant Variations in Revenues and Expenses
For the Years Ended June 30, 2016 and 2015
(Unaudited)

	2016	2015	Increase (Decrease)	%	Explanation of Significant Variations (Variance of 20% and \$400,000 or more)
<u>Revenues:</u>					
Closing fees	\$ 3,707,376	\$ 2,355,601	\$ 1,351,775	57%	Increase due to a higher number of bond closings during Fiscal Year 2016

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

**State of Illinois
Illinois Finance Authority**

**Analysis of Significant Variations in Assets and Liabilities
For the Years Ended June 30, 2017 and 2016
(Unaudited)**

Following are the account balances with significant change (greater than 20% and \$1.3 million between June 30, 2017 and June 30, 2016)

	2017	2016	Increase (Decrease)	% Variance	Analysis of Significant Changes
<u>ASSETS</u>					
Cash and cash equivalents	\$ 235,498,191	\$ 111,917,149	\$ 123,581,042	110%	Increase is due to the proceeds from the issuance of a new bond sale on behalf of the Illinois Environmental Protection Agency
Investments	49,115,290	35,792,143	13,323,147	37%	Increase is due to the purchase of investments from the new bond sale on behalf of the Illinois Environmental Protection Agency
Bonds and notes receivable	505,430,399	83,158,595	422,271,804	508%	Increase is due to the issuance of additional loans to the Illinois Environmental Protection Agency
Accounts receivable, net	133,064	4,982,542	(4,849,478)	(97%)	Decrease is due to the repayments from the State Vendor Receivable Program
Due from other local government agencies	-	2,333,795	(2,333,795)	(100%)	Decrease is due to the repayment on a loan from local government agencies
<u>LIABILITIES</u>					
Accrued interest payable	13,701,758	3,055,479	10,646,279	348%	Increase is due to the additional accrued interest on the new bond issued on behalf of the Illinois Environmental Protection Agency
Bonds and notes payable	593,067,488	134,823,207	458,244,281	340%	Increase is due to the new bond issued on behalf of the Illinois Environmental Protection Agency
Unamortized insurance premium	87,365,400	7,924,717	79,440,683	1002%	Increase is due to the new bond issued on behalf of the Illinois Environmental Protection Agency

* Information obtained from the Comparative Schedule of Assets and Liabilities

**State of Illinois
Illinois Finance Authority**

**Analysis of Significant Variations in Assets and Liabilities
For the Years Ended June 30, 2016 and 2015
(Unaudited)**

Following are the account balances with significant change (greater than 20% and \$1.3 million between June 30, 2016 and June 30, 2015)

	2016	2015	Increase (Decrease)	%	Analysis of Significant Changes
ASSETS					
Securities lending collateral equity with the State Treasurer	\$ 4,744,000	\$ 8,076,000	\$ (3,332,000)	(41%)	Decrease is due to a decrease in securities lending transactions by the State Treasurer
Investments	35,792,143	45,903,624	(10,111,481)	(22%)	Decrease is due to the release of investments in the Series 2016 Clean Water and Drinking Water Revenue bonds to the Illinois Environmental Protection Agency in Fiscal Year 2016 for project expenses
Receivables, net	26,556,017	18,954,194	7,601,823	40%	Increase is due to the issuance of new loans under the Fire Truck Revolving Loan Fund in Fiscal Year 2016
Receivable from pending investment sales	-	1,487,485	(1,487,485)	(100%)	Decrease is due to pending investments sales in the Fire Truck Revolving Loan Fund at the end of Fiscal Year 2015 which were settled in Fiscal Year 2016
Accounts receivable, net	4,982,542	58,911	4,923,631	8358%	Increase is due to the purchase of State Receivables under the State Vendor Receivable program in Fiscal Year 2016
LIABILITIES					
Obligations under securities lending with the State Treasurer	4,744,000	8,076,000	(3,332,000)	(41%)	Decrease is due to a decrease in securities lending transactions by the State Treasurer
Unamortized insurance premium	7,924,717	11,057,886	(3,133,169)	(28%)	Decrease is due to the amortization of bond premium during the fiscal year

* Information obtained from the Comparative Schedule of Assets and Liabilities

**State of Illinois
Illinois Finance Authority**

**Analysis of Accounts Receivable
For the Two Years Ended June 30, 2017
(Unaudited)**

The Illinois Finance Authority's (Authority) aging of accounts, loans, notes and bonds receivable due from local government is as follows:

Description	For the Year ended June 30, 2017				
	Current	0-30 days	31-60 days	Over 60 days	Total
Accounts receivable	\$ 97,227	\$ 255	\$ -	\$ 60,620	\$ 158,102
Loan receivable	25,349,090	-	-	936,358	26,285,448
Bond and Notes receivable	505,430,399	-	-	-	505,430,399

Description	For the Year ended June 30, 2016				
	Current	0-30 days	31-60 days	Over 60 days	Total
Accounts receivable	\$ 4,882,652	\$ 84,784	\$ -	\$ 100,144	\$ 5,067,580
Loan receivable	29,555,226	-	-	954,511	30,509,737
Bond and Notes receivable	83,158,595	-	-	-	83,158,595

In Fiscal Year 2017, the Authority's past due accounts were \$60,620 and \$936,358 for accounts receivable and loans receivable, respectively.

In Fiscal Year 2016, the Authority's past due accounts were \$100,144 and \$954,511 for accounts receivable and loans receivable, respectively.

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

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

**State of Illinois
Illinois Finance Authority**

**Budget Impasse Disclosure
For the Two Years Ended June 30, 2017
(Unaudited)**

Payment of Fiscal Year 2016 Costs in Future Fiscal Years

Article 74 of Public Act 99-0524 authorized State Agencies to pay Fiscal Year 2016 costs using Fiscal Year 2017 appropriations for non-payroll expenditures. The Illinois Finance Authority does not receive any State appropriations to finance its operations and so payment of its obligations were not impacted by the budget impasse or Public Act 99-0524.

**State of Illinois
Illinois Finance Authority**

**Alternative Financing in Lieu of Appropriations and Programs to
Address Untimely Payments to Vendors
For the Two Years Ended June 30, 2017
(Unaudited)**

Other State Agencies Transactions Involving the Illinois Finance Authority

The Illinois Finance Authority was engaged by several State agencies to provide payment to critical vendors who were threatening to cease services if not paid in full the amount due in the absence of enacted appropriations or other legal expenditure authority. Under the terms of the agreements between the Authority and the vendors, the vendors received payment for 100% of the amount due and owing on the agencies' past due invoices. The vendors, in turn, assigned their rights to both the agencies' payment and interest penalties due under the State Prompt Payment Act (30 ILCS 540) to the Authority. When the agencies ultimately receive/received an appropriation or other legal expenditure authority to pay the past due invoices, the agencies will pay/have paid the amount due on the invoice and associated interest penalties to the Illinois Finance Authority.

The following chart shows the amounts paid by the Illinois Finance Authority to vendors in fiscal years 2017 and 2016 for other State agencies' fiscal year 2016 costs.

State Agency	Vendor	Amount Paid in Fiscal Year	
		2017	2016
Department of Veteran's Affairs	Cosgrove Distributors Inc.	\$ -	\$ 9,226
Department of Veteran's Affairs	Sysco St. Louis LLC	-	32,419
Department of Central Management Services	Grayboy Building Maintenance	-	15,790
Department of Central Management Services	Smith Maintenance Company	107,795	1,070,585
Department of Corrections	M. J. Kellner Co. Inc.	-	3,736,136
		<u>\$ 107,795</u>	<u>\$ 4,864,156</u>

Transactions Involving the Vendor Payment Program and Vendor Support Initiative Program

None of the Authority's vendors participated in the Vendor Payment Program (VPP) or the Vendor Support Initiative Program (VSI) during Fiscal Year 2017 or Fiscal Year 2016.

**State of Illinois
Illinois Finance Authority**

**Interest Costs on Fiscal Year 2017 and 2016 Invoices
For the Two Years Ended June 30, 2017
(Unaudited)**

Prompt Payment Interest Costs

The Authority did not incur any prompt payment interest due to vendors under the State Prompt Payment Act (Act) (30 ILCS 540). The Authority's vendors were paid from funds and accounts that are ineligible for prompt payment interest due to vendors under the Act.

**State of Illinois
Illinois Finance Authority**

**Employee Compensation Plan
For the Two Years Ended June 30, 2017
(Unaudited)**

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

The maximum contributions through the year 2017 are:

<u>Year</u>	<u>Maximum Contribution</u>	<u>Age 50 Catch Up</u>
2017	\$18,000	\$24,000
<u>Year</u>	<u>Maximum Contribution</u>	<u>Age 50 Catch Up</u>
2016	\$18,000	\$24,000

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

Total employer and employee contributions for Fiscal Year 2017 were \$118,606 and \$138,756, respectively. Total employer and employee contributions for Fiscal Year 2016 were \$124,666 and \$150,437, respectively.

**State of Illinois
Illinois Finance Authority**

**Average Number of Full-Time Employees
For the Two Years Ended June 30, 2017
(Unaudited)**

The following is the summary of the average number of full-time equivalent employees employed at the Illinois Finance Authority.

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Executive Director	1.0	1.0	1.0
Accountant	2.0	2.0	2.0
Associate Vice President	1.0	-	-
Administrative Assistant	3.0	3.0	3.0
Chief Financial Officer	0.3	1.0	1.0
Controller	1.0	1.0	1.0
Financial Analyst/Funding Manager	1.0	2.0	4.0
General Counsel	1.0	1.0	-
Deputy General Counsel	1.0	-	-
MIS Administrator	1.0	1.0	1.0
Executive Vice President	1.7	2.0	4.0
Total average number of full-time equivalent employees	<u>14.0</u>	<u>14.0</u>	<u>17.0</u>

**State of Illinois
Illinois Finance Authority**

**Emergency Purchases
For the Two Years Ended June 30, 2017
(Unaudited)**

Following is a list of emergency purchase affidavits filed by the Authority with the Office of the Auditor General during the two year period ended June 30, 2017:

Fiscal Year 2017 Filings

ADP TotalSource, Inc. – Estimated Cost \$270,000

After previous competitive solicitation efforts did not result in a successful procurement in 2015, an emergency purchase was necessary to allow continued healthcare coverage and payroll services for Illinois Finance Authority employees. ADP Total Source, Inc. was the current vendor and for services to continue uninterrupted for employees, the agreement needed to continue with the current provider until a new competitive RFP could be developed. Service dates from 06/01/2017 – 12/31/2017.

Fiscal Year 2016 Filings

ADP TotalSource, Inc. – Actual Cost \$528,168

After previous competitive solicitation efforts did not result in a successful procurement in 2015, an emergency purchase was necessary to allow continued healthcare coverage and payroll services for Illinois Finance Authority employees. ADP Total Source, Inc. was the current vendor and for services to continue uninterrupted for employees, the agreement needed to continue with the current provider until a new competitive RFP could be developed. Service dates from 11/01/2015 – 05/31/17.

Accounting Principles – Actual Cost \$373,827

This contract was necessary to address a temporary lack of qualified and appropriate staff while working through state regulatory hiring barriers. Vendor is necessary to comply with mandatory audit, compliance and regulatory burdens. Vendors under the approved master contract failed to provide qualified competent temporary staff at the level of skill necessary to meet mandatory audit, compliance and regulatory burdens. Service dates from 01/25/2016 – 10/22/2016.

Katten Muchin Rosenman LLP – Actual Cost \$72,150

Due to a lack of a State budget in fiscal year 2016, it was anticipated that many vendors of essential governmental services would no longer be able to provide services without payment. Legal services to develop a bond issue secured by a moral obligation pledge to purchase receivables so that essential state services could continue was therefore necessary. Service dates from 09/18/2015 – 12/17/2015.

Mayer Brown LLP – Actual Cost \$75,000

Due to a lack of a State budget in fiscal year 2016, it was anticipated that many vendors of essential governmental services would no longer be able to provide services without payment. Legal services to develop a bond issue secured by a moral obligation pledge to purchase receivables so that essential state services could continue was therefore necessary. Service dates from 12/01/2015 – 02/26/2016.

**State of Illinois
Illinois Finance Authority**

**Emergency Purchases (Continued)
For the Two Years Ended June 30, 2017
(Unaudited)**

Fiscal Year 2016 Filings (Continued)

Catalyst Consulting Group – Actual Cost \$67,500

Vendor provides essential services to the Illinois Finance Authority including network, voice and data consulting services and ongoing information technology (IT) support and special project tasks for the Authority. An emergency extension was needed to prevent a disruption in web, phone and other services for the Authority. Service dates from 03/31/2016 – 12/31/2016.

Mabsco Capital, Inc. – Actual Cost \$75,000

Vendor provides essential loan servicing activities for the Authority. An emergency contract extension was needed to prevent a disruption in payments received from borrowers and to continue compliance monitoring on outstanding loans and guarantees. Service dates from 03/31/2016 – 12/31/2016.

**State of Illinois
Illinois Finance Authority**

**Vendor Payments
For the Year Ended June 30, 2017
(Unaudited)**

Payments made to vendors during Fiscal Year 2017, with amounts totaling \$5,000 and above were as follows:

Vendor	Services Provided	Expenses Incurred
1 Oaks Properties, LLC	Office Rent-Mt. Vernon	\$ 15,318
Acacia Financial Group, Inc.	Senior Financial Advisor	59,113
Accounting Principals	Temporary Staffing Services	217,940
ADP Total Source	Payroll and HR	222,221
Anchor Staffing, Inc.	Temporary Staffing Services	17,342
Anthes, Pruyne & Associates	Accounting Services	9,223
Ascent Innovations LLC	Accounting Software Consulting	42,772
AT & T	Telecommunications	6,496
Bank of America	Financial Institution	108,643
Bloomberg Finance L.P.	Financial Information Database	43,100
Burke Burns & Pinelli, Ltd	Issuers Counsel/Legal Services	34,000
Catalyst Consulting Group	Computer Network Solutions	89,110
Chapman and Cutler	Legal Services	90,543
Clear Arc Capital Management	Investment Management Services	32,118
Clifton Larson Allen, LLP	Internal Audit Services	12,140
Com Microfilm Company, Inc.	Document Management and Software Services	9,541
First American Bank	Financial Advisory Services (401) a Plan	5,700
Foley and Lardner	Legal Services	33,791
Franczek Radelet P.C. Attorneys	Legal Services	32,077
G & R Public Law and Strategies	Legal Services	8,310
Hewlett Packard Enterprise	Computer Equipment	9,506
Iron Mountain	Document Warehouse Services	9,140
Jenner & Block LLP	Legal Services	13,384
Katten, Muchin Rosenman LLP	Legal Services	23,911
Kerber Eck and Braeckel	Accounting Services	10,360
Laner & Muchin	Legal Services	9,428
Mabsco Capital, Inc.	Loan Management Services	22,994
Arzullo Reporting Agency	Court Reporter Services	5,851
Mayer, Brown LLP	Legal Services	75,000
Merlinos & Associates, Inc	Actuarial Consulting Services	12,130
Mesirow Financial	Insurance Broker	218,428
Nationwide	Property & Casualty Insurance	6,065
P. D. Morrison Enterprises	Office Supplies	6,938
Premier Staffing Source Inc.	Temporary Staffing Services	45,136
Schiff Hardin, LLC	Legal Services	102,889
Swift Impressions, Inc	Printing Services	7,758
Sycamore Advisors	Financial Advisory Services	112,112
U.S. Bank National Association	Paying Agent/Trustee Services	18,000
Xerox Corporation	Equipment Rental	13,431

**State of Illinois
Illinois Finance Authority**

**Vendor Payments
For the Year Ended June 30, 2016
(Unaudited)**

Payments made to vendors during Fiscal Year 2016, with amounts totaling \$5,000 and above were as follows:

<u>Vendor</u>	<u>Services Provided</u>	<u>Expenses Incurred</u>
1 Oaks Properties, LLC	Office Rent-Mt. Vernon	\$ 15,310
Acacia Financial Group, Inc.	Senior Financial Advisor	171,398
Accounting Principals	Temporary Staffing Services	234,798
ADP Total Source	Payroll and HR	253,554
Anchor Staffing, Inc.	Temporary Staffing Services	45,618
Anthes, Pruyn & Associates	Accounting Services	9,345
Ascent Innovations LLC	Accounting Software Consulting	139,066
Bank of America	Financial Institution	106,499
Bloomberg Finance L.P.	Financial Information Database	42,000
Burke Burns & Pinelli, Ltd	Issuers Counsel/Legal Services	45,846
Catalyst Consulting Group	Computer Network Solutions	27,636
Chapman and Cutler	Legal Services	16,466
Clear Arc Capital Management	Investment Management Services	26,544
Clifton Larson Allen, LLP	Internal Audit Services	9,760
Com Microfilm Company, Inc.	Document Mgmt and Software Services	109,766
Foley and Lardner	Legal Services	8,147
Franczek Radelet P.C. Attorneys	Legal Services	33,373
G & R Public Law and Strategies	Legal Services	33,720
Harleysville Insurance	Property & Casualty Insurance	5,693
Hewlet Packard Enterprise	Computer Equipment	5,145
Howard Kenner Governmental Consulting	Legislative Services	18,000
Jenner & Block LLP	Legal Services	78,072
Katten, Muchin Rosenman LLP	Legal Services	91,615
Mabsco Capital, Inc.	Loan Management Services	27,396
Marzullo Reporting Agency	Court Reporter Services	6,938
Marj Halperin consulting	Media Consulting	6,656
McGuire Woods LLP	Legal Services	8,182
Merlinos & Associates, Inc	Actuarial Consulting Services	8,484
Mesirow Financial	Insurance Broker	239,661
Midwest Moving & Storage, Inc	Moving and Storage Services	22,125
P. D. Morrison Enterprises	Office Supplies	19,036
Paetec Communications	Telecommunications	9,295
Picens Kane	Storage Services	6,685
R R Donnelley	Printing Services	24,110
Reyes Kurson	Legal Services	11,363
Schiff Hardin, LLC	Legal Services	175,245
Shaw Fishman Glantz Wolfson & Towbin, LLC	Legal Services	37,281
Swift Impressions, Inc	Printing Services	7,677
Sycamore Advisors	Financial Advisory Services	45,126
U.S. Bank National Association	Paying Agent/Trustee Services	9,500
Whittaker & Company	Accounting and Auditing Services	9,950
Xerox Corporation	Equipment Rental	13,500

**State of Illinois
Illinois Finance Authority**

**Schedule of Conduit Debt
For the Year Ended June 30, 2017
(Unaudited)**

	Principal Outstanding	Number of Issues Outstanding
Illinois Finance Authority		
Revenue Bonds	\$ 21,498,788,809	533
Environmental Bonds	3,840,000	1
Notes	295,890,331	3
Recovery Zone Facilities & Midwest Disaster Area	218,712,643	10
Leases	2,621,990	1
Beginning Farmer Bonds	47,272,626	317
Total Illinois Finance Authority	<u>22,067,126,399</u>	<u>865</u>
<u>Predecessor Authorities:</u>		
Illinois Development Finance Authority		
501(c)3 Not-for-Profit Bonds and Leases	521,482,734	41
Environmental Bonds	97,505,000	5
Industrial Revenue Bonds	77,795,247	16
Infrastructure Bonds	181,121,782	9
Housing Bonds	82,249,117	9
Leases	496,388	1
Total Illinois Development Finance Authority	960,650,268	81
Illinois Health Facilities Authority	259,610,000	18
Illinois Educational Facilities Authority	417,897,000	20
Illinois Farm Development Authority	11,158,212	202
Total Predecessor Authorities	<u>1,649,315,480</u>	<u>321</u>
Grand Total Illinois Finance Authority	<u>\$ 23,716,441,879</u>	<u>1,186</u>

**State of Illinois
Illinois Finance Authority**

**Schedule of Conduit Debt
For the Year Ended June 30, 2016
(Unaudited)**

	Principal Outstanding	Number of Issues Outstanding
Illinois Finance Authority		
Revenue Bonds	\$ 21,124,070,884	534
Environmental Bonds	4,800,000	1
Notes	299,990,335	3
Recovery Zone Facilities & Midwest Disaster Area	250,361,488	12
Leases	2,857,586	1
Beginning Farmer Bonds	48,260,274	317
Total Illinois Finance Authority	<u>21,730,340,567</u>	<u>868</u>
<u>Predecessor Authorities:</u>		
Illinois Development Finance Authority		
501(c)3 Not-for-Profit Bonds and Leases	684,654,373	56
Environmental Bonds	110,520,000	7
Industrial Revenue Bonds	94,863,747	20
Infrastructure Bonds	263,060,103	11
Housing Bonds	83,679,117	9
Leases	496,388	1
Total Illinois Development Finance Authority	<u>1,237,273,728</u>	<u>104</u>
Illinois Health Facilities Authority	617,984,999	25
Illinois Educational Facilities Authority	459,193,000	24
Illinois Farm Development Authority	13,436,353	241
Total Predecessor Authorities	<u>2,327,888,080</u>	<u>394</u>
Grand Total Illinois Finance Authority	<u>\$ 24,058,228,647</u>	<u>1,262</u>

State of Illinois
Illinois Finance Authority

Schedule of Jobs Created or Retained by Loans, Revenue Bonds and
Investments Made by the Authority
For the Two Years Ended June 30, 2017
(Unaudited)

Fiscal Year	Healthcare Bonds		Private College/University or Non-Healthcare 501(c)(3) Bonds		Industrial Development Bonds		Local Government Bonds		Total 2017 Programs ³	
	Principal Closed ¹	Jobs Created and/or Retained ²	Principal Closed ¹	Jobs Created and/or Retained ²	Principal Closed ¹	Jobs Created and/or Retained ²	Principal Closed ¹	Jobs Created and/or Retained ²	Principal Closed ¹	Jobs Created and/or Retained ²
2014	\$ 1,578,790,000	1,805	\$ 259,512,000	321	\$ 10,000,000	50	\$ 247,360,000	-	\$ 2,095,662,000	2,176
2015	1,456,025,000	29	1,025,135,075	158	14,000,000	36	12,000,000	-	2,507,160,075	223
2016	2,726,685,000	2,608	934,545,000	6,459	100,000,000	11600	14,540,000	31	3,775,770,000	20,698
2017	2,943,171,967	2,564	526,837,000	195	168,920,571	11635	500,000,000	-	4,138,929,538	14,394

Note: Beginning with fiscal year 2014, the Authority will accumulate ten years of data

¹Principal Closed across all product lines may include refundings or reissuances closed within the fiscal year that did not directly create or retain jobs.

²Jobs Created and/or retained are only estimates as reported to the Authority by its respective borrowers at time of application and excludes construction jobs, if any.

³Programs listed here are not representative of all programs operated by the Authority in 2017-Only programs with actual debt issued during this fiscal year are included.

**State of Illinois
Illinois Finance Authority**

**Summary of Agricultural Loan Programs
For the Two Years Ended June 30, 2017
(Unaudited)**

Program Overviews

Agricultural Development Bonds

The Illinois Finance Authority (Authority) had three Agricultural Development Bond Programs in operation: the Beginning Farmer Bond, Agriculture Manufacturing Bond and Beginning Farmer Contract Bond. Through these programs, individuals and businesses (“participants”) were screened for eligibility. If they were found to qualify, the Authority, the participants, and the lenders (local banks) entered into loan agreements whereby the proceeds from the issuance of a tax exempt bond were loaned to the participant for prequalified expenditures. Prior to May 2008, the limit for Agricultural Development Bonds was \$250,000. In June 2008, as part of the 2007 Farm bill, Agricultural Development Bonds were further enhanced by increasing the maximum bond amount to \$450,000. In addition, the maximum amounts were indexed to inflation and adjusted annually beginning January 1, 2009. For Fiscal Year 2016, the limits were raised from \$517,700 to \$520,000. For Fiscal Year 2017, the limits were raised from \$520,000 to \$524,200. The Authority’s General 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).

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

Agricultural Development Bonds issued by year is as follows:

Bonds Issued by Year	Total Issued	Amount Issued
1983 thru 2009	3,255	\$ 293,672,929
2010	44	8,478,672
2011	40	7,002,064
2012	41	8,784,789
2013	16	4,461,655
2014	21	3,730,000
2015	15	4,154,742
2016	16	4,027,995
2017	18	3,765,900
Total	3,466	\$ 338,078,746

**State of Illinois
Illinois Finance Authority**

**Summary of Agricultural Loan Programs
For the Two Years Ended June 30, 2017
(Unaudited)**

Agricultural Development Bonds issued and outstanding by purpose and year as of June 30, 2017:

<u>Purpose</u>	<u>Tot Issued</u>	<u>Amount Issued</u>	<u>Percent of Total</u>
Land and depreciable property	283	\$ 37,397,629	11.06%
Farmland loans	2,164	256,929,366	76.00%
New Equipment	484	15,379,768	4.55%
Used Equipment	91	2,460,490	0.73%
New improvements	179	10,558,830	3.12%
Used Improvements	2	46,000	0.01%
Breeding stock	49	1,686,650	0.50%
Soil conservation-permanent	28	686,263	0.20%
Agri-Business	79	10,386,203	3.07%
Tiling	52	1,549,276	0.46%
New no-till equipment	55	998,271	0.30%
	<u>3,466</u>	<u>\$ 338,078,746</u>	<u>100.00%</u>
Principal payments as of June 30, 2017		<u>279,647,608</u>	
Principal outstanding at June 30, 2017		<u>\$ 58,431,138</u>	

Agricultural Development Bonds issued and outstanding by purpose and year as of June 30, 2016:

<u>Purpose</u>	<u>Total Issued</u>	<u>Amount Issued</u>	<u>Percent of Total</u>
Land and depreciable property	283	\$ 37,397,629	11.19%
Farmland loans	2,146	253,163,466	75.73%
New Equipment	484	15,379,768	4.60%
Used Equipment	91	2,460,490	0.74%
New improvements	179	10,558,830	3.16%
Used Improvements	2	46,000	0.01%
Breeding stock	49	1,686,650	0.50%
Soil conservation-permanent	28	686,263	0.20%
Agri-Business	79	10,386,203	3.11%
Tiling	52	1,549,276	0.46%
New no-till equipment	55	998,271	0.30%
	<u>3,448</u>	<u>\$ 334,312,846</u>	<u>100.00%</u>
Principal payments as of June 30, 2016		<u>272,616,219</u>	
Principal outstanding at June 30, 2016		<u>\$ 61,696,627</u>	

**State of Illinois
Illinois Finance Authority**

**Summary of Agricultural Loan Programs (Continued)
For the Two Years Ended June 30, 2017
(Unaudited)**

State Guarantee Program for Restructuring Agricultural Debt

The State guarantee program for restructuring agricultural debt was authorized by the Illinois Finance Authority Act (20 ILCS 3501/830-30). It was designed to consolidate and spread out a 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.

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.

The Authority's General Operating Fund received \$300 for an application fee and at closing, a fee of one-half percent of the principal amount of the loan (net of application fee). The Authority also received an annual fee of one-quarter percent on the outstanding principal amount of these loans prior to 2007. In 2007, at closing, a fee of three-quarters percent of the principal amount of the loan (net of application fee). The Authority also received an annual fee of one-half percent on the outstanding principal amount. The total amount of loans outstanding as of June 30, 2017 and June 30, 2016, were \$5,966,448 and \$6,824,437, respectively. No new loans were made under this program in Fiscal Year 2017. During the year ended June 30, 2016 one (1) loan was approved totaling \$357,588.

This program was originally funded in Fiscal Year 1986 by capital contributions from the State's General Revenue fund and by transfers from the Farm Emergency Assistance Fund, totaling \$14,063,009. Operating revenues and operating expenses were recorded in the Authority's nonmajor funds.

Farmer and Agri-Business Loan Guarantee Program

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

These lenders were liable for the first 15% of loss on any loan. There was no maximum loan amount for agri-business loans but loans shall not exceed \$500,000 per farmer or an amount as determined by the Authority on a case-by-case basis for an agri-business. Loans must be repaid within 15 years. Interest rates were adjusted annually and must have been less than the market rate of interest generally available to the borrower. No new loans were made under this program in Fiscal Year 2017 or Fiscal Year 2016. The total amount of loans outstanding as of June 30, 2017 and June 30, 2016, were \$532,147 and \$3,693,098, respectively.

**State of Illinois
Illinois Finance Authority**

**Summary of Agricultural Loan Programs (Continued)
For the Two Years Ended June 30, 2017
(Unaudited)**

Farmer and Agri-Business Loan Guarantee Program (Continued)

This program, the Young Farmer and Farm Purchase Loan Guarantee Program, and the Specialized Livestock Loan Guarantee Program, were funded by an operating transfer from the Farm Emergency Assistance Fund totaling \$8,110,000 during Fiscal Year 1987. The monies were to secure State guarantees issued under these programs.

Young Farmer and Farm Purchase Loan Guarantee Program

The Young Farmer and Farm Purchase Loan Guarantee Program was authorized by the Illinois Finance Authority Act (20 ILCS 3501/830-45). The Young Farmer and Farm Purchase Loan Guarantee Program was a guarantee program designed to enhance credit availability for younger farmers who were purchasing capital assets. Loan funds could be used for new purchases of capital assets such as land, buildings, machinery, equipment, breeding livestock, soil and water conservation projects, etc. In some cases, the loan proceeds could be used to refinance existing debt as needed to improve lien positions.

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

The applicant must have been able to provide sufficient collateral to adequately secure the Young Farmer and Farm Purchase Loan Guarantee Program loan. The maximum term for a Young Farmer and Farm Purchase Loan Guarantee Program loan was 15 years. Loans collateralized by real estate could be amortized up to 25 years with a 15-year balloon. Loans collateralized by depreciable property were amortized over a shorter period.

The eligible applicant must: 1) Be a resident of the State of Illinois; 2) At least 18 years old; 3) A principal operator of a farm who derived at least 50% of annual gross income from farming; 4) Possess a debt to asset ratio of between 40% and 70% after purchase of the capital item; and 5) Have a net worth in excess of \$10,000. In addition, the borrower must have provided collateral sufficient to have secured the loan and kept the loan collateral through its term. The borrower must have also demonstrated the ability to have adequately serviced the proposed debt.

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

**State of Illinois
Illinois Finance Authority**

**Summary of Agricultural Loan Programs (Continued)
For the Two Years Ended June 30, 2017
(Unaudited)**

Young Farmer and Farm Purchase Loan Guarantee Program (Continued)

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 and Farm Purchase Loan Guarantee Program loan on the payment date. The fee was not passed on to the borrower as of 2007. In 2007, the Authority received 1% and the lender received $\frac{1}{4}\%$. The Authority also received an annual fee on one-half percent on the outstanding principal amount. No new loans were made under this program in Fiscal Year 2017 or Fiscal Year 2016. The total outstanding loans as of June 30, 2017 and June 30, 2016, were \$1,445,006 and \$1,737,270 respectively.

Specialized Livestock Loan Guarantee Program

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

The Authority's General Operating Fund received \$300 for an application fee and at closing, a fee of $\frac{3}{4}\%$ 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 prior to 2007. In 2007, at closing, a fee of one percent of the principal amount of the loan (net of application fee). The Authority also received an annual fee of one-half percent on the outstanding principal amount. In Fiscal Year 2017, no new loans were made under this program, however in Fiscal Year 2016 one (1) loan was made in the amount of \$1,000,000. The outstanding loans as of June 30, 2017 and June 30, 2016, were \$1,251,934 and \$1,681,563, respectively,

**State of Illinois
Illinois Finance Authority**

**Historical Summary of Agricultural Loans
Issued by Program and County
For the Two Years Ended June 30, 2017
(Unaudited)**

County	Agricultural Development Bonds		State Guarantee Program For Restructuring Agricultural Debt Loans		Farmer and Agri-Business Loan Guarantee Program Loans		Young Farmer Loan and Farm Purchase Guarantee Program Loans		Specialized Livestock Loan Guarantee Program Loans	
	Total Issued	Amount Issued	Total Issued	Amount Issued	Total Issued	Amount Issued	Total Issued	Amount Issued	Total Issued	Amount Issued
		\$		\$		\$		\$		\$
Adams	74	6,564,317	28	4,804,838	1	36,000	4	526,000	3	1,917,000
Alexander	-	-	1	180,000	-	-	-	-	-	-
Bond	65	5,607,668	11	2,032,000	-	-	1	192,000	2	1,184,000
Boone	12	1,670,100	5	1,443,000	-	-	-	-	-	-
Brown	2	160,000	14	3,436,000	-	-	-	-	1	840,000
Bureau	136	11,139,407	21	4,422,014	-	-	2	356,000	4	1,246,000
Calhoun	2	181,000	5	936,110	-	-	2	340,000	-	-
Carroll	48	5,714,105	7	1,608,000	-	-	-	-	3	1,144,000
Cass	11	1,331,276	8	1,663,043	2	2,244,330	-	-	3	1,475,000
Champaign	67	4,662,464	22	3,831,011	1	362,000	-	-	-	-
Christian	83	8,257,292	13	3,343,500	-	-	3	445,000	2	1,572,000
Clark	9	497,000	12	1,718,000	-	-	-	-	-	-
Clay	51	3,590,879	6	1,079,000	-	-	1	85,000	1	780,000
Clinton	72	7,430,642	10	2,541,101	5	10,990,000	2	77,000	5	2,670,000
Coles	21	1,535,944	14	2,317,000	-	-	1	193,000	-	-
Crawford	43	3,575,072	33	8,189,625	6	2,676,000	3	51,500	4	501,500
Cumberland	19	1,654,500	3	606,000	1	150,000	-	-	-	-
DeKalb	62	5,510,839	37	11,154,000	-	-	1	40,000	8	4,032,000
DeWitt	14	685,675	3	940,000	1	225,000	-	-	-	-
Douglas	43	2,892,011	17	2,712,750	-	-	1	124,000	1	700,000
Edgar	51	5,742,463	28	5,770,164	1	625,000	4	513,000	1	75,000
Edwards	12	1,058,200	1	135,000	-	-	-	-	-	-
Effingham	51	5,903,007	1	85,000	-	-	-	-	-	-
Fayette	44	3,589,230	8	2,060,000	-	-	-	-	-	-
Ford	58	7,121,950	8	1,440,000	-	-	2	750,000	4	2,925,000
Franklin	50	3,113,465	16	3,892,000	2	3,695,000	-	-	-	-
Fulton	32	4,248,802	13	2,211,900	2	172,000	1	310,000	1	88,000
Gallatin	10	1,643,750	6	1,298,000	1	450,000	2	650,000	-	-
Greene	1	250,000	10	1,896,000	-	-	-	-	-	-
Grundy	11	903,375	11	2,408,000	1	160,000	-	-	-	-
Hamilton	45	4,193,600	2	840,000	-	-	1	171,000	2	1,280,000
Hancock	45	4,647,138	38	5,914,888	-	-	-	-	5	1,205,000
Hardin	-	-	-	-	2	1,900,000	-	-	-	-
Henderson	31	4,331,569	17	3,273,500	1	45,000	2	262,000	5	2,015,000
Henry	53	8,016,772	29	5,043,000	-	-	1	57,000	3	1,140,000
Iroquois	100	8,599,036	13	2,733,000	-	-	-	-	1	170,000
Jackson	6	607,780	7	1,246,000	-	-	1	71,000	-	-
Jasper	113	8,570,965	45	8,431,626	-	-	2	240,000	12	2,155,000
Jefferson	23	2,256,900	12	2,599,000	-	-	3	765,000	1	790,000
Jersey	4	433,500	1	300,000	-	-	-	-	-	-
JoDaviess	9	716,561	26	6,710,547	2	907,000	-	-	3	1,180,000
Johnson	4	413,650	7	1,990,000	-	-	-	-	-	-
Kane	4	351,200	18	4,616,000	-	-	-	-	3	1,915,000
Kankakee	10	1,269,270	2	438,000	-	-	1	46,000	-	-
Kendall	3	273,000	9	1,642,000	-	-	-	-	-	-
Knox	37	3,732,454	15	2,979,460	1	65,000	2	232,000	2	434,000
LaSalle	112	11,876,080	34	6,981,300	-	-	1	54,000	1	1,000,000
Lawrence	50	4,107,248	9	1,945,500	-	-	-	-	3	3,000,000
Lee	59	7,035,292	23	6,099,000	-	-	1	110,000	2	1,455,000
Livingston	152	15,452,677	25	6,533,798	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	13	1,417,400	5	700,000	-	-	1	75,000	-	-
Macoupin	36	5,321,701	22	4,453,000	-	-	3	416,000	6	3,400,000

**State of Illinois
Illinois Finance Authority**

**Historical Summary of Agricultural Loans
Issued by Program and County (Continued)
For the Two Years Ended June 30, 2017
(Unaudited)**

County	Agricultural Development Bonds		State Guarantee Program For Restructuring Agricultural Debt Loans		Farmer and Agri-Business Loan Guarantee Program Loans		Young Farmer Loan and Farm Purchase Guarantee Program Loans		Specialized Livestock Loan Guarantee Program Loans	
	Total Issued	Amount Issued	Total Issued	Amount Issued	Total Issued	Amount Issued	Total Issued	Amount Issued	Total Issued	Amount Issued
	Madison	26	3,201,978	16	4,359,000	-	-	9	1,756,000	-
Marion	13	1,113,510	32	6,522,160	1	3,200,000	3	640,000	2	507,000
Marshall	25	2,129,081	8	1,611,000	-	-	3	513,000	-	-
Mason	54	4,357,809	9	2,212,702	1	137,000	-	-	-	-
Massac	2	30,000	2	435,000	-	-	-	-	-	-
McDonough	14	1,660,050	14	3,116,000	1	300,000	1	87,000	1	520,000
McHenry	4	680,000	8	2,060,000	-	-	1	190,000	1	69,000
McLean	116	9,172,635	32	5,371,734	1	175,000	7	1,015,000	2	1,250,000
Menard	14	1,097,965	16	3,384,000	1	375,000	1	72,000	-	-
Mercer	32	4,576,461	17	3,304,600	-	-	7	707,000	11	5,838,300
Monroe	35	3,880,075	26	5,758,707	-	-	-	-	1	51,000
Montgomery	98	15,611,210	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	31	1,901,000	6	995,500	1	40,000	-	-	1	250,000
Ogle	71	6,884,047	11	2,835,000	-	-	4	751,000	2	375,000
Peoria	24	2,470,520	25	6,037,000	-	-	2	322,000	1	150,000
Perry	11	1,092,311	19	3,672,900	3	1,020,000	-	-	-	-
Piatt	37	1,824,734	9	1,638,000	-	-	-	-	-	-
Pike	6	945,111	48	10,667,519	1	250,000	9	1,814,000	7	4,990,000
Pope	-	-	1	500,000	-	-	-	-	-	-
Pulaski	-	-	3	940,000	-	-	-	-	-	-
Putnam	12	1,389,859	5	568,681	-	-	-	-	1	615,000
Randolph	6	552,400	14	2,583,010	-	-	2	165,000	2	380,000
Richland	41	3,196,954	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	12	775,935	3	1,082,000	-	-	1	150,000	-	-
Sangamon	40	4,028,715	41	7,679,043	-	-	1	300,000	2	925,000
Schuyler	9	848,780	-	-	-	-	-	-	-	-
Scott	6	783,300	8	1,379,538	-	-	1	181,000	-	-
Shelby	79	6,632,679	18	3,770,267	1	47,000	1	81,000	-	-
St. Clair	29	2,163,180	5	1,156,000	1	40,000	-	-	-	-
Stark	28	3,465,600	15	3,612,000	-	-	1	300,000	-	-
Stephenson	31	2,816,710	28	6,304,498	13	17,184,495	2	176,000	4	2,317,000
Tazewell	80	6,572,336	23	4,515,049	-	-	1	255,000	1	218,000
Union	21	1,131,036	2	800,000	1	860,000	-	-	-	-
Vermillion	32	3,747,807	26	3,978,640	3	24,848,000	1	89,000	-	-
Wabash	5	181,300	3	676,000	-	-	-	-	-	-
Warren	57	7,507,776	17	3,507,000	1	4,000,000	3	589,000	8	3,845,000
Washington	36	2,453,570	10	2,045,000	-	-	-	-	2	1,250,000
Wayne	23	2,519,125	4	1,008,000	1	2,651,000	-	-	1	643,000
White	4	829,750	5	1,442,500	-	-	-	-	-	-
Whiteside	100	12,695,873	27	5,338,000	-	-	-	-	6	2,552,000
Will	18	1,432,940	1	300,000	-	-	-	-	-	-
Williamson	2	132,000	-	-	1	1,750,000	-	-	-	-
Winnebago	9	944,750	8	1,343,000	2	305,412	1	500,000	-	-
Woodford	52	4,172,735	18	3,011,810	3	1,427,906	1	100,000	3	227,000
	<u>3,466</u>	<u>\$ 338,078,746</u>	<u>1,378</u>	<u>\$ 291,040,429</u>	<u>85</u>	<u>\$ 94,605,143</u>	<u>119</u>	<u>\$ 18,961,500</u>	<u>167</u>	<u>\$ 75,520,800</u>

**State of Illinois
Illinois Finance Authority**

**Summary of Fire Truck and Ambulance
Revolving Loan Programs
For the Two Years Ended June 30, 2017
(Unaudited)**

Program Overviews

Fire Truck Revolving Loan Program

The Fire Truck Revolving Loan Program was authorized by the Illinois Finance Authority Act (20 ILCS 3501/825-80). The loan program is jointly administered by the Authority and the Office of the State Fire Marshal. This program provides zero interest and low-interest rate loans for the purchase of fire trucks by fire departments, fire protection district, or township fire departments. This program was expanded in 2012 to include loans for "brush trucks." Brush trucks loans under the program will bear interest at 2% simple interest if both the chassis and the apparatus are built outside Illinois, 1% simple interest if either the chassis or the apparatus is built in Illinois. The loans to each department, district, or township may not exceed \$350,000 and must be repaid within 20 years. A loan for the purchase of brush truck may not exceed \$100,000 per truck. This program was funded by transfers from the State of Illinois, collections on outstanding loans, and ongoing transfers from the State of Illinois of fines from traffic violations

In April 2014, the Authority and the Office of the State Fire Marshal entered into a new intergovernmental agreement to jointly administer the Fire Truck, Fire Station and Ambulance Revolving Loan programs in accordance with Public Act 97-0901. Shortly after the adoption of this intergovernmental agreement the Office of the State Fire Marshal paid all moneys on deposit in these funds to the Authority for the sole purpose of funding loans under the loan programs as required by Public Act 97-0901. In addition, all moneys deposited in the future will be paid to the Authority to provide future funding for loans. In Fiscal Year 2017 and Fiscal Year 2016, in regards to these previous deposits, the State of Illinois transferred capital of \$452,379 and \$425,846, respectively.

Total loans outstanding as of June 30, 2017 and June 30, 2016 were \$20,005,351 and \$21,265,564, respectively. In Fiscal Year 2017 two (2) loans for a total amount of \$700,00 were made and in Fiscal Year 2016 twenty-five (25) for a total amount of \$7,174,865 were made under this program. No new loans had been made under the brush trucks program.

Ambulance Revolving Loan Program

The Ambulance Revolving Loan program was authorized by the Illinois Finance Authority Act (20 ILCS 3501/825-85). The loan program is jointly administered by the Authority and the Office of the State Fire Marshal. This program provides zero interest and low-interest rate loans for purchase of ambulances by fire departments, fire protection districts, township fire departments, or a non-profit ambulance services. This program is funded by transfers from the State of Illinois and collections on outstanding loans. Under the terms of the program, the loans to any fire department, fire protection district, or non-profit ambulance service may not exceed \$100,000. Repayment period for each loan may not exceed 10 years and requires a minimum of 5% of the principal amount borrowed each year. In Fiscal Year 2016 there were no new loans made, however in Fiscal Year 2017 there were fifteen (15) new loans made for a total amount of \$1,500,000.

**State of Illinois
Illinois Finance Authority**

**Summary of Fire Truck and Ambulance
Revolving Loan Programs
For the Two Years Ended June 30, 2017
(Unaudited)**

Ambulance Revolving Loan Program (Continued)

In April 2014, the Authority and the Office of the State Fire Marshal entered into a new intergovernmental agreement to jointly administer the Fire Truck, Fire Station and Ambulance Revolving Loan programs in accordance with Public Act 97-0901. Shortly after the adoption of this intergovernmental agreement the Office of the State Fire Marshal paid all moneys on deposit in these funds to the Authority for the sole purpose of funding loans under the loan programs as required by Public Act 97-0901. In addition, all moneys deposited in the future will be paid to the Authority to provide future funding for loans. In Fiscal Year 2016 and Fiscal Year 2017 there was no capital transferred from the State of Illinois.

Total loans outstanding as of June 30, 2017 and June 30, 2016, were \$1,672,960 and \$247,280, respectively.

**State of Illinois
Illinois Finance Authority**

**Historical Summary of Fire Truck and Ambulance
Revolving Loans Issued by Program and County
For the Two Years Ended June 30, 2017
(Unaudited)**

County	Fire Truck Loans		Ambulance Loans		Total Loans	
	Total Issued	Amount Issued	Total Issued	Amount Issued	Total Issued	Amount Issued
Adams	5	\$ 995,000	-	\$ -	5	\$ 995,000
Bond	1	222,465	-	-	1	222,465
Bureau	3	250,000	-	-	3	250,000
Carroll	5	981,704	-	-	5	981,704
Cass	3	443,509	-	-	3	443,509
Champaign	7	1,215,094	-	-	7	1,215,094
Clark	1	220,000	-	-	1	220,000
Clinton	3	113,397	1	100,000	4	213,397
Coles	4	405,300	-	-	4	405,300
Cook	12	2,792,572	8	800,000	20	3,592,572
Crawford	1	195,369	-	-	1	195,369
DeKalb	2	500,000	-	-	2	500,000
DeWitt	1	95,000	-	-	1	95,000
Douglas	3	460,000	-	-	3	460,000
Edgar	2	406,529	-	-	2	406,529
Edwards	1	44,101	-	-	1	44,101
Effingham	1	41,000	-	-	1	41,000
Franklin	1	145,288	-	-	1	145,288
Fulton	9	830,500	-	-	9	830,500
Greene	2	235,000	-	-	2	235,000
Grundy	-	-	1	100,000	1	100,000
Hancock	1	25,000	-	-	1	25,000
Henry	4	1,150,000	2	200,000	6	1,350,000
Iroquois	8	558,536	-	-	8	558,536
JoDaviess	4	742,396	1	100,000	5	842,396
Johnson	1	199,000	-	-	1	199,000
Kankakee	3	700,000	-	-	3	700,000
Kendall	1	55,000	-	-	1	55,000
Lake	4	1,138,000	1	100,000	5	1,238,000
LaSalle	6	913,700	-	-	6	913,700
Lee	3	450,000	-	-	3	450,000
Livingston	6	705,424	-	-	6	705,424
Logan	5	784,394	-	-	5	784,394
Macon	2	350,000	-	-	2	350,000
Macoupin	3	700,000	1	100,000	4	800,000
Madison	6	1,521,845	-	-	6	1,521,845
Marion	3	296,500	1	100,000	4	396,500
Marshall	1	293,000	-	-	1	293,000
McHenry	5	1,179,600	2	200,000	7	1,379,600
McLean	5	920,000	1	100,000	6	1,020,000
Menard	-	-	1	100,000	1	100,000
Monroe	2	440,000	-	-	2	440,000
Montgomery	1	250,000	-	-	1	250,000
Morgan	1	100,000	-	-	1	100,000
Moultrie	3	840,000	1	100,000	4	940,000
Ogle	1	199,000	-	-	1	199,000
Peoria	3	500,000	-	-	3	500,000
Piatt	1	225,000	-	-	1	225,000
Pike	3	420,000	-	-	3	420,000
Pope	1	51,000	-	-	1	51,000

**State of Illinois
Illinois Finance Authority**

**Historical Summary of Fire Truck and Ambulance
Revolving Loans Issued by Program and County (Continued)
For the Two Years Ended June 30, 2017
(Unaudited)**

County	Fire Truck Loans		Ambulance Loans		Total Loans	
	Total Issued	Amount Issued	Total Issued	Amount Issued	Total Issued	Amount Issued
Randolph	2	170,000	-	-	2	170,000
Richland	1	350,000	-	-	1	350,000
Rock Island	2	600,000	-	-	2	600,000
Saline	1	150,000	-	-	1	150,000
Sangamon	3	695,000	1	100,000	4	795,000
Shelby	2	276,720	-	-	2	276,720
St. Clair	2	600,000	-	-	2	600,000
Stephenson	1	350,000	-	-	1	350,000
Tazewell	5	174,300	-	-	5	174,300
Vermillion	5	536,213	-	-	5	536,213
Wabash	1	46,211	-	-	1	46,211
Wayne	5	794,000	-	-	5	794,000
White	1	325,000	-	-	1	325,000
Whiteside	-	-	1	100,000	1	100,000
Will	3	750,000	-	-	3	750,000
Williamson	4	825,000	1	100,000	5	925,000
Winnebago	1	250,000	1	93,200	2	343,200
	193	\$ 33,191,667	25	\$ 2,493,200	218	\$ 35,684,867

**State of Illinois
Illinois Finance Authority**

**Service Efforts and Accomplishments
For the Two Years Ended June 30, 2017
(Unaudited)**

<u>Issuance Performance</u>	2017	2016
Total number of new issues *	56	54
New issue value	\$ 4,142,508,438	\$ 3,779,532,495
Application fees	\$ 36,900	\$ 54,350
Closing and Administrative service fees	\$ 4,290,236	\$ 3,821,805
 <u>Operating Performance</u>		
Total number of issues	1,186	1,262
Total outstanding issue value	\$ 23,716,441,879	\$ 24,058,228,647
Annual fees	\$ 318,082	\$ 341,544
Annual fees/total outstanding issue value	0.0013%	0.0014%
Total expenses	\$ 18,514,664	\$ 9,126,562
Total expenses/total outstanding issue value	0.0781%	0.0379%
Total expenses/total number of issues	\$ 15,611	\$ 7,232

* Includes Beginning Farmer Bonds