

**State of Illinois
Office of the Treasurer
The Illinois Funds**

Financial Audit
For the Years Ended June 30, 2021 and 2020

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

**State of Illinois
Office of the Treasurer**

**The Illinois Funds
Financial Audit
For the Years Ended June 30, 2021 and 2020**

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**State of Illinois
Office of the Treasurer**

**The Illinois Funds
Financial Audit
For the Year Ended June 30, 2021**

Office of the Treasurer's Officials

Treasurer	The Honorable Michael W. Frerichs
Chief of Staff	Mr. G. Allen Mayer
Deputy Treasurer & Chief Investment Officer* (July 1, 2020 to June 30, 2021)	Mr. Rodrigo Garcia
Deputy Treasurer** (July 1, 2021 to Present)	Vacant
Chief Investment Officer (<i>Acting</i>)** (July 1, 2021 to Present)	Mr. Joseph Aguilar
General Counsel & Ethics Officer	Ms. Laura Duque
Executive Inspector General for the Illinois State Treasurer (July 1, 2020 to October 15, 2021) (October 16, 2021 to Present)	Mr. Dennis Rendleman Mr. Chris Flynn
Chief Internal Auditor	Ms. Leighann Manning
Director of State Investments and Banking* (July 1, 2020 to June 30, 2021)	Ms. Elizabeth Turner
Chief Banking Officer (<i>Acting</i>)** (July 1, 2021 to Present)	Ms. Elizabeth Turner
Director of Fiscal Operations (July 1, 2020 to June 30, 2021) (July 1, 2021 to Present)	Ms. Deborah Miller Mr. Wes Howerton
Chief Fiscal Officer (<i>Acting</i>)** (July 1, 2021 to Present)	Ms. Deborah Miller
Director of IPTIP (Illinois Public Treasurer's Investment Pool) Investments	Mr. Jack Weisenborn
Director of ePay & Illinois Funds	Mr. Andy Schacht

*Position was eliminated as of July 1, 2021

**New position as of July 1, 2021

**State of Illinois
Office of the Treasurer**

**The Illinois Funds
Financial Audit
For the Year Ended June 30, 2021**

Office of the Treasurer's Offices

The Office of the Treasurer had the following office locations during the year:

Executive Office
State Capitol
219 State House
Springfield, Illinois 62706

Chicago Office Legal/Programmatic
James R. Thompson Center
100 West Randolph Street, Suite 15-600
Chicago, Illinois 60601

Operations Divisions
Illinois Business Center
400 West Monroe, Suite 401
Springfield, Illinois 62704

Unclaimed Property Division
Myers Building
1 W. Old State Capitol Plaza, 1st & 4th Floors
Springfield, Illinois 62701

Operational Divisions
Marine Bank Building
1 East Old State Capitol Plaza
Springfield, Illinois 62701

FINANCIAL STATEMENT REPORT

**State of Illinois
Office of the Treasurer**

**The Illinois Funds
Financial Audit
For the Years Ended June 30, 2021 and 2020**

Financial Statement Report

Summary

The audits of the accompanying financial statements of The Illinois Funds of the State of Illinois, Office of the Treasurer, were performed by Crowe LLP, as of and for the years ended June 30, 2021 and 2020.

Based on their audits, the auditors expressed an unmodified opinion on The Illinois Funds' financial statements.

Summary of Findings

<u>Number of</u>	<u>Current Report</u>	<u>Prior Report</u>
Findings	1	1
Repeated Findings	1	0
Prior Recommendations Implemented or Not Repeated	0	1

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
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CURRENT FINDINGS

2021-001	65	2021/2020	Inadequate Internal Controls Related to Review of Financial Statements	Material Weakness
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Exit Conference

The Office waived an exit conference in a correspondence from Leighann Manning, Chief Internal Auditor, on February 25, 2022.

INDEPENDENT AUDITOR'S REPORT

Independent Auditor's Report

The Honorable Frank J. Mautino
Auditor General
State of Illinois

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of The Illinois Funds, a fiduciary (investment trust) fund of the State of Illinois, Office of the Treasurer, as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Illinois Funds, of the State of Illinois, Office of the Treasurer, as of June 30, 2021 and 2020, and the changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only The Illinois Funds, and do not purport to, and do not, present fairly the financial position of the State of Illinois or the State of Illinois, Office of the Treasurer, as of June 30, 2021 and 2020, the changes in financial position, or, where applicable, cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Further, as discussed in Note 8 to the financial statements, in Fiscal Year 2021, the Office of the Treasurer adopted GASB Statement No. 84, *Fiduciary Activities*, resulting in a restatement of Fiscal Year 2020 amounts and 2021 beginning net position to present only the external portion of The Illinois Funds. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements of The Illinois Funds of the State of Illinois, Office of the Treasurer. The Supplementary Information (pages 24 - 33) and Other Information (pages 34 - 62) as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The Supplementary Information, consisting of the portfolio of investments, the condensed statements by investor type and the statements presented with internal and external portions, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the financial statements as a whole.

The Other Information, consisting of the Illinois Funds Investment Policy Statements, has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2022, on our consideration of the State of Illinois, Office of the Treasurer's internal control over financial reporting of The Illinois Funds and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Office of the Treasurer's internal control over financial reporting or on compliance.

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Illinois, Office of the Treasurer's internal control over financial reporting of The Illinois Funds and its compliance.

SIGNED ORIGINAL ON FILE

Springfield, Illinois
March 14, 2022

BASIC FINANCIAL STATEMENTS

**State of Illinois
Office of the Treasurer**

**The Illinois Funds
Statements of Fiduciary Net Position
June 30, 2021 and 2020**

	2021	2020 (Restated)
Assets		
Cash equivalents		
Repurchase agreements, including accrued interest of \$437 and \$11,656 in 2021 and 2020, respectively	\$ 378,859,677	\$ 367,536,748
Commercial paper, net of unaccreted discount of \$6,921 and \$51,572 in 2021 and 2020, respectively	205,159,929	229,651,611
U.S. Treasury Bills, net of unaccreted discount of \$1,845 and \$0 in 2021 and 2020, respectively	87,427,210	-
Money market mutual funds, net of unamortized premium of \$617,381 and \$287,915 in 2021 and 2020, respectively	1,824,973,653	1,273,067,159
U.S. agency obligations		
Federal Home Loan Bank Debentures, net of unamortized premium of \$0 and \$24,166 in 2021 and 2020, respectively	-	30,651,257
Federal Farm Credit Bureau Debentures, net of unaccreted discount of \$2,437 and \$0 in 2021 and 2020 and unamortized premium of \$1,453 and \$0 in 2021 and 2020, respectively	123,856,845	27,564,382
Corporate Bonds, net of unamortized premium of \$223,444 and net of unaccreted discount of \$43,764 in 2021 and 2020, respectively	52,935,005	108,117,353
Supranational Notes, net of unamortized premium of \$38,567 and unaccreted discount of \$3,675 in 2021 and 2020, respectively	148,667,961	15,309,870
	2,821,880,280	2,051,898,380
Deposits and investments		
Commercial paper, net of unaccreted discount of \$222,105 and \$853,619 in 2021 and 2020, respectively	733,803,102	769,417,720
U.S. Treasury Bills, net of unaccreted discount of \$0 and \$93,121 in 2021 and 2020, respectively	-	168,355,879
U.S. Treasury Notes, net of unamortized premium of \$8,884 and \$25,291 in 2021 and 2020, respectively	43,723,412	45,965,928
U.S. agency obligations		
Federal Home Loan Bank Debentures, net of unaccreted discount of \$2,365 and \$3,123 in 2021 and 2020, respectively and unamortized premium of \$232 and \$0 in 2021 and 2020, respectively	88,301,213	205,198,387
Federal Home Loan Mortgage Corporation Notes, net of unaccreted discount of \$0 and \$0 in 2021 and 2020, respectively	-	55,128,764
Federal Home Loan Mortgage Corporation Discount Notes, net of unaccreted discount of \$0 and \$16,590 in 2021 and 2020, respectively	-	61,237,592

The accompanying notes are an integral part of these statements.

**State of Illinois
Office of the Treasurer**

**The Illinois Funds
Statements of Fiduciary Net Position (Continued)
June 30, 2021 and 2020**

	2021	2020 (Restated)
Assets (Continued)		
U.S. agency obligations (Continued)		
Federal Farm Credit Bureau Debentures, net of unaccreted net discount of \$7,031 and \$15,673 in 2021 and 2020 and unamortized premium of \$1,497 and \$13,472 in 2021 and 2020, respectively	\$ 333,157,453	\$ 387,185,483
Federal Home Loan Bank Discount Notes, net of unaccreted discount of \$0 and \$11,092 in 2021 and 2020, respectively	-	15,302,454
Federal National Mortgage Association Debentures net of unaccreted discount of \$0 and \$1,911 in 2021 and 2020, respectively	-	18,340,654
Certificates of Deposits, including accrued interest of \$0 and \$38,786 in 2021 and 2020, respectively	-	73,545,079
Supranational Notes, net of unamortized premium of \$170,929 and \$60,566 in 2021 and 2020, respectively	89,460,474	79,385,957
Corporate Bonds, net of unamortized premium of \$13,148,655 and \$2,546,745 in 2021 and 2020, respectively	981,666,165	357,073,700
Total deposits and investments	2,270,111,819	2,236,137,597
Accrued interest receivable	7,743,480	3,306,686
Total assets	\$ 5,099,735,579	\$ 4,291,342,663
Liabilities and Net Position		
Accrued liabilities		
Bank custodial fees	\$ 130,322	\$ 398,607
State management fees	339,040	293,901
Total liabilities	469,362	692,508
Net position held in trust for pool participants	\$ 5,099,266,217	\$ 4,290,650,155
The pricing of shares		
Participant shares outstanding (\$1.00 par, unlimited shares authorized)	5,099,266,217	4,290,650,155
Participant net position value, offering and redemption price per share	\$ 1.00	\$ 1.00

The accompanying notes are an integral part of these statements.

**State of Illinois
Office of the Treasurer**

**The Illinois Funds
Statements of Changes in Fiduciary Net Position
For the Years Ended June 30, 2021 and 2020**

	2021	2020 (Restated)
Additions		
Investment income		
Investment earnings	\$ 11,134,919	\$ 67,113,279
Investment expenses		
Bank custodial fees	1,440,079	1,263,719
State management fees	2,281,219	1,942,126
Total investment expenses	3,721,298	3,205,845
Net investment income	7,413,621	63,907,434
Dividends to participants from net investment income	(7,413,621)	(63,907,434)
Share transactions (dollar amounts and number of shares are the same)		
Subscriptions	11,785,312,121	14,842,727,713
Reinvestments	4,287,259	59,364,423
Redemptions	(10,980,983,318)	(14,307,067,981)
Change in net position and shares resulting from share transactions	808,616,062	595,024,155
Net position, beginning of year, as restated	4,290,650,155	3,695,626,000
Net position, end of year	\$ 5,099,266,217	\$ 4,290,650,155

The accompanying notes are an integral part of these statements.

**State of Illinois
Office of the Treasurer**

**The Illinois Funds
Notes to the Financial Statements
For the Years Ended June 30, 2021 and 2020**

Background

The Illinois Funds was established in 1976 (through 15 ILCS 505/17) to supplement and enhance the investment opportunities available to custodians of public agency funds throughout the State of Illinois. The management, custodianship, and operation of The Illinois Funds are under the supervision of the State of Illinois, Office of the Treasurer (“Treasurer”).

Note 1. Summary of Significant Accounting Policies

Financial Reporting Entity: As described in the Illinois Annual Comprehensive Financial Report, the State of Illinois is the primary government, which includes all funds, elected offices, departments, and agencies of the State, as well as boards, commissions, authorities, universities and colleges over which the State’s executive or legislative branches exercise legal control.

The Illinois Funds is not legally separate from the State of Illinois and is, therefore, determined to be part of the primary government. The Illinois Funds is included in the Illinois Annual Comprehensive Financial Report as an investment trust fund. The Illinois Funds Program consists of an internal and external portion. The internal portion is the portion that belongs to the State and its component units. The external portion is the portion belonging to the non-component-unit participants. The scope of The Illinois Funds’ financial statements presented herein is limited to the financial position of The Illinois Funds, including net position available to external participants, and the changes in net position. The internal portion of The Illinois Funds is included in the various funds in the Illinois Annual Comprehensive Financial Report as an investment.

As a governmental sponsored investment pool, The Illinois Funds is not eligible to register with the Securities and Exchange Commission (“SEC”) and thus is not a registrant with the SEC; however, The Illinois Funds has adopted operating procedures consistent with those required of an SEC 2a-7 Fund (2a-7-like Fund). The Illinois Funds has a policy that it will, and does, operate in a manner consistent with SEC Rule 2a-7, which governs the operation of SEC regulated money market funds. While the Illinois Funds operates in accordance with SEC Rule 2a-7, for valuation purposes it complies with GASB Statement No. 79. See Note 2 below for additional information.

Fiduciary Fund: The Illinois Funds is classified as an investment trust fund. This investment trust fund is used to account for assets held by The Illinois Funds in a trustee capacity or as an agent for public treasurers and other custodians of public monies throughout the State of Illinois. This investment trust fund is not held in the State Treasury and is a non-appropriated fund.

During the year ended June 30, 2021, the Office implemented the provision of GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying and reporting fiduciary activities. The implementation of this statement resulted in changing the presentation of the Illinois Funds financial statements to present only the external portion which remains a fiduciary activity of the State. The Office also restated the presentation of Fiscal Year 2020 in accordance with GASB Statement No. 84, *Fiduciary Activities*.

**State of Illinois
Office of the Treasurer**

**The Illinois Funds
Notes to the Financial Statements
For the Years Ended June 30, 2021 and 2020**

Note 1. Summary of Significant Accounting Policies (Continued)

Basis of Accounting and Measurement Focus: The accounts of The Illinois Funds are maintained and reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place.

Cash Equivalents, Deposits, and Investments: Cash equivalents are defined as short-term, highly liquid investments readily convertible to cash with maturities of 90 days or less at time of purchase.

Repurchase agreements (securities purchased under agreements to resell) are reported at cost plus accrued interest.

Certificates of deposit with financial institutions are stated at cost plus accrued interest, which represents current value. Certificates of deposit may be subject to certain withdrawal restrictions. It is the intent of management to hold the time deposits to maturity.

Commercial paper is stated at amortized cost, which excludes accrued interest and includes accretion of discounts and amortization of premiums. Commercial paper utilizes the straight-line method of amortization or accretion. It is the intent of management to hold commercial paper to maturity. Money market mutual funds, excluding prime money market funds, are carried at cost and are purchased from various brokerage firms. The funds are comprised of U.S. Treasury and U.S. agency obligations. Mutual fund yields are subject to market rate fluctuations. Prime money market funds are stated at amortized cost, which excludes accrued interest and includes accretion of discounts and amortization of premiums.

U.S. agency obligations and Supranational notes are stated at amortized cost, which excludes accrued interest and includes accretion of discounts and amortization of premiums. U.S. agency coupon and Supranational notes utilize the constant yield method and, when applicable, all others use straight-line amortization. It is the intent of management to hold U.S. agency securities and Supranational notes to maturity unless market conditions provide for realization of a gain and management determines a sale would be in the best interest of The Illinois Funds.

U.S. Treasury obligations are stated at amortized cost, which excludes accrued interest and includes accretion of discounts and amortization of premiums. Treasury notes utilize the constant yield method and strips and bills use straight-line amortization. It is the intent of management to hold U.S. Treasury obligations to maturity unless market conditions provide for realization of a gain and management determines a sale would be in the best interest of The Illinois Funds.

Corporate bonds are stated at amortized cost, which excludes accrued interest and includes accretion of discounts and amortization of premiums. Corporate bonds utilize the straight-line method of amortization or accretion. It is the intent of management to hold corporate bonds to maturity.

Investment expenses consist of bank custodial fees and State management fees. Both custodial fees and State management fees are accrued daily based on the net asset value of The Illinois Funds. For more information, see Note 4.

**State of Illinois
Office of the Treasurer**

**The Illinois Funds
Notes to the Financial Statements
For the Years Ended June 30, 2021 and 2020**

Note 1. Summary of Significant Accounting Policies (Continued)

Management Estimates: To prepare financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make certain estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. These estimates may differ from actual results.

Net Position Held in Trust for Pool Participants: The net position held in trust for pool participants represents the total value of participant deposits, excluding assets of the State of Illinois, including late deposits held in an overnight investment account as of June 30, 2021 and 2020.

The Illinois Funds operates in a manner similar to an open-end mutual fund. Participants' deposits and withdrawals were accounted for as purchases and sales of The Illinois Funds' capital shares. The amount of net proceeds from the sale of shares represents the gross withdrawals, which were redeemed from The Illinois Funds' shares during the year. The cost of shares purchased represents the gross deposits, which were invested in The Illinois Funds' shares during the year. These amounts did not include deposits or earnings, which were remitted directly to participants versus invested (or reinvested) in The Illinois Funds' shares.

Note 2. Deposits and Investments

Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, generally requires investments to be measured at fair value. GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, established criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost rather than fair value for financial reporting purposes. The Illinois Funds meets the criteria established in GASB Statement No. 79 and, thus, reports all investments at amortized cost.

Fair Value Measurements:

As stated in the aforementioned paragraph, The Illinois Funds reports its investments at amortized cost for financial reporting purposes. GASB Statements No. 72 and 79 require disclosure regarding the fair value of investments. GASB Statement No. 72 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement established a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure

**State of Illinois
Office of the Treasurer**

**The Illinois Funds
Notes to the Financial Statements
For the Years Ended June 30, 2021 and 2020**

Note 2. Deposits and Investments (Continued)

fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

- Level 1 Investments whose values are based on quoted prices (unadjusted) for identical assets in active markets that a government can access at the measurement date.
- Level 2 Investments with inputs – other than quoted prices included within Level 1 – that are observable for an asset, either directly or indirectly.
- Level 3 Investments classified as Level 3 have unobservable inputs for an asset and may require a degree of professional judgment.

The following table summarizes The Illinois Funds' investments within the fair value hierarchy at June 30, 2021:

Type	Fair Value	Level 1	Level 2	Level 3
Repurchase Agreements	\$ 378,859,677	\$ -	\$ 378,859,677	\$ -
Commercial Paper	938,967,685	-	938,967,685	-
Money Market Mutual Funds	1,824,733,463	1,824,733,463	-	-
United States Treasury Bills	87,426,433	-	87,426,433	-
United States Treasury Notes	43,753,871	-	43,753,871	-
Federal Home Loan Bank Debentures	88,337,648	-	88,337,648	-
Federal Farm Credit Bureau Debentures	457,214,089	-	457,214,089	-
Supranational Notes	238,104,607	-	238,104,607	-
Corporate Bonds	1,034,423,990	-	1,034,423,990	-
	<u>\$ 5,091,821,463</u>	<u>\$ 1,824,733,463</u>	<u>\$ 3,267,088,000</u>	<u>\$ -</u>

**State of Illinois
Office of the Treasurer**

**The Illinois Funds
Notes to the Financial Statements
For the Years Ended June 30, 2021 and 2020**

Note 2. Deposits and Investments (Continued)

The following table summarizes The Illinois Funds' investments within the fair value hierarchy at June 30, 2020, as restated:

Type	Fair Value	Level 1	Level 2	Level 3
Repurchase Agreements	\$ 367,536,748	\$ -	\$ 367,536,748	\$ -
Commercial Paper	999,175,446	-	999,175,446	-
Money Market Mutual Funds	1,273,168,569	1,273,168,569	-	-
United States Treasury Bills	168,349,156	-	168,349,156	-
United States Treasury Notes	46,000,819	-	46,000,819	-
Federal Home Loan Mtg Corp Discount Notes	61,235,806	-	61,235,806	-
Federal Home Loan Bank Debentures	235,782,323	-	235,782,323	-
Federal Home Loan Bank Discount Notes	15,302,826	-	15,302,826	-
Federal National Mortgage Association Debentures	18,352,359	-	18,352,359	-
Federal Farm Credit Bureau Debentures	414,787,225	-	414,787,225	-
Supranational Notes	94,793,778	-	94,793,778	-
Certificates of Deposit	73,545,079	-	73,545,079	-
Corporate Bonds	465,631,339	-	465,631,339	-
Federal Home Loan Mtg Corp Notes	55,118,014	-	55,118,014	-
	<u>\$ 4,288,779,487</u>	<u>\$ 1,273,168,569</u>	<u>\$ 3,015,610,918</u>	<u>\$ -</u>

Repurchase Agreements classified in Level 2 of the fair value hierarchy are valued using the cost approach which reflects the amount that would be required to replace the investment. The remaining investments classified in Level 2 of the fair value hierarchy are valued using a market approach that involves using prices and other relevant information generated by market transactions involving comparable assets.

The Illinois Funds does not have any limitations or restrictions on participant withdrawals.

Permitted Deposits and Investments: The Treasurer's investment activities are governed by the Treasurer's published investment policies, which were developed in accordance with State statute and the desire to maintain The Illinois Funds' AAAM rating from Standard & Poor's. In addition, the Treasurer's Office has adopted its own investment practices, which supplement the statutory requirements.

For The Illinois Funds, the Treasurer may invest in time deposits and other interest-bearing accounts in banks and savings and loan associations located in Illinois that are insured by the Federal Deposit Insurance Corporation ("FDIC"), credit unions whose principal office is located in Illinois, obligations of the United States and its agencies, short-term obligations of corporations whose obligations are rated among

**State of Illinois
Office of the Treasurer**

**The Illinois Funds
Notes to the Financial Statements
For the Years Ended June 30, 2021 and 2020**

Note 2. Deposits and Investments (Continued)

the two highest classifications established by at least two standard rating services, repurchase agreements, or other investments approved by State law.

The Illinois Funds is rated AAAM by Standard & Poor's Ratings.

The Illinois Funds determines the fair value of investments annually in connection with year-end financial reporting. A summary of investments held at June 30, 2021 and 2020 (restated) is as follows:

Summary of Investments at June 30, 2021:

Type	Carrying Amount	Fair Value	Face / Par Principal Amount	Range of Interest Yields	Range of Maturity Dates
Repurchase Agreements	\$ 378,859,677	\$ 378,859,677	\$ 378,859,240	0.041-0.051%	7/1/2021
Commercial Paper	938,963,031	938,967,685	939,192,057	0.051-0.248%	7/1/2021-2/14/2022
Money Market Mutual Funds	1,824,973,653	1,824,733,463	1,824,356,272	NA	NA
United States Treasury Bills	87,427,210	87,426,433	87,427,210	0.041%	7/20/2021
United States Treasury Notes	43,723,412	43,753,871	43,714,528	0.172%	7/1/2021
Corporate Bonds	1,034,601,170	1,034,423,990	1,021,229,071	0.106-0.443%	7/4/2021-7/5/2022
Federal Home Loan Bank Debentures	88,301,213	88,337,648	88,303,346	0.065-0.203%	7/1/2021-8/3/2021
Federal Farm Credit Bureau Debentures	457,014,298	457,214,089	457,020,816	0.061-0.355%	7/1/2021-9/13/2021
Supranational Notes	238,128,435	238,104,607	237,918,940	0.068-0.203%	7/1/2021-4/7/2022
	<u>\$ 5,091,992,099</u>	<u>\$ 5,091,821,463</u>	<u>\$ 5,078,021,480</u>		

**State of Illinois
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**The Illinois Funds
Notes to the Financial Statements
For the Years Ended June 30, 2021 and 2020**

Note 2. Deposits and Investments (Continued)

Summary of Investments at June 30, 2020 (restated):

Type	Carrying Amount	Fair Value	Face / Par Principal Amount	Range of Interest Yields	Range of Maturity Dates
Repurchase Agreements	\$ 367,536,748	\$ 367,536,748	\$ 367,525,092	0.051-0.112%	7/1/2020-7/7/2020
Commercial Paper	999,069,331	999,175,446	999,974,522	0.152-2.084%	7/1/2020-3/26/2021
Money Market Mutual Funds	1,273,067,159	1,273,168,569	1,272,779,244	NA	NA
United States Treasury Bills	168,355,879	168,349,156	168,449,001	0.145-0.185%	9/24/2020-12/10/2020
United States Treasury Notes	45,965,928	46,000,819	45,940,637	0.273%	7/1/2021
Certificates of Deposit	73,545,079	73,545,079	73,505,018	0.548-0.798	4/30/2021-5/14/2021
Federal Home Loan Mtg Corp Notes	55,128,764	55,118,014	55,128,764	0.091-0.203%	7/1/2020
Federal Home Loan Mtg Corp Discount Notes	61,237,592	61,235,806	61,254,182	0.091-0.203%	9/17/2020
Corporate Bonds	465,191,053	465,631,339	462,650,387	0.069-2.423%	7/30/2019-2/3/2020
Federal Home Loan Bank Debentures	235,849,644	235,782,323	235,828,601	0.064-2.007%	7/1/2020-10/15/2020
Federal Home Loan Bank Discount Notes	15,302,454	15,302,826	15,313,545	0.18%	11/27/2020
Federal Farm Credit Bureau Debentures	414,749,865	414,787,225	414,752,067	0.119-0.456%	7/1/2020-9/13/2020
Federal National Mortgage Assn Debentures	18,340,654	18,352,359	18,342,565	0.132-1.767%	7/1/2020-7/30/2020
Supranational Notes	94,695,827	94,793,778	94,638,936	0.162-4.490%	7/9/2020-5/24/2021
	<u>\$ 4,288,035,977</u>	<u>\$ 4,288,779,487</u>	<u>\$ 4,286,082,561</u>		

Custodial Credit Risk: Custodial credit risk for deposits and investments is the risk that, in the event of a financial institution failure, The Illinois Funds would not be able to recover the value of the deposits and investments in the possession of an outside party. The Treasurer has a formal policy to address custodial credit risk.

Repurchase agreements are purchased from various brokerage firms and financial institutions. Securities pledged as collateral to secure these agreements are required to have a fair value of at least 102% of the agreement. The agreements require both parties to maintain an acceptable margin (yield) on underlying securities to ensure that the agreements are adequately collateralized. The Treasurer accepts only U.S. agency obligations and U.S. Treasury obligations as collateral for repurchase agreements. All securities pledged to secure repurchase agreements are required to be delivered to an appointed custodian of The Illinois Funds. In a delivery-vs.-pledge transaction, the custodian will be the primary custodian of The Illinois Funds. In a tri-party repurchase agreement, an appointed clearing bank will act as custodian and valuation agent for the securities.

As noted above, the master repurchase agreements utilized by The Illinois Funds require the broker or financial institution to maintain the fair value of collateral securities at 102% of the agreement. The carrying amount of the repurchase agreements (excluding accrued interest) was \$378,859,240 and \$367,525,092 as of June 30, 2021 and 2020, respectively. The fair value, including accrued interest, of the underlying

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**The Illinois Funds
Notes to the Financial Statements
For the Years Ended June 30, 2021 and 2020**

Note 2. Deposits and Investments (Continued)

securities to be resold based on commitments under the repurchase agreements was \$389,642,511 and \$376,751,090 as of June 30, 2021 and 2020, respectively.

Other instruments, such as U.S. Treasury obligations, may be purchased from various brokerage firms and are held in safekeeping by the appointed Custodian of The Illinois Funds.

Interest Rate Risk: Interest Rate risk is the risk that changes in the interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates, the investment policies limit the investment portfolio maturities. The Illinois Funds investment policy limits its investment portfolio to maturities not to exceed two years with a minimum of 75% required to be in authorized investments with less than one-year maturity. The investment policy specifically requires that no more than 50% of total assets can be invested in securities with maturities greater than 30 days issued by any single permissible United States government agency or instrumentality. The Treasurer's Office uses the segmented time distribution method to identify and manage interest rate risk.

Within The Illinois Funds, certain U.S. Agency Obligations, Supranational Notes, and Commercial Paper carry variable rates that reset at a specific date, based on each individual investment. The date used for the calculation of interest rate risk is that of the variable rate reset date for each investment that contains a variable rate.

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**The Illinois Funds
Notes to the Financial Statements
For the Years Ended June 30, 2021 and 2020**

Note 2. Deposits and Investments (Continued)

Investments: The Illinois Funds had the following investments, stated at carrying value, and maturities as of June 30, 2021 and 2020 (restated). (Amounts are in thousands.)

	2021					2020 (Restated)				
	Thirty Days or Less	Thirty One to Ninety Days	Ninety One Days to One Year	One Year or More	Total	Thirty Days or Less	Thirty One to Ninety Days	Ninety One Days to One Year	Total	
Repurchase agreements	\$ 378,860	\$ -	\$ -	\$ -	\$ 378,860	\$ 367,537	\$ -	\$ -	\$ 367,537	
Commercial paper	345,186	356,856	236,921	-	938,963	300,037	250,959	448,073	999,069	
Supranational notes	47,298	170,558	20,272	-	238,128	23,945	29,095	41,656	94,696	
Corporate Bonds	29,828	215,429	782,322	7,022	1,034,601	127,041	66,672	271,478	465,191	
Certificates of Deposit	-	-	-	-	-	-	-	73,545	73,545	
U.S. Treasury bills	87,427	-	-	-	87,427	-	30,616	137,740	168,356	
U.S. Treasury notes	43,723	-	-	-	43,723	45,966	-	-	45,966	
U.S. agency obligations	523,076	22,240	-	-	545,316	616,895	107,157	76,557	800,609	
Subtotal	<u>\$ 1,455,398</u>	<u>\$ 765,083</u>	<u>\$ 1,039,515</u>	<u>\$ 7,022</u>	<u>3,267,018</u>	<u>\$ 1,481,421</u>	<u>\$ 484,499</u>	<u>\$ 1,049,049</u>	<u>3,014,969</u>	
Treasury-only money market mutual funds					<u>1,824,974</u>				<u>1,273,067</u>	
Investments					<u>\$ 5,091,992</u>				<u>\$ 4,288,036</u>	

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As of June 30, 2021, The Illinois Funds' investments in U.S. Agencies, including collateral for repurchase agreements were rated AA+ and A+ by Standard & Poor's Ratings and the Supranational Notes that were rated AAA by Standard & Poor's. The Illinois Funds' investments in commercial paper were rated P-1 by Moody's Investors Service and A-1 and A-1+ by Standard & Poor's Ratings except ones issued by Citigroup which were rated A-2 and P-2 and Stanley Black & Decker that was rated P-2 by Moody's Investor Services. The Illinois Funds investments in Corporate Bonds were rated as A-1 and A-1+ by Standard & Poor's and P-1 by Moody's Investors Services except for ones issued by PNC Financial Services that were rated A-2 and P-2 and United Health Group that were rated A-1 and P-2. The Illinois Funds' investments in money market mutual funds were rated Aaa by Moody's Investors Service and AAAM by Standard & Poor's Ratings.

As of June 30, 2020, The Illinois Funds' investments in U.S. Agencies, including collateral for repurchase agreements were rated AA+ by Standard & Poor's Ratings and the Supranational Notes that were rated AAA by Standard & Poor's. The Illinois Funds' investments in commercial paper were rated P-1 by Moody's Investors Service and A-1+ by Standard & Poor's Ratings. Commercial Paper issued by Caterpillar Inc and United Health Group were also rated P-2 by Moody's Investor Services. The Illinois Funds investments in Corporate Bonds were rated as A-1 and A-1+ by Standard & Poor's and P-1 by Moody's Investors Services except for ones issued by PNC Financial Services and United Health Group that were rated P-2. The Illinois Funds' investments in money market mutual funds were rated Aaa by Moody's Investors Service and AAAM by Standard & Poor's Ratings.

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**The Illinois Funds
Notes to the Financial Statements
For the Years Ended June 30, 2021 and 2020**

Note 2. Deposits and Investments (Continued)

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of The Illinois Funds' investment in a single issuer. The following investments exceeded 5% of The Illinois Funds' total investments at June 30, 2021 and 2020. (Amounts are in thousands.)

	2021		2020	
	Carrying Value	% of Total Investments	Carrying Value	% of Total Investments
U.S. Agency				
Federal Home Loan Bank	\$ -	- %	\$ 385,034	5.5%
FFCB Notes	784,089	8.98	677,096	9.67

No more than 5% of total assets can be invested in securities issued by any single commercial paper issuer (calculated at the time of purchase); and, a maximum of 33.3% of the portfolio may be invested in direct commercial paper obligations that do not exceed 270 days to maturity. Additionally, a maximum of 25% of the total assets may be invested in any approved AAAm Money Market Fund.

Note 3. Investment Income

The Illinois Funds follows the accounting practice known as equalization. Accordingly, distributable investment income is allocated daily and paid monthly to participants on a pro rata (per share) basis and accumulated investment income payable is credited to The Illinois Funds' net asset base. A portion of the proceeds from sales and costs of repurchases of The Illinois Funds' capital shares (equivalent, on a per share basis, to the amount of distributable investment income on the date of the transaction) are credited or charged to undistributed income. As a result, undistributed investment income per share is unaffected by sales or redemptions of The Illinois Funds capital shares.

Note 4. Administrative Fees

To administer The Illinois Funds, the Treasurer has established a division titled "The Illinois Funds' Administrative Office." This division had 18 and 16 average full time equivalent employees for the years ended June 30, 2021 and 2020, respectively. The revenues and expenditures of the division are recorded in an enterprise fund maintained by the Treasurer titled The Illinois Funds' Administrative Trust Fund No. 195.

US Bank (USB) performs the custodial responsibilities for the administration of The Illinois Funds. USB calculates the administrative and custodial fees paid to the State Treasurer and USB, respectively.

**State of Illinois
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**The Illinois Funds
Notes to the Financial Statements
For the Years Ended June 30, 2021 and 2020**

Note 4. Administrative Fees (Continued)

Fees are calculated on a tiered structure. The fee is accrued daily and is paid via a voucher payment. The custodian's Annual Custody, Fund Accounting Transfer Agent Fee shall be based upon average net assets per fund as follows: Base fee of \$240,000 per fund per year plus, 0.0350% for the first \$3,000,000,000; 0.0275% for the next \$2,000,000,000; 0.0250% for the next \$2,000,000,000; 0.0175% on the balance. The minimum annual fee is \$1,200,000.

The State Treasurer receives up to 0.05% per annum of the net asset value of The Illinois Funds. This fee is used to defray administrative costs associated with investing The Illinois Funds' assets, to increase marketing efforts needed to expand participation in The Illinois Funds, and to improve the level of service to participants.

The Treasurer's Office has the ability to rebate to The Illinois Funds' participants any excess administrative fees collected during the fiscal year. There were no excess administrative fees rebated to The Illinois Funds' participants during fiscal years 2021 and 2020.

The Treasurer received fees and paid expenditures from the Administrative Trust Fund No. 195 as follows:

	2021	2020
Fees received	\$ 7,563,000	\$ 6,057,000
Expenditures	5,752,000	4,935,000

Note 5. Related Parties

The Illinois Funds' Administrative Office, a division of the State Treasurer's Office, is responsible for the administration of The Illinois Funds, including management of investments and marketing services. The Illinois Funds' Administrative Office received fees as stated in Note 4 during fiscal years 2021 and 2020, respectively. The Illinois Funds' Administrative Trust Fund No. 195 was maintained by the Treasurer in a separate investment account of The Illinois Funds. The cash balance at June 30, 2021 and 2020, was approximately \$3,928,000 and \$1,278,000, respectively.

The State of Illinois, its agencies, and its universities invest in The Illinois Funds. The detail follows:

	2021	2020
Total number of participants	1,545	1,516
Number of State of Illinois participants	23	25
Balance of State of Illinois investments	\$ 3,644,220,489	\$ 2,712,361,111

*These amounts reflect the amount available to the State of Illinois for expenditure, not including any amount of interest due to the State.

**State of Illinois
Office of the Treasurer**

**The Illinois Funds
Notes to the Financial Statements
For the Years Ended June 30, 2021 and 2020**

Note 6. Contingencies

The State of Illinois, Office of the Treasurer (Treasurer) is involved in a lawsuit. While the range of potential losses as a result of this lawsuit against the Treasurer is unknown at this time, the Treasurer believes the potential losses would be immaterial to The Illinois Funds financial statements.

Note 7. COVID-19 Impact

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) pandemic. The COVID-19 pandemic continues to impact domestic and global financial markets. As a result, economic uncertainties continue, which could negatively impact the fair market value of investments held by the Illinois Funds. Other financial implications could occur though potential impact is unknown at this time. No adjustments or provisions were made in these financial statements related to COVID-19.

Note 8. Restatement – Implementation of GASB Statement No. 84, *Fiduciary Activities*

During the year ended June 30, 2021, the Office implemented the provision of GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying and reporting fiduciary activities. The implementation of this statement resulted in changing the presentation of The Illinois Funds financial statements to present only the external portion which remains a fiduciary activity of the State. The Office also restated the presentation of Fiscal Year 2020 in accordance with GASB Statement No. 84, *Fiduciary Activities*.

The following schedules represent all assets of the Illinois Funds for the years ended June 30, 2020, which includes the assets of the State of Illinois invested in The Illinois Funds, and is intended to show the restated amounts for the fiscal year ended June 30, 2020.

**State of Illinois
Office of the Treasurer**

**The Illinois Funds
Notes to the Financial Statements
For the Years Ended June 30, 2021 and 2020**

**Note 8. Restatement – Implementation of GASB Statement No. 84, *Fiduciary Activities*
(Continued)**

	2020		
	External	Internal	Total
Assets			
Cash equivalents			
Repurchase agreements	\$ 367,536,748	\$ 232,482,280	\$ 600,019,028
Commercial paper	229,651,611	145,264,196	374,915,807
Money market mutual funds	1,273,067,159	805,267,930	2,078,335,089
U.S. agency obligations			
Federal Home Loan Bank Debentures	30,651,257	19,388,196	50,039,453
Federal Farm Credit Bureau Debentures	27,564,382	17,435,618	45,000,000
Corporate Bonds	108,117,353	68,388,722	176,506,075
Supranational Notes	15,309,870	9,684,130	24,994,000
Total cash equivalents	2,051,898,380	1,297,911,072	3,349,809,452
Deposits and investments			
Commercial paper	769,417,720	486,688,711	1,256,106,431
U.S. Treasury Bills	168,355,879	106,492,097	274,847,976
U.S. Treasury Notes	45,965,928	29,075,361	75,041,289
U.S. agency obligations			
Federal Home Loan Bank Debentures	205,198,387	129,796,515	334,994,902
Federal Home Loan Mortgage Corporation Notes	55,128,764	34,871,236	90,000,000
Federal Home Loan Mortgage Corporation Discount Notes	61,237,592	38,735,324	99,972,916
Federal Farm Credit Bureau Debentures	387,185,483	244,910,923	632,096,406
Federal Home Loan Bank Discount Notes	15,302,454	9,679,438	24,981,892
Federal National Mortgage Association Debentures	18,340,654	11,601,226	29,941,880
Certificates of Deposits	73,545,079	46,520,321	120,065,400
Supranational Notes	79,385,957	50,214,919	129,600,876
Corporate Bonds	357,073,700	225,863,968	582,937,668
Total deposits and investments	2,236,137,597	1,414,450,039	3,650,587,636
Accrued interest receivable	3,306,686	2,091,985	5,398,671
Total assets	<u>\$ 4,291,342,663</u>	<u>\$ 2,714,453,096</u>	<u>\$ 7,005,795,759</u>
Liabilities and Net Position			
Accrued liabilities			
Bank custodial fees	\$ 398,607	\$ 252,180	\$ 650,787
State management fees	293,901	185,937	479,838
Total liabilities	692,508	438,117	1,130,625
Net position held in trust for pool participants	<u>\$ 4,290,650,155</u>	<u>\$ 2,714,014,979</u>	<u>\$ 7,004,665,134</u>
The pricing of shares			
Participant shares outstanding (\$1.00 par, unlimited shares authorized)	4,290,650,155	2,714,014,979	7,004,665,134
Participant net position value, offering and redemption price per share	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>

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**The Illinois Funds
Notes to the Financial Statements
For the Years Ended June 30, 2021 and 2020**

**Note 8. Restatement – Implementation of GASB Statement No. 84, *Fiduciary Activities*
(Continued)**

	2020		
	External	Internal	Total
Additions			
Investment income			
Investment earnings	\$ 67,113,279	\$ 42,451,944	\$ 109,565,223
Investment expenses			
Bank custodial fees	1,263,719	799,354	2,063,073
State management fees	1,942,126	1,228,476	3,170,602
Total investment expenses	3,205,845	2,027,830	5,233,675
Net investment income	63,907,434	40,424,114	104,331,548
Dividends to participants from net investment income	(63,907,434)	(40,424,114)	(104,331,548)
Share transactions (dollar amounts and number of shares are the same)			
Subscriptions	14,842,727,713	11,050,249,202	25,892,976,915
Reinvestments	59,364,423	37,550,470	96,914,893
Redemptions	(14,307,067,981)	(10,292,915,974)	(24,599,983,955)
Change in net position and shares resulting from share transactions	595,024,155	794,883,698	1,389,907,853
Net position, beginning of year, as restated	3,695,626,000	1,919,131,281	5,614,757,281
Net position, end of year	\$ 4,290,650,155	\$ 2,714,014,979	\$ 7,004,665,134

SUPPLEMENTARY INFORMATION

**State of Illinois
Office of the Treasurer**

**The Illinois Funds
Portfolio of Investments – Internal and External
June 30, 2021**

	Execution Date	Interest Rate	Maturity Date	Face Amount	Fair Value
Repurchase Agreements					
BANK OF MONTREAL	6/30/2021	0.041%	7/1/2021	\$ 250,000,000	\$ 250,000,278
BANK OF NOVA SCOTIA	6/30/2021	0.051%	7/1/2021	100,000,000	100,000,139
SUN TRUST	6/30/2021	0.041%	7/1/2021	<u>300,000,000</u>	<u>300,000,333</u>
Total Repurchase Agreements				<u>\$ 650,000,000</u>	<u>\$ 650,000,750</u>

**State of Illinois
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**The Illinois Funds
Portfolio of Investments – Internal and External (Continued)
June 30, 2021**

	Execution Date	Effective Yield	Maturity Date	Fair Value	Carrying Value
Commercial Paper					
ABN AMRO FDS USA LLC CP	01/04/21	0.213%	07/06/21	\$ 39,999,200	\$ 39,998,833
ABN AMRO FDS USA LLC CP	01/08/21	0.213%	07/08/21	34,999,300	34,998,571
ABN AMRO FDS USA LLC CP	01/15/21	0.203%	07/15/21	19,999,000	19,998,444
ABN AMRO FDS USA LLC CP	01/11/21	0.213%	08/02/21	39,996,400	39,992,533
ABN AMRO FDS USA LLC CP	04/14/21	0.167%	10/01/21	29,990,700	29,987,350
ABN AMRO FDS USA LLC CP	06/07/21	0.127%	12/07/21	24,984,500	24,986,198
ABN AMRO FDS USA LLC CP	05/14/21	0.183%	02/08/22	12,736,613	12,735,848
BANK AMER SECS INC	06/21/21	0.132%	12/07/21	49,969,000	49,971,292
CHEVRON CORP NEW	04/07/21	0.071%	07/06/21	49,999,000	49,999,514
CHEVRON CORP NEW	04/07/21	0.081%	07/27/21	49,995,500	49,997,111
CHEVRON CORP NEW	05/12/21	0.071%	08/31/21	34,993,350	34,995,849
CHEVRON CORP NEW	06/17/21	0.071%	09/14/21	24,994,250	24,996,354
CHEVRON CORP NEW	05/20/21	0.071%	09/20/21	49,987,500	49,992,125
CHEVRON CORP NEW	06/10/21	0.051%	09/28/21	49,986,500	49,993,819
CITIGROUP	03/25/21	0.179%	07/06/21	59,748,805	59,748,533
CITIGROUP	04/26/21	0.162%	11/01/21	34,984,600	34,980,867
CITIGROUP	06/08/21	0.101%	12/01/21	23,985,840	23,989,800
CITIGROUP	04/06/21	0.188%	12/06/21	24,984,750	24,979,701
CITIGROUP	04/08/21	0.193%	01/03/22	24,980,750	24,975,458
CITIGROUP	06/02/21	0.152%	02/14/22	24,973,000	24,976,250
JOHN DEERE CAPITAL CORP	06/07/21	0.051%	08/03/21	99,991,000	99,995,416
EXXON CORP	04/22/21	0.061%	07/19/21	49,997,000	49,998,500
EXXON CORP	04/01/21	0.112%	07/30/21	39,996,000	39,996,456
ING US FUNDING LLC	04/16/21	0.152%	08/26/21	41,993,280	41,990,200
ING US FUNDING LLC	03/30/21	0.172%	08/27/21	29,995,200	29,991,925
ING US FUNDING LLC	05/26/21	0.101%	09/20/21	24,993,750	24,994,375
ING US FUNDING LLC	12/08/20	0.233%	07/06/21	24,999,500	24,999,201
ING US FUNDING LLC	02/08/21	0.217%	07/09/21	60,498,185	60,497,127
ING US FUNDING LLC	12/15/20	0.248%	07/12/21	34,998,600	34,997,380
ING US FUNDING LLC	01/11/21	0.203%	08/11/21	29,996,700	29,993,167
ING US FUNDING LLC	03/08/21	0.172%	09/01/21	46,791,108	46,786,298
ING US FUNDING LLC	06/08/21	0.071%	09/08/21	9,997,900	9,998,658
ING US FUNDING LLC	05/18/21	0.150%	11/18/21	49,974,500	49,971,319
ING US FUNDING LLC	05/20/21	0.152%	12/15/21	29,980,500	29,979,125
JPMORGAN	03/29/21	0.198%	12/23/21	19,986,400	19,981,042
NOVARTIS FIN CORP	04/26/21	0.071%	08/02/21	14,548,690	14,549,095
NOVARTIS FIN CORP	04/26/21	0.071%	08/09/21	21,997,580	21,998,332
NOVARTIS FIN CORP	04/26/21	0.071%	08/16/21	21,997,140	21,998,032
PACCAR FIN CORP	06/09/21	0.051%	07/08/21	11,999,760	11,999,883
PACCAR FIN CORP	06/17/21	0.071%	07/16/21	29,998,500	29,999,125
PACCAR FIN CORP	06/22/21	0.061%	07/21/21	19,998,600	19,999,333
STANLEY BLACK & DECKER INC	06/10/21	0.051%	07/01/21	65,000,000	65,000,000
TORONTO DOMINION HOLDINGS USA INC	02/17/21	0.132%	08/17/21	24,996,750	24,995,757
TORONTO DOMINION HOLDINGS USA INC	02/17/21	0.132%	09/17/21	24,994,000	24,992,958
TORONTO DOMINION HOLDINGS USA INC	02/23/21	0.132%	09/21/21	19,995,000	19,994,078
TORONTO DOMINION HOLDINGS USA INC	06/23/21	0.106%	12/23/21	29,979,600	29,984,688
TORONTO DOMINION HOLDINGS USA INC	04/20/21	0.152%	12/29/21	24,981,250	24,981,146
Total Commercial Paper				<u>\$ 1,610,965,051</u>	<u>\$ 1,610,957,066</u>

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**The Illinois Funds
Portfolio of Investments – Internal and External (Continued)
June 30, 2021**

	Fair Value	Carrying Value
Money Market Mutual Funds		
Blackrock Liquidity Funds	\$ 345,273,290	\$ 345,352,773
DWS ESG Liq Fd Inst Investors Cash Trust	55,241,444	55,249,444
Federated Prime Oblig Fund Inst	345,430,267	345,485,161
Goldman Sachs FS Govt Fund	320,396,272	320,396,272
Invesco Govt and Agency Port Inst	392,784,308	392,784,308
JP Morgan Prime MMKT Academy	346,136,836	346,156,796
Legg Mason Partners Instl Tr WA Inst Gv Inst	2,435,506	2,435,506
Morgan Stanley Instl Liquidity Govt ESG MNY MKT PT	249,750,250	250,000,000
Morgan Stanley Instl Liquidity Govt PTF Instl	260,030,355	260,030,355
Morgan Stanley Instl Liquidity ESG MMKT PT Inst	100,025,579	100,025,579
Northern Inst US Govt Select	270,342,982	270,342,982
State Str Instl Invst Trust	442,805,737	442,805,737
	<u>\$ 3,130,652,826</u>	<u>\$ 3,131,064,913</u>
Total Money Market Mutual Funds	<u>\$ 3,130,652,826</u>	<u>\$ 3,131,064,913</u>

**State of Illinois
Office of the Treasurer**

**The Illinois Funds
Portfolio of Investments – Internal and External (Continued)
June 30, 2021**

	Execution Date	Effective Yield	Maturity Date	Fair Value	Carrying Value
United States Treasury Obligations					
U.S. Treasury Bills					
Treasury Bills	06/23/21	0.041%	07/20/21	\$ 149,995,500	\$ 149,996,833
Total U.S. Treasury Bills				<u>\$ 149,995,500</u>	<u>\$ 149,996,833</u>
U.S. Treasury Notes					
Treasury Notes	02/05/20	0.172%	07/01/21	\$ 75,067,500	\$ 75,015,242
Total U.S. Treasury Notes				<u>\$ 75,067,500</u>	<u>\$ 75,015,242</u>
Supranational Notes					
African Development Bank	10/05/20	0.203%	09/23/21	\$ 9,615,218	\$ 9,614,396
African Development Bank	08/13/20	0.187%	07/26/21	10,007,800	10,007,352
African Development Bank	04/28/21	0.069%	09/15/21	15,175,910	15,179,272
Asian Development Bank	06/30/21	0.074%	09/15/21	255,038,250	255,066,168
Asian Development Bank	02/25/21	0.113%	02/16/22	8,675,482	8,677,553
Asian Development Bank	05/21/21	0.107%	04/07/22	26,095,680	26,103,060
Asian Development Bank	03/25/21	0.123%	07/01/21	35,010,850	35,011,676
Euro Bk Recon & Dev Euro Mtn	02/24/21	0.116%	07/15/21	19,127,571	19,127,049
Inter-American Dev Bank	10/19/20	0.165%	07/15/21	17,001,870	17,001,463
Inter-American Dev Bank	03/19/21	0.068%	09/17/21	12,761,914	12,763,437
Total Supranational Notes				<u>\$ 408,510,545</u>	<u>\$ 408,551,426</u>

**State of Illinois
Office of the Treasurer**

**The Illinois Funds
Portfolio of Investments – Internal and External (Continued)
June 30, 2021**

	Execution Date	Effective Yield	Maturity Date	Fair Value	Carrying Value
Corporate Bonds					
Abbott Laboratories	06/25/21	0.172%	03/15/22	\$ 24,220,160	\$ 24,231,610
Amazon.com Inc	03/19/21	0.204%	12/05/21	45,049,431	45,057,834
Apple Inc	03/02/21	0.156%	02/09/22	12,223,102	12,225,095
Apple Inc	06/02/21	0.139%	05/13/22	16,952,150	16,964,476
Apple Inc	12/10/20	0.201%	07/04/21	15,001,200	15,001,679
Apple Inc	03/02/21	0.156%	02/09/22	21,649,502	21,655,318
Bank of New York Mellon Corp	12/08/20	0.199%	09/23/21	31,540,358	31,541,430
Bank of New York Mellon Corp	03/15/21	0.176%	02/07/22	27,945,645	27,949,173
Truist Finl Corp	02/03/21	0.183%	01/15/22	23,670,468	23,672,921
Bristol-Myers Squbb Co	06/17/21	0.137%	08/16/21	9,734,629	9,733,831
Bristol-Myers Squbb Co	06/17/21	0.151%	05/16/22	75,472,724	75,474,437
Bristol-Myers Squbb Co	01/28/21	0.205%	08/15/21	66,104,903	66,111,751
Caterpillar Finl Svcs Mtns Be Fr 2.85%	06/28/21	0.140%	06/01/22	11,463,171	11,462,934
Caterpillar Finl Svcs Mtns Be Fr 1.7%	01/27/21	0.201%	08/09/21	29,111,245	29,109,989
Caterpillar Finl Svcs Mtns Be Mtn Nt Fixed 21	03/01/21	0.154%	10/01/21	4,379,403	4,380,471
Caterpillar Finl Svcs Mtns Be Fr 3.15%	01/26/21	0.199%	09/07/21	28,548,463	28,548,730
Caterpillar Finl Svcs Mtns Be Vr 90718-90721	03/10/21	0.135%	09/07/21	13,079,929	13,079,849
Caterpillar Finl Svcs Mtns Be Fr 2.95%	02/26/21	0.177%	02/26/22	14,924,760	14,926,421
Caterpillar Finl Svcs Mtns Be Vr 51520-51322	05/27/21	0.136%	08/13/21	4,652,704	4,655,925
Caterpillar Finl Svcs Mtns Be Fr 0.95%	06/25/21	0.164%	05/13/22	28,904,500	28,900,442
Caterpillar Finl Svcs Mtns Be Vr 70820-10622	03/11/21	0.191%	07/06/21	13,759,806	13,760,330
Chevron Corp	06/23/21	0.114%	03/03/22	2,225,256	2,225,573
Chevron Corp	06/25/21	0.118%	03/03/22	5,167,473	5,171,501
Cisco Systems	06/29/21	0.182%	06/15/22	6,476,514	6,475,860
Cisco Systems	02/01/21	0.195%	09/20/21	28,859,224	28,857,664
Coca Cola Refreshments USA	06/09/21	0.211%	02/01/22	30,829,402	30,839,808
Deere & Co	01/09/21	0.443%	01/09/22	5,211,800	5,210,832
John Deere Capital Corp	05/13/21	0.125%	07/12/21	3,041,129	3,041,446
John Deere Capital Corp	11/03/20	0.205%	10/15/21	3,291,907	3,291,837
John Deere Capital Corp	06/16/21	0.106%	01/06/22	3,569,098	3,571,140
John Deere Capital Corp	11/16/20	0.116%	09/10/21	5,565,392	5,565,997
John Deere Capital Corp	06/15/21	0.151%	09/10/21	35,341,412	35,347,534
John Deere Capital Corp	04/09/21	0.188%	01/10/22	13,049,153	13,044,172
John Deere Capital Corp	05/27/21	0.114%	04/01/22	4,420,194	4,422,050
John Deere Capital Corp	06/28/21	0.155%	07/05/22	12,046,440	12,048,203
Home Depot Inc	06/28/21	0.140%	06/01/22	20,035,280	20,039,731
Honeywell Intl Inc	12/16/20	0.209%	11/01/21	10,041,700	10,040,973
Intel Corp	03/24/21	0.226%	10/01/21	63,535,237	63,533,069
Merck & Co Inc	03/03/21	0.180%	02/10/22	59,114,936	59,126,248
Microsoft Corp	03/02/21	0.156%	02/12/22	13,353,295	13,357,664
Microsoft Corp	09/02/20	0.155%	07/08/21	14,709,529	14,709,970
Microsoft Corp	06/25/21	0.145%	02/06/22	4,508,625	4,507,660
PNC Bank NA	05/17/21	0.218%	12/09/21	33,265,062	33,261,260
PNC Bank NA	04/12/21	0.171%	02/17/22	101,119,537	101,148,434
Paccar Financial Corp	10/15/20	0.197%	08/09/21	5,817,458	5,818,462
Pepsico Inc	04/20/21	0.134%	08/25/21	53,219,950	53,228,380
Pepsico Inc	03/10/21	0.192%	03/05/22	5,189,598	5,191,667
Pepsico Inc	10/15/20	0.209%	10/06/21	3,090,414	3,090,409
Pepsico Inc	06/02/21	0.130%	05/02/22	5,641,491	5,643,857
Pfizer inc	11/13/20	0.195%	09/15/21	24,628,780	24,628,751
Pfizer inc	05/28/21	0.128%	03/11/22	5,416,824	5,418,683
Procter & Gamble Co	03/02/21	0.167%	02/06/22	28,417,375	28,419,078
Procter & Gamble Co	03/17/21	0.135%	11/03/21	3,015,870	3,015,931
Truist Finl Corp	06/07/21	0.144%	08/17/21	15,124,798	15,123,292
Truist Finl Corp	06/10/21	0.158%	05/17/22	121,163,836	121,239,114
3M Company	06/28/21	0.139%	06/26/22	11,100,890	11,106,156
US Bank National Association	12/03/20	0.207%	11/16/21	17,020,676	17,018,872
US Bank National Association	05/18/21	0.129%	08/16/21	12,582,696	12,585,283
US Bank National Association	06/09/21	0.132%	05/23/22	32,120,806	32,136,379
US Bank National Association	05/25/21	0.154%	08/23/21	5,670,284	5,670,293
US Bank National Association	06/23/21	0.156%	07/21/21	4,660,912	4,661,754
MUFG Union Bank NA	06/23/21	0.197%	04/01/22	253,339,059	253,389,497
US Bancorp	04/22/21	0.180%	03/15/22	40,022,549	40,032,133
US Bancorp	06/14/21	0.123%	01/24/22	7,769,626	7,771,901
United Health Group Inc	12/03/20	0.253%	11/15/21	11,234,186	11,236,705
United Health Group Inc	04/09/21	0.212%	03/15/22	71,662,454	71,680,790
United Health Group Inc	02/22/21	0.225%	12/15/21	39,660,836	39,650,542
Total Corporate Bonds				\$ 1,774,737,216	\$ 1,775,041,201

**State of Illinois
Office of the Treasurer**

**The Illinois Funds
Portfolio of Investments – Internal and External (Continued)
June 30, 2021**

	Execution Date	Effective Yield	Maturity Date	Fair Value	Carrying Value
United States Agency Obligations					
Federal Home Loan Bank Debentures					
Federal Home Loan Bank Debentures	09/12/19	0.137%	07/01/21	\$ 15,002,250	\$ 15,000,000
Federal Home Loan Bank Debentures	02/12/20	0.167%	07/01/21	25,012,250	25,000,000
Federal Home Loan Bank Debentures	03/04/20	0.172%	07/01/21	20,011,200	20,000,000
Federal Home Loan Bank Debentures	03/06/20	0.203%	07/01/21	20,005,000	20,000,000
Federal Home Loan Bank Debentures	08/24/20	0.065%	07/16/21	20,000,200	20,000,398
Federal Home Loan Bank Debentures	07/16/20	0.153%	07/19/21	7,799,922	7,796,736
Federal Home Loan Bank Debentures	09/30/20	0.119%	08/03/21	3,699,630	3,699,206
Federal Home Loan Bank Debentures	09/08/20	0.142%	07/01/21	20,014,200	20,000,000
Federal Home Loan Bank Debentures	09/15/20	0.142%	07/01/21	20,014,200	20,000,000
Total Federal Home Loan Bank Debentures				<u>\$ 151,558,852</u>	<u>\$ 151,496,340</u>
Federal Farm Credit Bank Debentures					
Federal Farm Credit Bank Debentures	09/02/20	0.122%	07/19/21	\$ 14,999,850	\$ 14,999,100
Federal Farm Credit Bank Debentures	12/11/19	0.171%	07/13/21	25,012,250	24,999,319
Federal Farm Credit Bank Debentures	11/06/19	0.185%	07/02/21	15,647,660	15,641,406
Federal Farm Credit Bank Debentures	10/10/19	0.194%	07/09/21	15,000,450	15,000,000
Federal Farm Credit Bank Debentures	11/05/19	0.183%	07/05/21	15,002,250	15,000,000
Federal Farm Credit Bank Debentures	11/12/19	0.185%	07/12/21	20,007,800	20,000,000
Federal Farm Credit Bank Debentures	11/12/19	0.162%	08/16/21	19,459,669	19,454,695
Federal Farm Credit Bank Debentures	11/13/19	0.062%	09/13/21	15,003,900	15,002,085
Federal Farm Credit Bank Debentures	10/02/19	0.355%	07/01/21	15,003,900	15,000,000
Federal Farm Credit Bank Debentures	10/04/19	0.249%	07/05/21	10,005,300	10,000,000
Federal Farm Credit Bank Debentures	08/25/20	0.137%	07/01/21	20,011,400	20,000,000
Federal Farm Credit Bank Debentures	08/25/20	0.188%	07/01/21	25,027,500	24,998,648
Federal Farm Credit Bank Debentures	11/25/19	0.174%	07/26/21	25,004,500	25,000,000
Federal Farm Credit Bank Debentures	12/04/19	0.193%	07/02/21	7,503,525	7,500,000
Federal Farm Credit Bank Debentures	12/09/19	0.184%	07/09/21	20,005,200	20,000,000
Federal Farm Credit Bank Debentures	12/13/19	0.165%	07/13/21	9,002,340	9,000,000
Federal Farm Credit Bank Debentures	07/07/20	0.284%	07/01/21	85,166,600	85,000,000
Federal Farm Credit Bank Debentures	03/09/20	0.203%	07/01/21	25,024,000	25,000,000
Federal Farm Credit Bank Debentures	07/15/20	0.294%	07/01/21	20,044,400	20,000,000
Federal Farm Credit Bank Debentures	09/17/20	0.134%	07/01/21	20,006,600	20,000,484
Federal Farm Credit Bank Debentures	09/23/20	0.191%	07/01/21	50,059,000	49,994,768
Federal Farm Credit Bank Debentures	06/21/21	0.081%	07/01/21	49,988,000	49,995,927
Federal Farm Credit Bank Debentures	06/24/21	0.101%	07/01/21	49,980,000	50,002,493
Federal Farm Credit Bank Debentures	06/22/21	0.086%	07/01/21	99,965,000	100,000,000
Federal Farm Credit Bank Debentures	04/13/21	0.087%	07/01/21	12,499,000	12,499,892
Federal Farm Credit Bank Debentures	03/19/21	0.061%	07/01/21	50,000,000	50,000,000
Federal Farm Credit Bank Debentures	03/15/21	0.106%	07/01/21	50,001,500	50,000,000
Total Federal Farm Credit Bank Debentures				<u>\$ 784,431,594</u>	<u>\$ 784,088,817</u>

**State of Illinois
Office of the Treasurer**

**The Illinois Funds
Condensed Statement of Fiduciary Net Position by Investor Type and
Condensed Statement of Changes in Fiduciary Net Position by Investor Type
June 30, 2021
(Expressed in thousands)**

CONDENSED STATEMENT OF FIDUCIARY NET POSITION BY INVESTOR TYPE
June 30, 2021

	Total	Internal	External
Assets			
Cash equivalents	\$ 4,841,434	\$ 2,019,554	\$ 2,821,880
Deposits and investments	3,894,779	1,624,667	2,270,112
Interest receivable	13,284	5,541	7,743
	8,749,497	3,649,762	5,099,735
Liabilities			
Bank custodial fees	223	93	130
State management fees	582	243	339
	8,748,692	3,649,426	5,099,266
Net position	\$ 8,748,692	\$ 3,649,426	\$ 5,099,266

CONDENSED STATEMENT OF CHANGES IN FIDUCIARY
NET POSITION BY INVESTOR TYPE
For the Year Ended June 30, 2021

	Total	Internal	External
Subscriptions and reinvestments	\$ 26,890,947	\$ 15,101,347	\$ 11,789,600
Investment earnings	19,090	7,955	11,135
Investment expense	(6,385)	(2,663)	(3,722)
Redemptions	(25,146,920)	(14,165,937)	(10,980,983)
Dividends to participants	(12,705)	(5,291)	(7,414)
	1,744,027	935,411	808,616
Change in net position and shares			
Beginning net position, as restated	7,004,665	2,714,015	4,290,650
	8,748,692	3,649,426	5,099,266
Ending net position	\$ 8,748,692	\$ 3,649,426	\$ 5,099,266

**State of Illinois
Office of the Treasurer**

**The Illinois Funds
Statement of Fiduciary Net Position – Internal and External
June 30, 2021**

GASB 84 Implementation

During the year ended June 30, 2021, the Office implemented the provision of GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying and reporting fiduciary activities. The implementation of this statement resulted in changing the presentation of the Illinois Funds financial statements to present only the external portion which remains a fiduciary activity of the State. The Office also restated the presentation of Fiscal Year 2020 in accordance with GASB Statement No. 84, *Fiduciary Activities*.

The following schedules represent all assets of the Illinois Funds for the year ended June 30, 2021, which includes the assets of the State of Illinois invested in the Illinois Funds, and is only intended for supplemental purposes.

**State of Illinois
Office of the Treasurer**

**The Illinois Funds
Statement of Fiduciary Net Position – Internal and External
June 30, 2021**

	2021		
	External	Internal	Total
Assets			
Cash equivalents			
Repurchase agreements	\$ 378,859,677	\$ 271,141,073	\$ 650,000,750
Commercial paper	205,159,929	146,828,197	351,988,126
U.S. Treasury Bills	87,427,210	62,569,623	149,996,833
Money market mutual funds	1,824,973,653	1,306,091,260	3,131,064,913
U.S. agency obligations			
Federal Farm Credit Bureau Debentures	123,856,845	88,641,467	212,498,312
Corporate Bonds	52,935,005	37,884,353	90,819,358
Supranational Notes	148,667,961	106,398,207	255,066,168
Total cash equivalents	2,821,880,280	2,019,554,180	4,841,434,460
Deposits and investments			
Commercial paper	733,803,102	525,165,838	1,258,968,940
U.S. Treasury Notes	43,723,412	31,291,830	75,015,242
U.S. agency obligations			
Federal Home Loan Bank Debentures	88,301,213	63,195,127	151,496,340
Federal Farm Credit Bureau Debentures	333,157,453	238,433,052	571,590,505
Supranational Notes	89,460,474	64,024,784	153,485,258
Corporate Bonds	981,666,165	702,555,678	1,684,221,843
Total deposits and investments	2,270,111,819	1,624,666,309	3,894,778,128
Accrued interest receivable	7,743,480	5,540,926	13,284,406
Total assets	\$ 5,099,735,579	\$ 3,649,761,415	\$ 8,749,496,994
Liabilities and Net Position			
Accrued liabilities			
Bank custodial fees	\$ 130,322	\$ 93,254	\$ 223,576
State management fees	339,040	242,604	581,644
Total liabilities	469,362	335,858	805,220
Net position held in trust for pool participants	\$ 5,099,266,217	\$ 3,649,425,557	\$ 8,748,691,774
The pricing of shares			
Participant shares outstanding (\$1.00 par, unlimited shares authorized)	5,099,266,217	3,649,425,557	8,748,691,774
Participant net position value, offering and redemption price per share	\$ 1.00	\$ 1.00	\$ 1.00

**State of Illinois
Office of the Treasurer**

**The Illinois Funds
Statement of Changes in Fiduciary Net Position – Internal and External
For the Year Ended June 30, 2021**

	2021		
	External	Internal	Total
Additions			
Investment income			
Investment earnings	\$ 11,134,919	\$ 7,954,689	\$ 19,089,608
Investment expenses			
Bank custodial fees	1,440,079	1,030,631	2,470,710
State management fees	2,281,219	1,632,615	3,913,834
Total investment expenses	3,721,298	2,663,246	6,384,544
Net investment income	7,413,621	5,291,443	12,705,064
Dividends to participants from net investment income	(7,413,621)	(5,291,443)	(12,705,064)
Share transactions (dollar amounts and number of shares are the same)			
Subscriptions	11,785,312,121	15,098,278,931	26,883,591,052
Reinvestments	4,287,259	3,068,292	7,355,551
Redemptions	(10,980,983,318)	(14,165,936,645)	(25,146,919,963)
Change in net position and shares resulting from share transactions	808,616,062	935,410,578	1,744,026,640
Net position, beginning of year, as restated	4,290,650,155	2,714,014,979	7,004,665,134
Net position, end of year	\$ 5,099,266,217	\$ 3,649,425,557	\$ 8,748,691,774

OTHER INFORMATION

**The Illinois Funds
Local Government Investment Pool Investment Policy Statement
(Effective December 2020)
(Unaudited)**

**State of Illinois
Office of the Treasurer**

**The Illinois Funds
Local Government Investment Pool Investment Policy Statement
(Effective December 2020)
(Unaudited)**

1.0 POLICY

The Office of the Illinois State Treasurer (“Treasurer”) is authorized under Section 17 of the State Treasurer’s Act (15 ILCS 505/17) to establish and administer a Public Treasurer’s Investment Pool to supplement and enhance investment opportunities otherwise available to custodians of public funds for public agencies in the State of Illinois. The Illinois Public Treasurer’s Investment Pool is a local government investment pool known as “The Illinois Funds.” Under this Illinois Funds Local Government Investment Pool Investment Policy Statement (“Policy”), it is the policy of the Treasurer to invest funds pooled by local and State custodians of public funds for public agencies in The Illinois Funds in a manner that will provide safety to the principal investment, meet the daily cash flow demands of participants, and seek the highest investment return, using authorized instruments in accordance with all State statutes governing the investment of public funds. The Illinois Funds operates in a manner consistent with Securities and Exchange Commission Rule 2a-7 (17 CFR § 270.2a-7).

2.0 INVESTMENT POLICY COMMITTEE

The Treasurer affirms the existence of the Investment Policy Committee. The Investment Policy Committee shall be chaired by the Treasurer and include the following members of the Treasurer’s staff: Deputy Treasurer & Chief Investment Officer, Chief of Staff, Chief Financial Products Officer, Chief Legislative and Policy Officer, General Counsel, Director of State Investments and Banking, Director of Investment Analysis and Due Diligence, Director of Fiscal Operations, Director of IPTIP Investments, Director of ePAY and The Illinois Funds, Director of Portfolio and Risk Analytics, Director of Corporate Engagement & Investment Operations, State Investments - Portfolio Management Officer and anyone else deemed appropriate by the Treasurer.

The Deputy Treasurer & Chief Investment Officer, who bears responsibility for the administration, planning, development, and implementation of all financial and investment strategies per the direction of the Treasurer, shall assist the Treasurer in executing the duties and activities of the Investment Policy Committee.

3.0 OBJECTIVE

The safety of principle is the primary objective in the investment of funds within The Illinois Funds. In addition, it is the Treasurer’s objective to manage liquidity for payment of the State’s financial obligations and provide the highest investment return, using authorized instruments, while prudently exercising sustainable stewardship in its investment decision-making.

3.1 SAFETY

The Illinois Funds’ investments shall be undertaken in a manner that seeks to ensure the preservation of principal in the portfolio. The safety of principal is the foremost objective of the investment program. To obtain this objective, diversification among permissible investments is required to ensure that The Illinois Funds properly manages market, operational, reputational, financial, legal, sustainability, interest rate, and credit risks.

3.2 LIQUIDITY

The investment portfolio shall remain sufficiently liquid to enable The Illinois Funds to meet all participant redemption demands that might be reasonably anticipated.

**State of Illinois
Office of the Treasurer**

**The Illinois Funds
Local Government Investment Pool Investment Policy Statement
(Effective December 2020)
(Unaudited)**

3.3 RETURN ON INVESTMENT

The investment portfolio shall be designed to obtain the highest available risk-adjusted return. The Treasurer shall seek to obtain the highest available return, using authorized investments during budgetary and economic cycles as required by this Policy.

The rate of return achieved on The Illinois Funds portfolio shall be measured at regular intervals against relevant industry benchmarks, established by the Investment Policy Committee, to determine the effectiveness of investment decisions in meeting investment goals. The benchmarks shall be reviewed a minimum of every two (2) years to ensure accuracy and relevance.

3.4 SUSTAINABILITY

The Treasurer seeks to invest all funds under its control in a manner that provides the highest risk-adjusted investment return using authorized instruments. Pursuant to the Illinois Sustainable Investing Act (30 ILCS 238/1 et seq.), the Treasurer shall prudently integrate sustainability factors into its investment decision-making, investment analysis, portfolio construction, risk management, due diligence and investment ownership in order to maximize anticipated financial returns, minimize projected risk, to more effectively execute its fiduciary duty. As such, consistent with achieving the foremost investment objectives of the Treasurer set forth herein, the Treasurer and its agents shall prudently integrate sustainability factors into its investment processes.

The sustainability analysis adds an additional layer of rigor to the fundamental analytical approach and helps assess the reliability of future cash flows and debt repayments. Similar to financial accounting, sustainability accounting has both confirmatory and predictive value, thus, it can be used to evaluate past performance, future planning, and decision-making. As a complement to financial accounting, it provides a more complete view of an investment fund or portfolio company's performance on material factors likely to impact its long-term value.

Sustainability factors may include, but are not limited to, the following:

- a) Corporate governance and leadership factors, such as the independence of boards and auditors, the expertise and competence of corporate boards and executives, systemic risk management practices, executive compensation structures, transparency and reporting, leadership diversity, regulatory and legal compliance, shareholder rights, and ethical conduct.
- b) Environmental factors that may have an adverse or positive financial impact on investment performance, such as greenhouse gas emissions, air quality, energy management, water and wastewater management, waste and hazardous materials management, and ecological impacts.
- c) Social capital factors that impact relationships with key outside parties, such as customers, local communities, the public, and the government, which may impact investment performance. Social capital factors include human rights, customer welfare, customer privacy, data security, access and affordability, selling practices and product labeling, community reinvestment, and community relations.
- d) Human capital factors that recognize that the workforce is an important asset to delivering long-term value, including factors such as labor practices, responsible contractor and responsible bidder policies, employee health and safety, employee engagement, diversity and inclusion, and incentives and compensation.

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- e) Business model and innovation factors that reflect an ability to plan and forecast opportunities and risks, and whether a company can create long-term shareholder value, including factors such as supply chain management, materials sourcing and efficiency, business model resilience, product design and life cycle management, and physical impacts of climate change.

The Treasurer shall develop policy guidelines to integrate material sustainability risks relevant to particular financial products, investment funds, companies, and government bodies, which shall be provided to internal and external investment managers to factor into their investment decision-making. The policy guidelines for integrating sustainability factors shall be reviewed and updated a minimum of every two (2) years to ensure consistency within the rapidly evolving global economy.

The Illinois Funds' investment officers shall identify and select authorized investment options that meet the Treasurer's criteria for sustainable investing opportunities and risk parameters and fall within the framework of the investment objectives.

4.0 ETHICS AND CONFLICTS OF INTEREST

Authorized investment staff and employees in policy-making positions for The Illinois Funds shall refrain from engaging in personal business activity that could (a) conflict, or give the appearance of a conflict, with proper execution of the investment program or (b) impair their ability to make impartial investment decisions. Such individuals shall disclose to the Treasurer any material financial interests in financial institutions or broker/dealers that conduct business within the State. They shall further disclose any personal investments that are related to the performance of The Illinois Funds' portfolio. In addition, such individuals shall subordinate their personal investment transactions to those of The Illinois Funds, particularly with regard to the time of purchases and sales.

5.0 AUTHORIZED BROKERS/DEALERS AND FINANCIAL INSTITUTIONS

Authorized investment staff shall utilize the Treasurer's approved list of broker/dealers and financial institutions when selecting institutions to provide investment services.

The security brokers/dealers shall be selected according to their credit worthiness and their financial significance in the State, which shall be measured in terms of the location of the broker/dealer's corporate office, or the extent to which the broker/dealer has a large labor or economic impact on the State. The approved broker/dealers may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission Rule 17 CFR § 15c3-1 (Net Capital Requirements for Brokers or Dealers).

No monies may be deposited in any financial institution until the Treasurer's investment staff has conducted a safety and soundness review of the financial institution by consulting various bank rating services. If the financial institution has not yet been rated by the bank rating services, the institution may be eligible for a deposit that at maturity will not exceed \$250,000. The amount and duration of deposits shall be based on the safety and soundness review, in accordance with guidelines established by the Investment Policy Committee and the diversification limits set forth in Section 11.0 of this Policy. No public deposit may be made, except in a qualified public depository, as defined by the Deposit of State Moneys Act (15 ILCS 520/1 et seq.).

All brokers/dealers interested in becoming qualified parties for investment transactions must supply the Treasurer's authorized investment staff with the following documents or the equivalent acceptable to the Treasurer, where applicable:

- a) Audited financial statements or a published Statement of Condition;

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- b) Proof of minority-, woman-, disabled-, and/or veteran-owned or -managed broker/dealer status;
- c) A signed copy of the Treasurer's account authorization agreement;
- d) Proof of National and State of Illinois registration;
- e) Completed Counterparty Questionnaire;
- f) Certification of notice and acknowledgment of this Policy; and
- g) Any other documentation deemed necessary by the Treasurer.

If approved, a broker/dealer will be placed on a list of qualified parties for investment transactions. An annual review of the financial condition and registration of qualified parties will be conducted by the Treasurer's authorized investment staff. More frequent reviews may be conducted if warranted.

5.1 EXTERNAL INVESTMENT CONSULTANTS

To the extent that the Investment Policy Committee deems it advisable to hire external investment consultants, it may do so in accordance with the Treasurer's procurement rules. 44 Ill. Admin. Code § 1400.

5.2 PREFERENCE FOR BROKER/DEALERS OWNED BY MINORITIES, WOMEN, MILITARY VETERANS, AND PERSONS WITH DISABILITIES

Pursuant to 15 ILCS 505/30, it shall be the aspirational goal of the Treasurer to use businesses owned by, or under the control of, qualified veterans of the armed forces of the United States, qualified service-disabled veterans, minority persons, women, or persons with a disability for not less than 25% of the total dollar of purchases of investment securities, including, but not limited to, the use of broker/dealers. Beginning with fiscal year 2019, and at least annually thereafter, the Treasurer shall measure and report its utilization of broker/dealers owned or under the control of qualified veterans of the armed forces of the United States, qualified service-disabled veterans, minority persons, women, or persons with a disability. The report shall be published on the Treasurer's official website.

The terms "minority person," "woman," "person with a disability," "minority-owned business," "women-owned business," "business owned by a person with a disability," and "control" have the meanings provided in Section 1 of the Business Enterprise for Minorities, Women, and Persons with Disabilities Act (30 ILCS 575/1 et seq.). The terms "veteran," "qualified veteran-owned small business," "qualified service-disabled veteran-owned small business," "qualified service-disabled veteran," and "armed forces of the United States" have the meanings provided in Article 1 of the Illinois Procurement Code (30 ILCS 500/1 et seq.).

To the greatest extent feasible within the bounds of financial and fiduciary prudence, it is the policy of the Treasurer to remove any barriers to the full participation in investment transactions afforded via the investment program by actively identifying and considering for hire brokers/dealers that provide proof of minority-, female-, disabled-, and/or veteran-owned or managed status. The Treasurer shall establish a process by which said specially claimed statuses are verified, and a review shall be conducted at fixed intervals to ensure that special statuses continue to apply.

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5.3 PREFERENCE FOR BROKER/DEALERS HEADQUARTERED IN ILLINOIS

The Treasurer shall seek to provide preference to qualified brokers/dealers that provide proof that their corporate headquarters is located in the State of Illinois. In doing so, the Treasurer shall establish a process to verify the location of broker/dealers' corporate headquarters, and a review shall be conducted at fixed intervals to ensure that the Illinois-based location continues to apply.

Beginning with fiscal year 2019, and at least annually thereafter, the Treasurer shall measure and report its utilization of broker/dealers with headquarters located in the State of Illinois. The report shall be published on the Treasurer's official website.

6.0 AUTHORIZED AND SUITABLE INVESTMENTS

The following investments are authorized, pursuant to the Deposit of State Moneys Act (15 ILCS 520/22.5) and the Public Funds Investment Act (30 ILCS 235/2):

- a) Federally guaranteed obligations that receive the full faith and credit of the United States of America ("United States") as to principal and interest;
- b) Obligations of agencies of the United States as originally issued by the agencies. For purposes of this Section, the term "agencies of the United States" includes the following: federal land banks, federal intermediate credit banks, banks for cooperatives, federal farm credit banks, or any other entity authorized to issue debt obligations under the Farm Credit Act of 1971 as amended, the federal home loan banks and the federal home loan mortgage corporation, and any other agency created or supported through an Act of Congress and issues United States dollar-denominated debt;
- c) Obligations of instrumentalities of the United States, as originally issued by the instrumentalities. For the purposes of this section, the term "instrumentalities of the United States" is an instrumentality created or supported through an Act of Congress and issues United States dollar-denominated debt;
- d) Obligations of a foreign government that are guaranteed by the full faith and credit of that government as to principal and interest and rated at one (1) of the three (3) highest classifications established by at least two (2) standard rating services (upper medium grade for a long-term rating of A- and above or equivalent), and only if the foreign government has not defaulted and has met its payment obligations in a timely manner on all similar obligations for at least twenty-five (25) years prior to the time of acquiring those obligations;
- e) Interest-bearing bonds, issued by counties or municipal corporations of the State of Illinois, whether the interest earned thereon is taxable or tax-exempt under federal law. The bonds shall be registered in the name of the State of Illinois or held under a custodial agreement at a financial institution. The bonds shall be rated at the time of purchase at one (1) of the three (3) highest classifications established by at least one (1) standard rating service with nationally recognized expertise in rating bonds of states and their political subdivisions, (upper medium grade for the long-term rating of A- and above or equivalent). The maturity or pre-refunded date(s) of the bonds authorized by this subsection shall, at the time of purchase, not exceed ten (10) years. Notwithstanding the foregoing, a longer maturity is authorized, if the State of Illinois has a put option to tender the bonds within ten (10) years from the date of purchase;

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- f) Repurchase agreements of government securities having the meaning set out in the Government Securities Act of 1986. 15 U.S.C. § 78o-5;
- g) Short-term obligations of either corporations or limited liability companies organized in the United States with assets exceeding \$500,000,000 and rated at the time of purchase at one (1) of the two (2) highest classifications established by at least two (2) standard rating services, (short-term rating of A-2 and above or equivalent). In order to comply with the S&P money market fund guidelines, the short-term rating must be A-1 and above. At the time of purchase, the maturity or pre-refunded date(s) shall not exceed two hundred and seventy (270) days to maturity;
- h) Long-term obligations of either corporations or limited liability companies organized in the United States that have a significant presence in the State of Illinois, with assets exceeding \$500,000,000 and rated at the time of purchase at one (1) of the three (3) highest classifications established by at least two (2) standard rating services, (upper medium grade for a long-term rating of A- and above or equivalent). At the time of purchase, the maturity or pre-refunded date(s) shall not exceed two (2) years;
- i) Money market mutual funds registered under the Investment Company Act of 1940. 15 U.S.C. §80a-1;
- j) Securities in accordance with the Federal Financial Institution Examination Council guidelines only if the securities are collateralized at a satisfactory level to assure the safety of the securities, taking into account market value fluctuation and set forth in a Securities Lending Agreement between the Treasurer and the Treasurer's Agent. The securities may be collateralized by cash or collateral acceptable under Sections 11 and 11.1 of the Deposit of State Moneys Act;
- k) Interest-bearing savings accounts, interest-bearing certificates of deposit, interest-bearing time deposits, or any other investments constituting direct obligations of any bank as defined by the Illinois Banking Act. 205 ILCS 5/1 et seq.; and
- l) Dividend-bearing share accounts, share certificate accounts, or class of share accounts of a credit union chartered under the laws of the State of Illinois or the United States that maintains its principal office in the State of Illinois.

7.0 INVESTMENT RESTRICTIONS

The following investment restrictions apply to The Illinois Funds portfolio:

- a) Any investments not authorized by this investment policy or applicable law are prohibited;
- b) Repurchase agreements may only be executed with approved financial institutions or broker/dealers that meet the Treasurer's standards, which include mutual execution of a Master Repurchase Agreement adopted by the Treasurer;
- c) Investments in derivative products and leveraging of assets through reverse repurchase agreements are prohibited;
- d) All qualified repurchase agreement dealers, commercial paper issuers, and corporate bond issuers must have a corporate headquarters, corporate office, or operating location in the State of Illinois

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and that location must retain full-time staff employed within the State of Illinois or the dealer must have a significant economic presence in the State of Illinois as determined by the Treasurer;

- e) Commercial paper with a credit rating or evaluation that is derived from any factor other than the full faith and credit of the issuing institution and/or the guarantee of the parent company is prohibited;
- f) Obligations may not be purchased from a corporation or limited liability company that has been placed on the list of restricted companies by the Illinois Investment Policy Board under Section 1-110.16 of the Illinois Pension Code. 40 ILCS 5/1-110.16;
- g) Asset-backed securities and mortgage-backed securities of any kind are prohibited;
- h) Investments in bankers' acceptances of any kind are prohibited; and
- i) Certificates of deposit may not be purchased from The Illinois Funds' custodial institution or any of its subcontractors.

7.1 OPERATIONAL REQUIREMENTS

Pursuant to Securities and Exchange Commission Rule 2a-7 (17 CFR § 270.2a-7), the Treasurer shall:

- a) Maintain and execute standard operating procedures for deviations beyond the normal net asset value ("NAV") of The Illinois Funds; and
- b) Annually complete a checklist that clarifies the intention of the Treasurer to operate The Illinois Funds as a Securities and Exchange Commission Rule 2a-7-like fund.

8.0 RATINGS CRITERIA

The Illinois Funds strives to achieve AAAM fund rating guidelines. As such, the fund will meet and abide by the guidelines for an AAAM fund rating from a Nationally Recognized Statistical Rating Organization ("NRSRO").

9.0 COLLATERALIZATION

The Illinois Funds deposits and repurchase agreements shall be secured by direct U.S. Treasury and/or U.S. Agency obligations as required by the Treasurer and provided for by the Deposit of State Moneys Act (15 ILCS 520/1 et seq.) and the Treasurer's Acceptable Collateral Listing, which may change from time to time. The Treasurer may take possession and title to any securities held as collateral and hold such securities until it is prudent to dispose of them.

10.0 SAFEKEEPING AND CUSTODY

All direct treasury, agency and instrumentality security transactions entered into by The Illinois Funds shall be conducted on a delivery-versus-payment ("DVP") or receipt-versus-payment ("RVP") basis. Securities shall be held by a safekeeping agent designated by the Treasurer and evidenced by safekeeping receipts. Commercial paper will settle daily with the Depository Trust Company.

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11.0 DIVERSIFICATION

The primary purpose of diversification in general is to control credit and market risk. The Illinois Funds portfolio will be diversified to eliminate the risk of loss resulting from concentration of assets in a specific maturity, a specific issuer or a specific class of securities. The majority of The Illinois Funds' investments will be in direct obligations of the United States Treasury and United States Government Agencies and Instrumentalities and cash equivalents as listed in Section 6.0 of this Policy. In order to properly manage any risk that may be attendant to the investment of The Illinois Funds assets, The Illinois Funds portfolio will observe the following diversification guidelines, at the time of purchase:

- a) The Illinois Funds will seek to achieve diversification in the portfolio by reasonably distributing investments within authorized investment categories, and with issuers and brokers/dealers;
- b) The Illinois Funds shall at no time hold time deposits that constitute more than 10% of any single financial institution's total deposits;
- c) The Illinois Funds shall not hold obligations of corporations or limited liability companies that exceed 10% of the corporation's or the limited liability company's outstanding obligations;
- d) The Illinois Funds shall not hold obligations of a municipality's bonds that exceed 10% of the municipality's outstanding obligations;
- e) The Illinois Funds shall not be invested in more than 10% of each prime money market fund's assets (including all share classes) at any given time;
- f) The investment portfolio shall not contain investments that exceed the following diversification limits. These limits will apply to the total assets in the portfolio at the time of the origination or purchase. As maturities and or calls of instruments occur these limits will be monitored and adjusted accordingly:
 - i. The Illinois Funds will invest no more than 50% of its total assets in securities with maturities greater than thirty (30) days issued by any single permissible United States government agency or instrumentality;
 - ii. No more than 33% of the total portfolio assets shall be invested in short-term obligations of corporations or limited liability companies as defined by Section 6.0(g) of this Policy;
 - iii. No more than 5% of the total portfolio assets shall be invested in short-term obligations of any one corporation or limited liability company as defined by Section 6.0(g) of this Policy;
 - iv. No more than 20% of the total portfolio assets shall be invested in long-term obligations of corporations or limited liability companies as defined by Section 6.0(h) of this Policy;
 - v. No more than 5% of the total portfolio assets shall be invested in long-term obligations of any one corporation or limited liability company as defined by Section 6.0(h) of this Policy;
 - vi. No more than 10% of the total portfolio assets shall be invested in municipal securities issued by counties or municipal corporations of the State of Illinois as defined by Section 6.0(e) of this Policy;

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- vii. No more than 3% of the total portfolio assets shall be invested in any single issuer of municipal securities issued by counties or municipal corporations of the State of Illinois as defined by Section 6.0(e) of this Policy;
- viii. If invested in more than 3 prime money market funds, then no more than 33% of the portfolio's investments to prime money market funds may be placed with any one prime money market fund option; and
- ix. The Illinois Funds shall invest a minimum of 75% of its assets in authorized investments of less than one-year maturity. No investment shall exceed two (2) years maturity.

12.0 INTERNAL CONTROLS

The Treasurer shall establish a system of internal controls, which shall be documented in writing and filed with the Treasurer's Chief Internal Auditor for review. The controls shall be designed to prevent loss of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by authorized investment staff of The Illinois Funds.

The Treasurer shall publish the current investment policy of The Illinois Funds on the Treasurer's official website.

13.0 ASSET ALLOCATION

The Treasurer shall approve asset allocation among investment categories authorized under Section 6.0 of this Policy.

14.0 COMPETITIVE BIDDING

Authorized investment staff shall obtain competitive bids from at least three (3) broker/dealers prior to executing repurchase agreements, purchasing United States Treasury securities, United States government agency or instrumentality securities, obligations of either corporations or limited liability companies, bonds issued by counties or municipal corporations of the State of Illinois, or commercial paper from a broker/dealer. Reverse inquiry investments, investments in a new issue, and investments defined under Section 6(a)-(b) of this Policy purchased from the agency discount window are exempt from this provision. Certificates of deposit shall be purchased by authorized investment staff on the basis of a financial institution's ability to pay the Treasurer's required interest rate.

15.0 LIABILITY

Authorized investment staff, acting in accordance with written procedures and this Policy and exercising due diligence, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments. The Treasurer is bonded to a level of \$150,000 for the faithful performance of duties in relation to The Illinois Funds.

16.0 REPORTING

Reports shall be made available quarterly by the Director of IPTIP Investments to the Treasurer, the Chief Investment Officer and The Illinois Funds participants. The quarterly report shall contain the following:

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- a) The total amount of funds;
- b) The current and historic performance of The Illinois Funds as compared to the established benchmark;
- c) The asset allocation for the investments;
- d) Any circumstances resulting in a deviation from the standards established in Section 11.0 of this Policy;
- e) Any change in investment policy adopted during the quarter; and
- f) The weighted average number of days to maturity.

A listing of all investments in the portfolio marked to market shall be made available to the Treasurer, Chief Investment Officer and The Illinois Funds participants annually.

17.0 EXCEPTIONS

The Deputy Treasurer & Chief Investment Officer may issue exceptions to this Policy provided that they do not conflict with applicable State statutes governing the use and investment of the State Investments portfolio including, but not limited to, the State Treasurer Act, the Treasurer as Custodian of Funds Act, the Deposit of State Moneys Act, the Securities Safekeeping Act, and any other applicable statutes and it is reasonably assured that deviating from this Policy is in the best interest of participants.

18.0 EMERGENCY POWERS

In the event of an emergency, the Treasurer may, at his or her discretion, invoke emergency powers and suspend any or all of the provisions of this Policy, provided that:

- a) The Treasurer shall, even in the event that emergency powers are invoked, comply with all State statutes governing the use and investment of monies;
- b) The Treasurer reasonably believes that deviating from this Policy is in the best interest of the participants;
- c) Within thirty (30) days of invoking emergency powers the Treasurer shall provide an explanation in writing to the Chief Internal Auditor and the Investment Policy Committee, a copy of which shall be posted on the Treasurer's website, that includes the following:
 - i. The date and time that the emergency powers were invoked;
 - ii. The date and time that emergency powers were repealed, if applicable;
 - iii. The Section or Sections of this Policy that were affected by the emergency or use of emergency powers; and
 - iv. The reason for deviating from this Policy.

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19.0 STATUTORY REFERENCES

Any statutory references in this Policy shall include any amendments to or repeals of those statutes.

20.0 AMENDMENTS

The Treasurer reserves the right to amend this Policy at any time.

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1.0 POLICY

The Office of the Illinois State Treasurer (“Treasurer”) has authority under Section 17 of the State Treasurer’s Act (15 ILCS 505/17) to establish and administer a Public Treasurer’s Investment Pool to supplement and enhance investment opportunities otherwise available to custodians of public funds for public agencies in the State of Illinois. The Public Treasurer’s Investment Pool is a local government investment pool known as “The Illinois Funds.” Under this instrument, The Illinois Funds Local Government Investment Pool Investment Policy Statement (“Policy”), it is the policy of the Treasurer to invest funds pooled by local and State custodians of public funds for public agencies in The Illinois Funds in a manner that will provide safety to the principal investment, meet the daily cash flow demands of participants, and seek the highest investment return, using authorized instruments in accordance with all State statutes governing the investment of public funds. It is the policy of The Illinois Funds to operate in a manner consistent with Securities and Exchange Commission Rule 2a7 (17 CFR § 270.2a-7).

2.0 OBJECTIVE

The primary objective in the investment of funds within The Illinois Funds is the safety of principal. In addition, it is the Treasurer’s objective to manage liquidity for payment of the State’s financial obligations and provide the highest investment return, using authorized instruments, while prudently exercising sustainable stewardship in its investment decision-making.

2.1 Safety

The safety of principal is the foremost objective of the investment program. The Illinois Funds’ investments shall be undertaken in a manner that seeks to ensure the preservation of principal in the portfolio. To obtain this objective, diversification among permissible investments is required to ensure that The Illinois Funds properly manages market, operational, reputational, financial, legal, sustainability, interest rate, and credit risks.

2.2 Liquidity

The investment portfolio shall remain sufficiently liquid to enable The Illinois Funds to meet all participant redemption demands that might be reasonably anticipated.

2.3 Return on Investment

The investment portfolio shall be designed to obtain the highest available return. The Treasurer shall seek to obtain the highest available return, using authorized investments during budgetary and economic cycles as mandated by Section 1.0 of this Policy.

The Treasurer will select accepted industry benchmarks that best reflect The Illinois Funds’ portfolio and measure performance against those benchmarks over time. The benchmarks shall be reviewed a minimum of every two (2) years to ensure accuracy and relevance.

2.4 Sustainability

The Treasurer seeks to invest all funds under its control in a manner that provides the highest risk- adjusted investment return using authorized instruments. To achieve this objective, the Treasurer has a responsibility to recognize and evaluate risk factors that may have a material and relevant financial impact on the safety and/or performance of investments. Consistent with achieving the investment objectives set forth herein,

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the Treasurer and its agents shall prudently integrate sustainability factors into its investment decision-making, investment analysis, portfolio construction, risk management, due diligence and investment ownership in order to maximize anticipated financial returns, minimize projected risk, and more effectively execute its fiduciary duty.

The sustainability analysis adds an additional layer of rigor to the fundamental analytical approach and helps assess the reliability of future cash flows and debt repayments. Similar to financial accounting, sustainability accounting has both confirmatory and predictive value, thus, it can be used to evaluate past performance and be used for future planning and decision-making. As a complement to financial accounting, it provides a more complete view of an investment fund or portfolio company's performance on material factors likely to impact its long-term value.

Sustainability factors may include, but are not limited to, the following:

- a) Corporate governance and leadership factors, such as the independence of boards and auditors, the expertise and competence of corporate boards and executives, systemic risk management practices, executive compensation structures, transparency and reporting, leadership diversity, regulatory and legal compliance, shareholder rights, and ethical conduct.
- b) Environmental factors that may have an adverse or positive financial impact on investment performance, such as greenhouse gas emissions, air quality, energy management, water and wastewater management, waste and hazardous materials management, and ecological impacts.
- c) Social capital factors that impact relationships with key outside parties, such as customers, local communities, the public, and the government, which may impact investment performance. Social capital factors include human rights, customer welfare, customer privacy, data security, access and affordability, selling practices and product labeling, community reinvestment, and community relations.
- d) Human capital factors that recognize that the workforce is an important asset to delivering long-term value, including factors such as labor practices, responsible contractor and responsible bidder policies, employee health and safety, employee engagement, diversity and inclusion, and incentives and compensation.
- e) Business model and innovation factors that reflect an ability to plan and forecast opportunities and risks, and whether a company can create long-term shareholder value, including factors such as supply chain management, materials sourcing and efficiency, business model resilience, product design and life cycle management, and physical impacts of climate change.

The Treasurer shall develop policy guidelines to integrate material sustainability risks relevant to particular financial products, investment funds, companies, or government bodies, which shall be provided to internal and external investment managers to factor into their investment decision-making. The policy guidelines for integrating sustainability factors shall be reviewed and updated every two (2) years at a minimum to ensure consistency within the rapidly evolving global economy.

The Illinois Funds' investment officers shall identify and select authorized investment options that meet the Treasurer's criteria for sustainable investing opportunities and risk parameters and fall within the framework of the investment objectives.

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3.0 ETHICS AND CONFLICTS OF INTEREST

Authorized investment staff and employees in policy-making positions for The Illinois Funds shall refrain from engaging in personal business activity that could (a) conflict, or give the appearance of a conflict, with proper execution of the investment program or (b) impair their ability to make impartial investment decisions. Such individuals shall disclose to the Treasurer any material financial interests in financial institutions or broker/dealers that conduct business within the State. They shall further disclose any personal investments that are related to the performance of The Illinois Funds' portfolio. In addition, such individuals shall subordinate their personal investment transactions to those of The Illinois Funds, particularly with regard to the time of purchases and sales.

4.0 AUTHORIZED BROKERS/DEALERS AND FINANCIAL INSTITUTIONS

Authorized investment staff shall utilize the Treasurer's approved list of broker/dealers and financial institutions when selecting institutions to provide investment services.

No monies may be deposited in any financial institution until the Treasurer's credit review team has conducted a safety and soundness review of the financial institution by consulting various bank rating services. If the financial institution has not yet been rated by the bank rating services, the institution may be eligible for a deposit that at maturity will not exceed \$250,000. The amount and duration of deposits shall be based on the safety and soundness review, in accordance with guidelines established by the Investment Policy Committee, and the diversification limits set forth in Section 10.0 of this Policy. No public deposit may be made, except in a qualified public depository, as defined by the Deposit of State Moneys Act (15 ILCS 520/1 et seq.).

In addition, the Treasurer shall maintain a list of approved security brokers/dealers, which shall be utilized by authorized investment officers. The security brokers/dealers shall be selected according to their credit worthiness and their financial significance in the State, which shall be measured in terms of the location of the broker/dealer's corporate office, or the extent to which the broker/dealer has a large labor or economic impact on the State. The approved broker/dealers may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission Rule 17 CFR § 15Cc3-1 (Net Capital Requirements for Brokers or Dealers).

All brokers/dealers interested in becoming qualified parties for investment transactions must supply the Treasurer's authorized investment staff with the following documents or the equivalent acceptable to the Treasurer, where applicable:

- a) Audited financial statements or a published Statement of Condition;
- b) Proof of minority-, woman-, disabled-, and/or veteran-owned or -managed broker/dealer status;
- c) A signed copy of the Treasurer's trading authorization;
- d) Proof of National and State of Illinois registration;
- e) Completed Broker/Dealer and Authorized Counterparty Questionnaire;
- f) Certification of notice and acknowledgment of this Policy; and
- g) Any other documentation deemed necessary by the Treasurer.

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To the greatest extent feasible within the bounds of financial and fiduciary prudence, the Treasurer shall seek to provide preference to qualified brokers/dealers that provide proof of minority-, female-, disabled-, and/or veteran-owned or -managed status. The Treasurer shall establish a process by which said specially claimed statuses are verified, and a review shall be conducted at fixed intervals to ensure that special statuses continue to apply.

To the greatest extent feasible within the bounds of financial and fiduciary prudence, the Treasurer shall also seek to accord preference to qualified brokers/dealers that provide proof that their corporate headquarters is located in the State of Illinois. The Treasurer shall establish a process to verify the location of broker/dealers' corporate headquarters, and a review shall be conducted at fixed intervals to ensure that the Illinois-based location continues to apply.

An annual review of the financial condition and registration of qualified parties and investments will be conducted by the Treasurer's authorized investment staff. More frequent reviews may be conducted.

5.0 AUTHORIZED AND SUITABLE INVESTMENTS

The following investments are authorized, pursuant to the Deposit of State Moneys Act (15 ILCS 520/22.5) and the Public Funds Investment Act (30 ILCS 235/2):

- a) Federally guaranteed obligations that receive the full faith and credit of the United States of America ("United States") as to principal and interest;
- b) Obligations of agencies of the United States as originally issued by the agencies. For purposes of this Section, the term "agencies of the United States" includes the following: federal land banks, federal intermediate credit banks, banks for cooperative, federal farm credit banks or any other entity authorized to issue debt obligations under the Farm Credit Act of 1971 and Acts amendatory thereto, the federal home loan banks and the federal home loan mortgage corporation, and any other agency created or supported through an Act of Congress and issues United States dollar-denominated debt;
- c) Obligations of instrumentalities of the United States, as originally issued by the instrumentalities. For the purposes of this section, the term "instrumentalities of the United States" is an instrumentality created or supported through an Act of Congress and issues United States dollar-denominated debt;
- d) Obligations of a foreign government that are guaranteed by the full faith and credit of that government as to principal and interest and rated at one (1) of the three (3) highest classifications established by at least two (2) standard rating services (upper medium grade for a long-term rating of A- and above or equivalent), and only if the foreign government has not defaulted and has met its payment obligations in a timely manner on all similar obligations for at least 25 years prior to the time of acquiring those obligations;
- e) Interest-bearing bonds, issued by counties or municipal corporations of the State of Illinois, whether the interest earned thereon is taxable or tax-exempt under federal law. The bonds shall be registered in the name of the State of Illinois or held under a custodial agreement at a financial institution. The bonds shall be rated at the time of purchase at one (1) of the three (3) highest classifications established by at least one (1) standard rating service with nationally recognized expertise in rating bonds of states and their political subdivisions, (upper medium grade for the long-term rating of A- and above or equivalent). The maturity or pre-refunded date(s) of the bonds

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authorized by this subsection shall, at the time of purchase, not exceed ten (10) years. Notwithstanding the foregoing, a longer maturity is authorized, if the State of Illinois has a put option to tender the bonds within ten (10) years from the date of purchase;

- f) Repurchase agreements of government securities having the meaning set out in the Government Securities Act of 1986 (1 U.S.C. § 78o-5);
- g) Commercial paper of a corporation or a limited liability company that is organized in the United States with assets exceeding \$500,000,000 and is rated at the time of purchase at one (1) of the two (2) highest classifications established by at least two (2) standard rating services, (short-term rating of A-2 and above or equivalent);
- h) Obligations of either corporations or limited liability companies organized in the United States that have a significant presence in the State of Illinois, with assets exceeding \$500,000,000 and rated at the time of purchase at one (1) of the three (3) highest classifications established by at least two (2) standard rating services, (upper medium grade for a long-term rating of A- and above or equivalent). At the time of purchase, the maturity or pre-refunded date(s) shall not be less than 270 days and shall not exceed ten (10) years;
- i) Money market mutual funds registered under the Investment Company Act of 1940;
- j) Securities may be lent in accordance with the Federal Financial Institution Examination Council guidelines and only if the securities are collateralized at a satisfactory level to assure the safety of the securities, taking into account market value fluctuation. The securities may be collateralized by cash or collateral acceptable under Sections 11 and 11.1 of the Deposit of State Moneys Act. Securities lending cash collateral may be invested according to the Securities Lending Agreement between the Treasurer and the Treasurer's Agent; and
- k) Interest-bearing savings accounts, interest-bearing certificates of deposit, interest-bearing time deposits or any other investments constituting direct obligations of any bank as defined by the Illinois Banking Act (205 ILCS 5/1 et seq.).

6.0 INVESTMENT RESTRICTIONS

The following investment restrictions apply to the Illinois Funds portfolio:

- a) Any investments not authorized by this or any other investment policy or applicable law are prohibited;
- b) Repurchase agreements may only be executed with approved financial institutions or broker/dealers that meet the Treasurer's standards, which include mutual execution of a Master Repurchase Agreement adopted by the Treasurer;
- c) Investments in derivative products and leveraging of assets through reverse repurchase agreements are prohibited;
- d) All qualified repurchase agreement dealers, commercial paper issuers and corporate bond issuers must have a corporate headquarters, corporate office, or operating location in the State of Illinois and that location must retain full-time staff employed within the State of Illinois or the dealer must have a significant economic presence in the State of Illinois as determined by the Treasurer;

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- e) Commercial paper with a credit rating or evaluation that is derived from any factor other than the full faith and credit of the issuing institution and/or the guarantee of the parent company is prohibited;
- f) Obligations may not be purchased from a corporation or limited liability company that has been placed on the list of restricted companies by the Illinois Investment Policy Board under Section 1-110.16 of the Illinois Pension Code (40 ILCS 5);
- g) Asset-backed securities and mortgage-backed securities of any kind are prohibited;
- h) Investments in bankers' acceptances of any kind are prohibited; and
- i) Certificates of deposit may not be purchased from The Illinois Funds' custodial institution or any of its subcontractors.

6.1 Operational Requirements

Pursuant to Securities and Exchange Commission Rule 2a7 (17 CFR § 270.2a-7), the Treasurer shall:

- a) Maintain and execute standard operating procedures for deviations beyond the normal net asset value ("NAV") of The Illinois Funds; and
- b) Annually complete a checklist that clarifies the intention of the Treasurer to operate The Illinois Funds as a Securities and Exchange Commission Rule 2a7-like fund.

7.0 RATINGS CRITERIA

The Illinois Funds strives to achieve AAAM fund rating guidelines. As such, the fund will meet and abide by the guidelines for a AAAM fund rating from a "Nationally Recognized Statistical Rating Organization" (NRSRO).

8.0 COLLATERALIZATION

All The Illinois Funds deposits and repurchase agreements shall be secured by direct U.S. Treasury and/or U.S. Agency obligations as required by the Treasurer and provided for by the Deposit of State Moneys Act (15 ILCS 520/1 et seq.) and the Treasurer's Acceptable Collateral Listing, which may change from time to time.

9.0 SAFEKEEPING AND CUSTODY

All direct treasury, agency and instrumentality security transactions entered into by The Illinois Funds shall be conducted on a delivery-versus-payment ("DVP") or receipt-versus-payment ("RVP") basis. Securities shall be held by a safekeeping agent designated by the Treasurer and evidenced by safekeeping receipts. Commercial paper will settle daily with the Depository Trust Company.

10.0 DIVERSIFICATION

The primary purpose of diversification in general is to control credit and market risk. The Illinois Funds portfolio will be diversified to eliminate the risk of loss resulting from concentration of assets in a specific maturity, a specific issuer or a specific class of securities. The majority of The Illinois Funds' investments

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will be in direct obligations of the United States Treasury and United States Government Agencies and Instrumentalities and cash equivalents as listed in Section 5.0 of this Policy. In order to properly manage any risk that may be attendant to the investment of The Illinois Funds assets, The Illinois Funds portfolio will observe the following diversification guidelines, at the time of purchase:

- a) The Illinois Funds will seek to achieve diversification in the portfolio by reasonably distributing investments within authorized investment categories, and with issuers and brokers/dealers.
- b) The Illinois Funds shall at no time hold certificates of deposit constituting more than 10% of any single financial institution's total deposits.
- c) The Illinois Funds shall not hold obligations of corporations or limited liability companies that exceed 10% of the corporation's or the limited liability company's outstanding obligations. No more than one third of the public agency's funds can be invested in such obligations of corporations or limited liability companies.
- d) The investment portfolio shall not contain investments that exceed the following diversification limits. These limits will apply to the total assets in the portfolio at the time of the origination or purchase. As maturities and or calls of instruments occur these limits will be monitored and adjusted accordingly:
 - i. The Illinois Funds will invest no more than 50% of its total assets in securities with maturities greater than thirty (30) days issued by any single permissible United States government agency or instrumentality;
 - ii. The Illinois Funds will invest no more than 5% of its total assets in securities issued by any single commercial paper issuer;
 - iii. The Illinois Funds will invest no more than 1/3 of its total assets in direct commercial paper obligations not to exceed 270 days to maturity at the time of purchase;
 - iv. A maximum of 25% of total assets may be invested in any approved AAAm Money Market Fund;
 - v. The Illinois Funds shall invest a minimum of 75% of its assets in authorized investments of less than one-year maturity. No investment shall exceed two (2) years maturity; and
 - vi. No more than 5% of The Illinois Funds shall be invested in obligations of corporations or limited liability companies as defined by Section 5.0(j) of this Policy.

11.0 INTERNAL CONTROLS

The Treasurer shall establish a system of internal controls, which shall be documented in writing and filed with the Treasurer's Chief Internal Auditor for review. The controls shall be designed to prevent loss of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by authorized investment staff of The Illinois Funds.

The Treasurer shall publish the current investment policy on The Illinois Funds website and in accordance with applicable statutes.

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12.0 ASSET ALLOCATION

The Treasurer shall approve asset allocation among investment categories authorized under Section 5.0 of this Policy.

13.0 COMPETITIVE BIDDING

Authorized investment staff shall obtain competitive bids from at least three (3) brokers/dealers prior to executing repurchase agreements, purchasing United States Treasury securities, United States government agency or instrumentality securities, obligations of either corporations or limited liability companies, bonds issued by counties or municipal corporations of the State of Illinois, or commercial paper from a broker/dealer. Reverse inquiry investments, investments in a new issue, and investments defined under Section 5(a)-(b) of this Policy purchased from the agency discount window are exempt from this provision. Certificates of deposit shall be purchased by authorized investment staff on the basis of a financial institution's ability to pay the Treasurer's required interest rate.

14.0 LIABILITY

Authorized investment staff, acting in accordance with written procedures and this Policy and exercising due diligence, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments. The Treasurer is bonded to a level of \$150,000 for the faithful performance of duties in relation to The Illinois Funds.

15.0 REPORTING

Reports shall be made available quarterly by the Director of The Illinois Funds to the Treasurer and The Illinois Funds participants. The quarterly report shall contain the following:

- a) The performance of The Illinois Funds as compared to the established benchmark;
- b) Asset allocation;
- c) Any deviation from the standards established in Section 10.0 of this Policy;
- d) Any change in investment policy adopted during the quarter; and
- e) The average number of days to maturity.

A listing of all investments in the portfolio marked to market shall be made available to the Treasurer and The Illinois Funds participants annually.

16.0 EMERGENCY POWERS

In the event of an emergency, the Treasurer may, at his or her discretion, invoke emergency powers and suspend any or all of the provisions of this Policy, provided that:

- a) The Treasurer shall, even in the event that emergency powers are invoked, comply with all State statutes governing the use and investment of monies;

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- b) The Treasurer reasonably believes that deviating from this Policy is in the best interest of the participants;
- c) Within thirty (30) days of invoking emergency powers the Treasurer shall provide an explanation in writing to the Chief Internal Auditor and the Investment Policy Committee, a copy of which shall be posted on the Treasurer's website, that includes the following:
 - i. The date and time that the emergency powers were invoked;
 - ii. The date and time that emergency powers were repealed, if applicable;
 - iii. The Section or Sections of this Policy that were affected by the emergency or use of emergency powers; and
 - iv. The reason for deviating from this Policy.

17.0 STATUTORY REFERENCES

Any statutory references in this Policy shall include any amendments to or repeals of those statutes.

18.0 AMENDMENTS

The Treasurer reserves the right to amend this Policy at any time.

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1.0 POLICY

The Illinois State Treasurer's Office ("Treasurer") has authority under Section 17 of the State Treasurer's Act (15 ILCS 505/17) to establish and administer a Public Treasurer's Investment Pool to supplement and enhance investment opportunities otherwise available to custodians of public funds for public agencies in the State of Illinois. The Public Treasurer's Investment Pool is a local government investment pool known as "The Illinois Funds." Under this instrument, The Illinois Funds Local Government Investment Pool Investment Policy Statement ("Policy"), it is the policy of the Treasurer to invest funds pooled by local and State custodians of public funds for public agencies in The Illinois Funds in a manner that will provide safety to the principal investment, meet the daily cash flow demands of participants, and seek the highest investment return, using authorized instruments in accordance with all State statutes governing the investment of public funds. It is the policy of The Illinois Funds to operate in a manner consistent with Securities and Exchange Commission Rule 2a7 (17 CFR § 270.2a-7).

2.0 OBJECTIVE

The primary objective in the investment of funds within The Illinois Funds is the safety of principal. In addition, it is the Treasurer's objective to provide all participants daily access to the invested funds and a competitive rate of return, while prudently exercising ethical and social stewardship in its investment decision-making.

2.1 Safety

The safety of principal is the foremost objective of the investment program. The Illinois Funds' investments shall be undertaken in a manner that seeks to ensure the preservation of principal in the portfolio. To obtain this objective, diversification among permissible investments is required to ensure that The Illinois Funds properly manages market, interest rate, and credit risks.

2.2 Liquidity

The investment portfolio shall remain sufficiently liquid to enable The Illinois Funds to meet all participant redemption demands that might be reasonably anticipated.

2.3 Return on Investment

The investment portfolio shall be designed to obtain the highest available return. The Treasurer shall seek to obtain the highest available return, using authorized investments during budgetary and economic cycles as mandated by Section 1.0 of this Policy.

The Treasurer will select accepted industry benchmarks that best reflect The Illinois Funds' portfolio and measure performance against those benchmarks over time. The benchmarks shall be reviewed a minimum of every two (2) years to ensure accuracy and relevance.

2.4 Socially Responsible Investing

Consistent with achieving the investment objectives of the Treasurer set forth herein, the Treasurer shall prudently exercise ethical and social stewardship in its investment decision-making, because the Treasurer aspires to contribute to a more just, accountable, and sustainable State of Illinois.

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Socially responsible investing shall be implemented within a framework predicated on the following:

- a) Integration of environmental, social and governance (“ESG”) factors as components of investment decision-making, due diligence, and risk management, given that these intangible factors may have a material financial impact as well as non-financial impacts;
- b) Regular evaluation of ESG factors to ensure the factors are relevant to the Treasurer’s investment portfolio and the evolving marketplace;
- c) Attentive oversight of investment holdings to encourage the advancement of ESG through engagement with entities, such as funds, companies, government bodies, and other organizations and move the marketplace toward more socially responsible investment practices; and
- d) Consideration of long-term sustainability and regulatory and reputational risks, in addition to the current return environment in investment decision-making.

The Treasurer shall develop criteria for socially responsible investing that may pertain to particular products, funds, companies, or government bodies, which shall be provided to internal and external investment managers to factor into their investment decision-making. The criteria for socially responsible investing shall be reviewed and updated every two (2) years at a minimum to ensure consistency within the rapidly changing definition of socially responsible investing.

The Illinois Funds’ investment officers shall endeavor to identify and select authorized investment options that meet the Treasurer’s criteria for socially responsible investing and fall within the framework of the investment objectives.

3.0 ETHICS AND CONFLICTS OF INTEREST

Authorized investment staff and employees in policy-making positions for The Illinois Funds shall refrain from engaging in personal business activity that could (a) conflict, or give the appearance of a conflict, with proper execution of the investment program or (b) impair their ability to make impartial investment decisions. Such individuals shall disclose to the Treasurer any material financial interests in financial institutions or broker/dealers that conduct business within the State. They shall further disclose any personal investments that are related to the performance of The Illinois Funds’ portfolio. In addition, such individuals shall subordinate their personal investment transactions to those of The Illinois Funds, particularly with regard to the time of purchases and sales.

4.0 AUTHORIZED BROKERS/DEALERS AND FINANCIAL INSTITUTIONS

Authorized investment staff shall utilize the Treasurer’s approved list of broker/dealers and financial institutions when selecting institutions to provide investment services.

No monies may be deposited in any financial institution until the Treasurer’s credit review team has conducted a safety and soundness review of the financial institution by consulting various bank rating services. If the financial institution has not yet been rated by the bank rating services, the institution may be eligible for a deposit that at maturity will not exceed \$250,000. The amount and duration of deposits shall be based on the safety and soundness review, in accordance with guidelines established by the Investment Policy Committee, and the diversification limits set forth in Section 10.0 of this Policy. No public

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deposit may be made, except in a qualified public depository, as defined by the Deposit of State Moneys Act (15 ILCS 520/1 et seq.).

In addition, the Treasurer shall maintain a list of approved security brokers/dealers, which shall be utilized by authorized investment officers. The security brokers/dealers shall be selected according to their credit worthiness and their financial significance in the State, which shall be measured in terms of the location of the broker/dealer's corporate office, or the extent to which the broker/dealer has a large labor or economic impact on the State. The approved broker/dealers may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission Rule 17 CFR § 15Cc3-1 (Net Capital Requirements for Brokers or Dealers).

All brokers/dealers interested in becoming qualified parties for investment transactions must supply the Treasurer's authorized investment staff with the following documents or the equivalent acceptable to the Treasurer, where applicable:

- a) Audited financial statements or a published Statement of Condition;
- b) Proof of minority-, woman-, disabled-, and/or veteran-owned or -managed broker/dealer status;
- c) A signed copy of the Treasurer's trading authorization;
- d) Proof of National and State of Illinois registration;
- e) Completed Broker/Dealer and Authorized Counterparty Questionnaire;
- f) Certification of notice and acknowledgment of this Policy; and
- g) Any other documentation deemed necessary by the Treasurer.

To the greatest extent feasible within the bounds of financial and fiduciary prudence, the Treasurer shall seek to provide preference to qualified brokers/dealers that provide proof of minority-, female-, disabled-, and/or veteran-owned or -managed status. The Treasurer shall establish a process by which said specially claimed statuses are verified, and a review shall be conducted at fixed intervals to ensure that special statuses continue to apply.

To the greatest extent feasible within the bounds of financial and fiduciary prudence, the Treasurer shall also seek to accord preference to qualified brokers/dealers that provide proof that their corporate headquarters is located in the State of Illinois. The Treasurer shall establish a process to verify the location of broker/dealers' corporate headquarters, and a review shall be conducted at fixed intervals to ensure that the Illinois-based location continues to apply.

An annual review of the financial condition and registration of qualified parties and investments will be conducted by the Treasurer's authorized investment staff. More frequent reviews may be conducted.

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5.0 AUTHORIZED AND SUITABLE INVESTMENTS

The following investments are permitted investments of The Illinois Funds, pursuant to the Deposit of State Moneys Act (15 ILCS 520/22.5) and the Public Funds Investment Act (30 ILCS 235/2), and are authorized to the extent they are approved by Standard & Poor's for AAAm rated funds:

- a) Bonds, notes, certificates of indebtedness, treasury bills or other securities now or hereafter issued that are guaranteed by the full faith and credit of the United States of America ("United States") as to principal and interest;
- b) Bonds, notes, debentures, or similar obligations of the United States or its agencies;
- c) Repurchase agreements of government securities having the meaning set out in the Government Securities Act of 1986, subject to the provisions of such Act and the regulations issued thereunder;
- d) Commercial paper of a corporation or a limited liability company that is organized in the United States with assets exceeding \$500,000,000 and is rated at the time of purchase at one (1) of the two (2) highest classifications established by at least two (2) standard rating services, (i.e. not less than an A-1 short-term rating or equivalent);
- e) Money market mutual funds registered under the Investment Company Act of 1940, provided the portfolio of any such money market mutual fund is limited to United States Treasury and United States Agency Securities, and agreements to repurchase such obligations, provided the funds are rated at the highest classification by at least one (1) standard rating service (i.e., not less than a AAA long-term rating or equivalent rating);
- f) Securities of a foreign government that are guaranteed by the full faith and credit of that government as to principal and interest and rated at the time of purchase at one (1) of the three (3) highest classifications established by at least two (2) standard rating services, but not less than an A- long-term rating or equivalent, and only if the foreign government has not defaulted and has met its payment obligations in a timely manner on all similar obligations for at least 25 years prior to the time of acquiring those obligations;
- g) Bonds issued by counties or municipal corporations of the State of Illinois;
- h) Interest-bearing savings accounts, interest-bearing certificates of deposit, interest-bearing time deposits or any other investments constituting direct obligations of any bank as defined by the Illinois Banking Act (205 ILCS 5/1 et seq.);
- i) Suitable securities in The Illinois Funds portfolio may be lent in accordance with the Federal Financial Institution Examination Council Guidelines; and
- j) Obligations of either corporations or limited liability companies organized in the United States that have a significant presence in the State of Illinois, with assets exceeding \$500,000,000 and rated at the time of purchase at one (1) of the three (3) highest classifications established by at least two (2) standard rating services, (i.e., not less than an A- long-term rating or equivalent). At the time of purchase, the maturity – date(s) of the obligations authorized by this subsection shall not be less than 270 days and shall not exceed five years.

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6.0 INVESTMENT RESTRICTIONS

The following restrictions will apply to all The Illinois Funds investment transactions:

- a) Investments in derivative products and leveraging of assets through reverse repurchase agreements are prohibited;
- b) Repurchase agreements may only be executed with financial institutions or broker/dealers that meet the Treasurer's standards, which will include mutual execution of a Master Repurchase Agreement adopted by the Treasurer;
- c) All qualified repurchase agreement dealers must have a corporate headquarters, corporate office, or operating location in the State of Illinois and that location must retain full-time staff employed within the State of Illinois or the dealer must have a significant economic presence in the State of Illinois as determined by the Treasurer;
- d) All qualified commercial paper issuers must have a corporate headquarters, corporate office, or operating location in the State of Illinois and that location must retain full-time staff employed within the State of Illinois or the issuer must have a significant economic presence in the State of Illinois as determined by the Treasurer;
- e) All qualified corporate bond issuers must have a corporate headquarters, corporate office, or operating location in the State of Illinois and that location must retain full-time staff employed within the State of Illinois or the issuer must have a significant economic presence in the State of Illinois as determined by the Treasurer;
- f) There will be no investments in mortgage-backed securities of any kind;
- g) There will be no investments in asset-backed securities of any kind;
- h) Certificates of deposit may not be purchased from The Illinois Funds' custodial institution or any of its subcontractors;
- i) Investments in bankers' acceptances of any kind are prohibited;
- j) Asset-backed commercial paper is prohibited;
- k) Commercial paper with a credit rating or evaluation that is derived from any factor other than the full faith and credit of the issuing institution and/or the guarantee of the parent company is prohibited;
- l) Obligations may not be purchased from a corporation or limited liability company that has been placed on the list of restricted companies by the Illinois Investment Policy Board under Section 1-110.16 of the Illinois Pension Code; and
- m) The authorization of the Treasurer to invest in new obligations under Section 5.0(j) of this Policy shall expire on June 30, 2019.

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6.1 Operational Requirements

Pursuant to Securities and Exchange Commission Rule 2a7 (17 CFR § 270.2a-7), the Treasurer shall:

- a) Maintain and execute standard operating procedures for deviations beyond the normal net asset value (“NAV”) of The Illinois Funds; and
- b) Annually complete a checklist that clarifies the intention of the Treasurer to operate The Illinois Funds as a Securities and Exchange Commission Rule 2a7-like fund.

7.0 RATINGS CRITERIA

The Illinois Funds strives to achieve AAAM fund rating guidelines. As such, the fund will meet and abide by the guidelines for a AAAM fund rating from a “Nationally Recognized Statistical Rating Organization” (NRSRO).

8.0 COLLATERALIZATION

All The Illinois Funds deposits and repurchase agreements shall be secured by direct U.S. Treasury and/or U.S. Agency obligations as required by the Treasurer and provided for by the Deposit of State Moneys Act (15 ILCS 520/1 et seq.) and the Treasurer’s Acceptable Collateral Listing, which may change from time to time.

9.0 SAFEKEEPING AND CUSTODY

All direct treasury, agency and instrumentality security transactions entered into by The Illinois Funds shall be conducted on a delivery-versus-payment (“DVP”) or receipt-versus-payment (“RVP”) basis. Securities shall be held by a safekeeping agent designated by the Treasurer and evidenced by safekeeping receipts. Commercial paper will settle daily with the Depository Trust Company.

10.0 DIVERSIFICATION

The primary purpose of diversification in general is to control credit and market risk. The Illinois Funds portfolio will be diversified to eliminate the risk of loss resulting from concentration of assets in a specific maturity, a specific issuer or a specific class of securities. The majority of The Illinois Funds’ investments will be in direct obligations of the United States Treasury and United States Government Agencies and Instrumentalities and cash equivalents as listed in Section 5.0 of this Policy. In order to properly manage any risk that may be attendant to the investment of The Illinois Funds assets, The Illinois Funds portfolio will observe the following diversification guidelines, at the time of purchase:

- a) The Illinois Funds will seek to achieve diversification in the portfolio by reasonably distributing investments within authorized investment categories, and with issuers and brokers/dealers.
- b) The Illinois Funds shall at no time hold certificates of deposit constituting more than 10% of any single financial institution's total deposits.
- c) The Illinois Funds shall not hold obligations of corporations or limited liability companies that exceed 10% of the corporation’s or the limited liability company’s outstanding obligations.

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- d) The investment portfolio shall not contain investments that exceed the following diversification limits. These limits will apply to the total assets in the portfolio at the time of the origination or purchase. As maturities and or calls of instruments occur these limits will be monitored and adjusted accordingly:
- i The Illinois Funds will invest no more than 50% of its total assets in securities with maturities greater than thirty (30) days issued by any single permissible United States government agency or instrumentality;
 - ii The Illinois Funds will invest no more than 5% of its total assets in securities issued by any single commercial paper issuer;
 - iii The Illinois Funds will invest no more than 1/3 of its total assets in direct commercial paper obligations not to exceed 270 days to maturity at the time of purchase;
 - iv A maximum of 25% of total assets may be invested in any approved AAAM Money Market Fund;
 - v The Illinois Funds shall invest a minimum of 75% of its assets in authorized investments of less than one-year maturity. No investment shall exceed two (2) years maturity; and
 - vi No more than 5% of The Illinois Funds shall be invested in obligations of corporations or limited liability companies as defined by Section 5.0(j) of this Policy.

11.0 INTERNAL CONTROLS

The Treasurer shall establish a system of internal controls, which shall be documented in writing and filed with the Treasurer's Chief Internal Auditor for review. The controls shall be designed to prevent loss of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by authorized investment staff of The Illinois Funds.

The Treasurer shall publish the current investment policy on The Illinois Funds website and in accordance with applicable statutes.

12.0 ASSET ALLOCATION

The Treasurer shall approve asset allocation among investment categories authorized under Section 5.0 of this Policy.

13.0 COMPETITIVE BIDDING

Authorized investment staff shall obtain competitive bids from at least three (3) brokers/dealers prior to executing repurchase agreements, purchasing United States Treasury securities, United States government agency or instrumentality securities, obligations of either corporations or limited liability companies, bonds issued by counties or municipal corporations of the State of Illinois, or commercial paper from a broker/dealer. Reverse inquiry investments, investments in a new issue, and investments defined under Section 5(a)-(b) of this Policy purchased from the agency discount window are exempt from this

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provision. Certificates of deposit shall be purchased by authorized investment staff on the basis of a financial institution's ability to pay the Treasurer's required interest rate.

14.0 LIABILITY

Authorized investment staff, acting in accordance with written procedures and this Policy and exercising due diligence, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments. The Treasurer is bonded to a level of \$150,000 for the faithful performance of duties in relation to The Illinois Funds.

15.0 REPORTING

Reports shall be made available quarterly by the Director of The Illinois Funds to the Treasurer and The Illinois Funds participants. The quarterly report shall contain the following:

- a) The performance of The Illinois Funds as compared to the established benchmark;
- b) Asset allocation;
- c) Any deviation from the standards established in Section 10.0 of this Policy;
- d) Any change in investment policy adopted during the quarter; and
- e) The average number of days to maturity.

A listing of all investments in the portfolio marked to market shall be made available to the Treasurer and The Illinois Funds participants annually.

16.0 EMERGENCY POWERS

In the event of an emergency, the Treasurer may, at his or her discretion, invoke emergency powers and suspend any or all of the provisions of this Policy, provided that:

- a) The Treasurer shall, even in the event that emergency powers are invoked, comply with all State statutes governing the use and investment of monies;
- b) The Treasurer reasonably believes that deviating from this Policy is in the best interest of the participants;
- c) Within thirty (30) days of invoking emergency powers the Treasurer shall provide an explanation in writing to the Chief Internal Auditor and the Investment Policy Committee, a copy of which shall be posted on the Treasurer's website, that includes the following:
 - i. The date and time that the emergency powers were invoked;
 - ii. The date and time that emergency powers were repealed, if applicable;

**State of Illinois
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**The Illinois Funds
Local Government Investment Pool Investment Policy Statement
(Effective March 2018 through November 2019)
(Unaudited)**

- iii. The Section or Sections of this Policy that were affected by the emergency or use of emergency powers; and
- iv. The reason for deviating from this Policy.

17.0 STATUTORY REFERENCES

Any statutory references in this Policy shall include any amendments to or repeals of those statutes.

18.0 AMENDMENTS

The Treasurer reserves the right to amend this Policy at any time.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
*GOVERNMENT AUDITING STANDARDS***

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Honorable Frank J. Mautino
Auditor General
State of Illinois

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Illinois Funds, a fiduciary (investment trust) fund of the State of Illinois, Office of the Treasurer, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise The Illinois Funds financial statements, and we have issued our report thereon dated March 14, 2022.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Illinois, Office of the Treasurer, The Illinois Funds 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 financial statements. 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*.

Internal Control Over Financial Reporting

Management of the State of Illinois, Office of the Treasurer, The Illinois Funds is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit of the financial statements, we considered the State of Illinois, Office of the Treasurer's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of Illinois, Office of the Treasurer's internal control of The Illinois Funds. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois, Office of the Treasurer'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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings as item 2021-001 that we consider to be a material weakness.

Office of the Treasurer's Response to the Finding

The State of Illinois, Office of the Treasurer's response to the finding identified in our audit is described in the accompanying Schedule of Findings. The State of Illinois, Office of the Treasurer'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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

Springfield, Illinois
March 14, 2022

SCHEDULE OF FINDINGS

**State of Illinois
Office of the Treasurer**

**The Illinois Funds
Schedule of Findings – Current Findings
For the Years Ended June 30, 2021 and 2020**

2021-001 **Finding** (Inadequate Internal Controls Related to Review of Financial Statements)

The Office of the Treasurer (Office) had inadequate internal controls over the Office's Illinois Funds Program financial statement preparation and review process, specifically the determination of proper financial reporting for the external portion of The Illinois Funds program.

During fiscal year 2021, the Office implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, to present only the external portion of the fund on the financial statements. During review of the financial statements, the following errors were noted:

- To determine the external portion, the Office identified internal and external participant account values. The underlying detail of participant accounts did not correctly identify accounts as being internal or external. The auditors noted the Office incorrectly included ten internal accounts within their calculation of the external portion, totaling \$15,680,369. This error led to the misstatement of all accounts on the Statements of Fiduciary Net Position and the Statements of Changes in Fiduciary Net Position and resulted in various errors in the Notes to the Financial Statements and Supplementary Information. As of June 30, 2021, the Net Position Held in Trust for Pool Participants, including the internal and external participants, was \$8,748,691,774; the Net Position Held in Trust for Pool Participants, external participants, was \$5,099,266,217.
- In the Notes to the Financial Statements, Note 2. Deposits and Investments, the Office incorrectly stated fair value and carrying value of the repurchase agreements amounts as the total amount, including both internal and external portion. The incorrect carrying value reported was \$650,000,000 and \$600,000,000, for 2021 and 2020, respectively. The carrying value was overstated by \$271,140,760 and \$232,474,908 for 2021 and 2020, respectively. The incorrect fair value reported was \$668,500,608 and \$650,061,826, for 2021 and 2020, respectively. The fair value was overstated by \$278,858,097 and \$273,310,736 in 2021 and 2020, respectively.

The Office has corrected all errors noted above.

Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, Paragraph 11 states the criteria for other fiduciary activities. GASB Statement No. 84 Paragraph 11(b) states the assets associated with the activity are not derived solely from the government's own-source revenues (as described in paragraph 13) and Paragraph 11(c)(3) indicates the assets are for the benefit of organizations or other governments not part of the financial reporting entity. The internal portion of The Illinois Funds does not meet the criteria for other fiduciary activities to be reported within the financial statements. In addition, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that 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. Strong management controls, due diligence and fiduciary responsibility require procedures to include proper checks and balances and adequate supervision to ensure proper financial reporting.

The Office attributed the misstatements to staff turnover and oversight.

**State of Illinois
Office of the Treasurer**

**The Illinois Funds
Schedule of Findings – Current Findings
For the Years Ended June 30, 2021 and 2020**

Failure to maintain adequate internal controls over the financial reporting process led to the misstatement of all financial statement accounts, as well as amounts within the notes to the financial statements and supplementary information. (Finding Code No. 2021-001, 2020-001)

Recommendation

We recommend the Office improve controls over the financial reporting process of the Illinois Funds Program, specifically:

- Verify accuracy of all information reported.
- Verify external account value agrees to underlying support.
- Verify amounts reported agree between statements and note disclosures.

Office Response

We accept the recommendations. We will examine financial statement and footnote support, preparation, and review procedures for improvement.