

**STATE OF ILLINOIS
EAST ST. LOUIS FINANCIAL ADVISORY AUTHORITY**

**FINANCIAL AUDIT
FOR THE YEAR ENDED JUNE 30, 2008**

**COMPLIANCE EXAMINATION
FOR THE TWO YEARS ENDED JUNE 30, 2008**

**PERFORMED AS SPECIAL ASSISTANT AUDITORS
FOR THE AUDITOR GENERAL, STATE OF ILLINOIS**

State of Illinois—East St. Louis Financial Advisory Authority

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State of Illinois—East St. Louis Financial Advisory Authority
AUTHORITY OFFICIALS
For the Two Years Ended June 30, 2008

Administration

Executive Director (4/1/08 – present)	Ms. Patrice R. Rencher
Interim Executive Director (10/4/07 – 3/31/08)	Ms. Patrice R. Rencher
Executive Director (11/1/06 – 10/3/07)	Ms. Melinda Carlton
Executive Director (Retired 10/31/06)	Mr. W. Kenneth Gearhart
Financial Analyst (11/29/08 – present)	Vacant
Financial Analyst (6/16/08 – 11/28/08)	Kerry Olden
Financial Analyst (10/4/07 – 6/15/08)	Vacant
Financial Analyst (Promoted 10/4/07 to Interim Executive Director)	Ms. Patrice R. Rencher
Legal Counsel	Mr. Robert Bassett

Authority office is located at:

Kenneth Hall State Regional Office Building
10 Collinsville Avenue
Suite 202
East St. Louis, Illinois 62201

CITY OF EAST ST. LOUIS
FINANCIAL ADVISORY AUTHORITY

(An Agency of the State of Illinois)

Dr. Katie H. Wright, *Vice Chair*
Otis Cowan

Anthony "Tony" Grant
Jacqueline Settles

March 9, 2009

Schorb & Schmersahl, LLC
518 North Main Street
Columbia, IL 62236

Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all respects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the Agency. We are responsible for and we have established and maintained an effective system of internal controls over compliance requirements. We have performed an evaluation of the Agency's compliance with the following assertions during the two-year period ended June 30, 2008. Based on this evaluation, we assert that during the years ended June 30, 2007 and June 30, 2008, the Agency has materially complied with the assertions below.

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

Yours very truly,

East St. Louis Financial Advisory Authority



Patrice R. Rencher
Executive Director

State of Illinois—East St. Louis Financial Advisory Authority
COMPLIANCE REPORT
SUMMARY
For the Two Years Ended June 30, 2008

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

ACCOUNTANTS' REPORTS

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

SUMMARY OF FINDINGS

<u>Number of</u>	<u>This Report</u>	<u>Prior Report</u>
Findings	7	7
Repeated Findings	3	1
Prior recommendations implemented or not repeated	4	1

Details of audit findings are presented in a separately tabbed report section.

SCHEDULE OF FINDINGS

CURRENT FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
Findings (<i>Government Auditing Standards</i>)			
08-1	10	Inadequate Reconciliation of Investment Statements to General Ledger	Significant deficiency
08-2	11	Inadequate Segregation of Duties	Significant deficiency
Findings (State Compliance)			
08-3	12	Non-Compliance with Illinois Municipal Code	Significant deficiency and noncompliance
08-4	13	Failure to File Economic Interest Statements	Significant deficiency and noncompliance
08-5	14	Improper Calculation of Accrued Vacation at Separation	Significant deficiency and noncompliance
08-6	15	Lack of Proper Expenditure Reconciliation	Significant deficiency and noncompliance
08-7	16	Locally Held Funds in Excess of Federally Insured Limit	Significant deficiency and noncompliance

State of Illinois—East St. Louis Financial Advisory Authority
COMPLIANCE REPORT
SUMMARY *(Continued)*
For the Two Years Ended June 30, 2008

SCHEDULE OF FINDINGS *(Continued)*

PRIOR FINDINGS NOT REPEATED

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
A	17	Unauthorized Access to Bank Accounts
B	18	Unused Off-Site Property
C	19	Quarterly Investment Reports not Submitted to the Board
D	20	Employee Termination and Re-hire Not Properly Administered or Documented

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Authority personnel at an exit conference on January 22, 2009. Attending were:

East St. Louis Financial Advisory Authority

Patrice R. Rencher Executive Director

Office of the Auditor General

Patrick Meridith Audit Manager

Schorb & Schmersahl, LLC

Denise A. Hesler Audit Manager
Maureen Downs Audit Senior

Responses to the recommendations were provided by Patrice R. Rencher, in correspondence dated January 22, 2009 and March 9, 2009.



**INDEPENDENT ACCOUNTANTS' REPORT ON STATE
COMPLIANCE, ON INTERNAL CONTROL OVER
COMPLIANCE, AND ON SUPPLEMENTARY INFORMATION
FOR STATE COMPLIANCE PURPOSES**

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

As Special Assistant Auditors for the Auditor General, we have examined State of Illinois – East St. Louis Financial Advisory Authority's (the "Authority") compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the two years ended June 30, 2008. The management of the Authority is responsible for compliance with these requirements. Our responsibility is to express an opinion on the Authority's compliance based on our examination.

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

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

In our opinion, the Authority complied, in all material respects, with the requirements listed in the first paragraph of this report during the two years ended June 30, 2008. However, the results of our procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of State findings as Finding Code No.'s 08-1, 08-2, 08-3, 08-4, 08-5, 08-6 and 08-7.

Internal Control

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with the requirements listed in the first paragraph of this report on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to comply with the requirements listed in the first paragraph of this report such that there is more than a remote likelihood that noncompliance with a requirement that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as Finding Code No.'s 08-1, 08-2, 08-3, 08-4, 08-5, 08-6 and 08-7 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a requirement listed in the first paragraph of this report will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying schedule of findings to be material weaknesses.

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

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities of the Authority as of and for the year ended June 30, 2008, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 9, 2009. The accompanying supplementary information, as listed in the table of contents as Supplementary Information for State Compliance Purposes, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Authority. The 2008 Supplementary Information for State Compliance Purposes, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2008, taken as a whole. We also have previously audited, in accordance with auditing standards generally accepted in the United States, the Authority's basic financial statements for the year ended June 30, 2006. In our report dated October 13, 2006, we expressed an unqualified opinion on the financial statements of the governmental activities. In our opinion, the 2006 Supplementary Information for State Compliance Purposes, except for the portion marked "unaudited" is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2006, taken as a whole.

We have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General to 2007 Supplementary Information for State Compliance Purposes except for information in the Service Efforts and Accomplishments on which we did not perform any procedures. However, we do not express an opinion on the supplementary information.

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



Columbia, Illinois
March 9, 2009

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

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the basic financial statements of the governmental activities of the State of Illinois—East St. Louis Financial Advisory Authority (the “Authority”), a component unit of the State of Illinois, as of and for the year ended June 30, 2008, which collectively comprise the Authority’s basic financial statements and have issued our report thereon dated March 9, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity’s financial statements that is more than inconsequential will not be prevented or detected by the entity’s internal control. We consider the deficiencies described in the accompanying schedule of findings as Finding Codes No’s. 08-1 and 08-2 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity’s internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described is a material weakness.

Compliance and Other Matters

As a part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters which are reported as State compliance findings in the Schedule of Findings. However, we noted certain other matters which we have reported to management of the Authority in a separate letter dated March 9, 2009.

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



Columbia, Illinois
March 9, 2009

State of Illinois—East St. Louis Financial Advisory Authority
SCHEDULE OF FINDINGS
CURRENT FINDINGS – *Government Auditing Standards*
For the Two Years Ended June 30, 2008

08-1 Inadequate Reconciliation of Investment Statements to General Ledger

FINDING

The East St. Louis Financial Advisory Authority (Authority) did not appropriately reconcile its investment statements to the general ledger.

The Authority prepares investment analyses on a quarterly basis for reporting purposes and enters the investment data into the general ledger. However, the Authority does not update its accounting records to reflect the monthly change in fair market value amounts. The investment balance at June 30, 2007 was \$5,890,652. During fiscal year 2008, the Authority's Treasury bill investments matured and were not reinvested. At June 30, 2008 all money received from the matured U.S. Treasury Bill investments was held in a money market account.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) states that all State agencies shall establish and maintain a system or systems, of internal fiscal and administrative controls which shall provide assurance that funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation.

Authority personnel stated they relied on their trustee to prepare the quarterly reconciliations. The Authority then records increases or decreases in the general ledger.

A lack of internal controls increases the likelihood that an improper expenditure error, irregularity, or misappropriation of funds could occur and would not be found in the normal course of business. (Finding Code No. 08-1, 06-1, 04-1)

RECOMMENDATION

We recommend the investment account be reviewed and reconciled monthly to the general ledger so that the ending balance of the investment statement agrees to the ending balance per the general ledger. This procedure would provide the Authority with current information to assist in its investment decisions. In addition, we recommend the Authority review the reconciliations prepared by their trustee.

AUTHORITY RESPONSE

The Authority Agrees: The Authority will review and reconcile monthly statements to the general ledger so that the beginning balance of the investment statements agree to the ending balance of the general ledger and review the reconciliations prepared by the trustee.

State of Illinois—East St. Louis Financial Advisory Authority
SCHEDULE OF FINDINGS
CURRENT FINDINGS – Government Auditing Standards (*Continued*)
For the Two Years Ended June 30, 2008

08-2 Inadequate Segregation of Duties

FINDING

The East St. Louis Financial Advisory Authority (Authority) lacks a segregation of duties in its accounting and financial procedures.

The Authority currently has three employees. In addition, the Authority has had significant turnover in the past two years, occasionally resulting in only one staff member in the office. Because of the limited number of personnel, the Authority's cash and investment receipts and disbursement procedures often require that one individual be responsible for duties that should be performed by at least two people. Total assets of the Authority were \$6,520,800 at June 30, 2008.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) states that all state agencies shall establish and maintain a system or systems, of internal fiscal and administrative controls which shall provide assurance that funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation.

Authority personnel indicated that achieving adequate segregation of duties is extremely difficult because the utilization of additional personnel is not a viable option due to limited appropriations. In addition, Authority personnel indicated that significant turnover further compounded the problem.

A lack of adequate segregation of duties increases the likelihood that an improper expenditure error, irregularity, or misappropriation of funds could occur and would not be found in the normal course of business. (Finding Code No. 08-2, 06-3)

RECOMMENDATION

We recommend the Authority segregate the duties of receipts and disbursements to enhance internal controls over the process. In addition, as a compensating control the Board of Directors should be involved in reviewing transactions and monthly financial reports.

AUTHORITY RESPONSE

The Authority Agrees: I agree that the Authority only has three employees and there has been significant turnover in staff. However, when accounting and financial procedures are performed, all three employees are involved with the process.

State of Illinois—East St. Louis Financial Advisory Authority
SCHEDULE OF FINDINGS
CURRENT FINDINGS – State Compliance
For the Two Years Ended June 30, 2008

08-3 Non-Compliance with Illinois Municipal Code

FINDING

The East St. Louis Financial Advisory Authority's Board of Directors does not have the required number of members.

During the period July 1, 2006 to June 30, 2008, the Board of Directors consisted of four members, all of whom are currently serving on expired terms. The term of three Board Members expired on August 30, 2005. The term of the fourth expired August 30, 2004. In addition, the Board chairperson resigned on January 27, 2005 and has not been replaced. As a result, the Board's Vice-chairperson presides over meetings.

The Illinois Municipal Code (65 ILCS 5/8-12-7) states that the Governing body of the Authority shall be a board consisting of 5 Directors. Directors shall be appointed by the Governor, with the advice and consent of the Senate. The Governor shall select one of the Directors to serve as Chairperson during the term of his or her appointment. In addition, Section (65 ILCS 5/8-12-9) requires the chairperson to preside at the meetings.

Authority personnel stated they have written to the Governor and requested the appointment of the Chairperson and replacements for the current members who are serving on expired terms, but as of the end of FY08 no appointments have been made by the Governor.

Noncompliance with the Illinois Municipal Code is a violation of State statute. (Finding Code No. 08-3, 06-7)

RECOMMENDATION

We recommend the Authority continue to request Board appointments from the Office of the Governor.

AUTHORITY RESPONSE

The Authority Agrees: Authority staff, as well as, Board of Directors has sent correspondence (letters and emails) to the Governor's Office that all Board of Directors terms have expired. Authority staff has performed its duty by contacting the Governor's Office regarding the expiration of terms. The Governor is responsible for appointing each Director. This audit finding is beyond our control.

State of Illinois—East St. Louis Financial Advisory Authority
SCHEDULE OF FINDINGS
CURRENT FINDINGS – State Compliance (*Continued*)
For the Two Years Ended June 30, 2008

08-4 Failure to File Economic Interest Statements

FINDING

The Legal Counsel for the East St. Louis Financial Advisory Authority (Authority) did not submit an Economic Interest Statement for Fiscal years 2007 and 2008.

The Illinois Governmental Ethics Act (5 ILCS 420/4A-105) requires that all qualified persons submit a verified written statement of economic interest by May 1 of each year with the Illinois Secretary of State.

Authority personnel stated that the lack of submission of the Economic Interest Form was due to management's reliance on the qualified persons to submit their form independently.

Noncompliance with the Illinois Governmental Ethics Act is a violation of State statute.
(Finding Code No. 08-4)

RECOMMENDATION

We recommend the Authority follow up with all qualified persons to ensure that Economic Interest Statements are filed with the Secretary of State's office by May 1 each year.

AUTHORITY RESPONSE

The name and address of the Legal Counsel for the City of East St. Louis Financial Advisory Authority has been updated with the Office of the Secretary of State, Index Department. Authority staff will follow-up with qualified persons in the future to ensure that the Economic Interest Statements are filed by May 1 of each year.

State of Illinois—East St. Louis Financial Advisory Authority
SCHEDULE OF FINDINGS
CURRENT FINDINGS – State Compliance (*Continued*)
For the Two Years Ended June 30, 2008

08-5 Improper Calculation of Accrued Vacation at Separation

FINDING

The East St. Louis Financial Advisory Authority's previous Executive Director's accrued payout amount upon separation from the Authority was incorrectly calculated.

On October 3, 2007, the Executive Director resigned. Upon her resignation, she calculated her own accrued vacation payout amount, prepared the payroll voucher, approved, signed, and submitted the voucher to the State Comptroller's office for payment. In addition, the voucher was not approved by a Board member or any other Authority employee.

The Executive Director calculated her vacation payout to be \$3,775.86 based on 101.38 hours of accrued unused vacation days. The written terms of her employment provided for 15 vacation days per fiscal year, with the first year being prorated based on her start date (e.g., October 9, 2006 – June 30, 2007). The written agreement also limits carry over of vacation days from one fiscal year to the next to a maximum of 5 days. The Authority's fiscal year starts on July 1. At July 1, 2007, the Executive Director carried over 53.86 hours or 7.2 days from the prior fiscal year – or 16.36 hours (2.2 days) in excess of the maximum amount allowed to be carried over. However, at July 1, the Executive Director continued to pro-rate her allotment of 15 vacation days per fiscal year rather than bank the entire amount.

Given the ambiguity in the written terms of employment and the lack of specific policies in the area of vacation accrual and payout, we were unable to determine the correct amount that the Executive Director should have been paid.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) states that all State agencies shall establish and maintain a system or systems of internal fiscal and administrative controls which shall provide assurance that funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation.

Authority personnel indicated this situation occurred due to a lack of adequate policies and oversight.

A lack of adequate segregation of duties and policies increase the likelihood that an improper expenditure could occur and would not be found in the normal course of business. (Finding Code No. 08-5)

RECOMMENDATION

We recommend the Board of Directors review and approve any amounts paid to the Executive Director. We further recommend that the Board review its policies to specify the method of calculating, carrying over and paying out accrued unused vacation time. Further, the Board should determine the correct amount of payout to the departing Executive Director and either recoup any overpayment or pay any amount due as appropriate.

AUTHORITY RESPONSE

The Authority will revise its Personnel Policy to allow that any amounts paid to the Executive Director be reviewed and approved by the Board of Directors. The Authority will also clarify its policy to specify the method of calculating, carrying over and paying out accrued unused vacation time. The Authority will further determine the appropriate amount payable to the previous Executive Director and either recoup any overpayments or pay any amounts due as appropriate.

State of Illinois—East St. Louis Financial Advisory Authority
SCHEDULE OF FINDINGS
CURRENT FINDINGS – State Compliance *(Continued)*
For the Two Years Ended June 30, 2008

08-6 Lack of Proper Expenditure Reconciliation

FINDING

The East St. Louis Financial Advisory Authority (Authority) does not reconcile its expenditures by detail object code to Comptroller records.

The Authority reconciles total expenditures each month with the Comptroller's Monthly Appropriation Status Report (SB01), however, it does not reconcile expenditures in detail. The Authority does not use the Comptroller's detail object codes within its general ledger software, thus making the reconciliation to Comptroller records difficult. Some vouchers for the same detail object code are classified under different accounts in the general ledger.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) states that all state agencies shall establish and maintain a system or systems, of internal fiscal and administrative controls which shall provide assurance that funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation.

Authority personnel indicated that the lack of proper expenditure reconciliation was due to turnover and lack of training.

A lack of internal controls increases the likelihood that an improper expenditure error, irregularity, or misappropriation of funds could occur and would not be found in the normal course of business. (Finding Code No. 08-6)

RECOMMENDATION

We recommend the Authority reassess the general ledger classification structure to be more conducive to reconciliation with Comptroller reports. If vouchers for the same detail object code are classified under different accounts in the general ledger, the reconciliation by detail object code would allow errors to be found and corrected appropriately.

AUTHORITY RESPONSE

Authority Agrees: The Authority will reclass the general ledger structure to be more conducive to reconciliation with the Comptroller reports.

State of Illinois—East St. Louis Financial Advisory Authority
SCHEDULE OF FINDINGS
CURRENT FINDINGS – State Compliance *(Continued)*
For the Two Years Ended June 30, 2008

08-7 Locally Held Funds in Excess of Federally Insured Limit

FINDING

The Authority had a locally held fund that was in excess of the Federally insured limit during the two years ended June 30th, 2008.

In September 2007, approximately \$3,000,000 of the Authority's U.S. Treasury Note investments matured, and in March 2008, the remaining balance of U.S. Treasury Notes was redeemed. None of these funds were reinvested into U.S. Treasury Notes. All money received from the U.S. Treasury Notes at redemption was placed into a money market account. At June 30, 2008, the Authority held \$6,384,690 in a money market account that was \$5,984,690 in excess of the Federally insured limit of \$400,000.

The Authority's Investment Policy states it will invest its locally held funds "in a manner which will ensure the safety of principal." In addition, The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) states that all state agencies shall establish and maintain a system or systems, of internal fiscal and administrative controls which shall provide assurance that funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation. Further, The State Officers and Employees Money Disposition Act (30 ILCS 230/2c) requires that a bond, pledged securities, or other eligible collateral be obtained whenever funds deposited with a bank or savings and loan association exceed the amount of Federal deposit insurance coverage.

Authority personnel stated they did not reinvest in U.S. Treasury Notes because interest rates were decreasing, causing U.S. Treasury Notes to sell at a premium.

Without appropriate insurance, the Authority's funds are at risk and would be vulnerable if the depositories were to fail. Subsequent to year-end, in September 2008, the Authority reinvested approximately \$6.4 million into United States Treasury Notes and Government Obligation mutual funds. The Authority did not incur any losses in connection with the uninsured funds. (Finding Code No. 08-7)

RECOMMENDATION

We recommend the Authority reduce its risk by obtaining collateral for the amounts in excess of federal insurance or invest in government backed obligations. If that is not feasible, then the locally held fund should be limited to the FDIC insured amount.

AUTHORITY RESPONSE

The Authority Strongly Agrees: The Authority will obtain collateral for the amounts in excess of federal insurance or invest in government backed obligations.

State of Illinois—East St. Louis Financial Advisory Authority
SCHEDULE OF FINDINGS
PRIOR FINDING NOT REPEATED
For the Two Years Ended June 30, 2008

A. Unauthorized Access to Bank Accounts

FINDING

During the prior period, the Authority's authorized check signers for its Locally Held Fund bank account included a former board member.

During the current period audit, we noted that the former board member in question had been removed as an authorized signer on the accounts, and was replaced with the current vice-chairperson. We also noted that the authorized signers at the end of each period are persons who were authorized to have such authority at that time.

STATUS

Implemented (Finding Code No. 06-2)

State of Illinois—East St. Louis Financial Advisory Authority
SCHEDULE OF FINDINGS
PRIOR FINDING NOT REPEATED
For the Two Years Ended June 30, 2008

B. Unused Off-Site Property

FINDING

During the prior period, Authority furniture and equipment items were being used by the City of East St. Louis.

During the current period audit, we noted that the Authority made the proper contacts, received the proper approvals, and officially transferred the property to the City of East St. Louis.

STATUS

Implemented (Finding Code No. 06-4)

State of Illinois—East St. Louis Financial Advisory Authority
SCHEDULE OF FINDINGS
PRIOR FINDING NOT REPEATED
For the Two Years Ended June 30, 2008

C. Quarterly Investment Reports Not Submitted to the Board

FINDING

During the prior period the Authority did not provide the Board of Directors with quarterly investment reports as required by the Authority's investment policy.

During the current period, we noted the Authority provides the Board of Directors with monthly bank and investment statements at each monthly meeting, and documents that in the board minutes.

STATUS

Implemented (Finding Code 06-5)

State of Illinois—East St. Louis Financial Advisory Authority
SCHEDULE OF FINDINGS
PRIOR FINDING NOT REPEATED
For the Two Years Ended June 30, 2008

D. Employee Termination and Re-hire Not Properly Administered or Documented

FINDING

During the prior period, the termination and subsequent rehire of an Authority employee was not properly administered or documented.

During the current period audit, we noted the Authority filed the appropriate paperwork with CMS in order to resolve the discrepant report in a letter from the Executive Director to CMS. There was action taken and the matter has been resolved. We also noted that during the current two year period, the Authority included all supporting documentation for changes in status in the personnel files and reported all subsequent terminations to the Department of CMS' State Payroll Division and Group Insurance Division within a timely basis.

STATUS

Implemented (Finding Code No. 06-6)

State of Illinois—East St. Louis Financial Advisory Authority
FINANCIAL STATEMENT REPORT
SUMMARY
For the Year Ended June 30, 2008

The audit of the accompanying basic financial statements of the State of Illinois- East St. Louis Financial Advisory Authority (Authority) was performed by Schorb & Schmersahl, LLC.

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

SUMMARY OF FINDINGS

The auditors identified matters involving the Authority's internal control over financial reporting that they considered to be significant deficiencies. The significant deficiencies are described in the accompanying Schedule of Findings on page 10 of this report, as finding 08-1, Inadequate Reconciliation of Investment Statements to General Ledger and finding 08-2, Inadequate Segregation of Duties.

Independent Auditors' Report

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying basic financial statements of the governmental activities of the State of Illinois – East St. Louis Financial Advisory Authority (the “Authority”) (see pages 24-27), a component unit of the State of Illinois, as of and for the year ended June 30, 2008, which collectively comprise the Authority’s basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority’s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note B, the financial statements of the Authority are intended to present the financial position and changes in financial position of only that portion of the governmental activities of the State that is attributable to the transactions of the Authority. They do not purport to, and do not, present fairly the financial position of the State of Illinois as of June 30, 2008, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the State of Illinois – East St. Louis Financial Advisory Authority, as of June 30, 2008, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 9, 2009 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the result of our audit.

The Authority has not presented a management's discussion and analysis and budgetary comparison information for the General Revenue Fund and Special Revenue Fund that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Illinois, East St. Louis Financial Advisory Authority's basic financial statements.



Columbia, Illinois
March 9, 2009

State of Illinois--East St. Louis Financial Advisory Authority
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2008

ASSETS

	General Revenue Fund	Corporate Savings Fund	Total Governmental Funds	Adjustments	Statement of Net Assets
CURRENT ASSETS					
Unexpended appropriations	\$2,495	\$ -	\$ 2,495	\$ -	\$ 2,495
Cash and cash equivalents	-	6,515,886	6,515,886	-	6,515,886
Accrued interest receivable	-	2,419	2,419	-	2,419
Capital assets, net	-	-	-	-	-
Total Assets	<u>\$2,495</u>	<u>\$6,518,305</u>	<u>\$6,520,800</u>	<u>\$ -</u>	<u>\$6,520,800</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES					
Accounts payable	\$2,495	\$ -	\$ 2,495	\$ -	\$ 2,495
NONCURRENT LIABILITIES					
Compensated absences	-	-	-	9,220	9,220
Total Liabilities	<u>2,495</u>	<u>-</u>	<u>2,495</u>	<u>9,220</u>	<u>11,715</u>
FUND BALANCE/NET ASSETS					
Unreserved	-	6,518,305	6,518,305	(6,518,305)	-
Invested in capital assets, net of related debt	-	-	-	-	-
Unrestricted	-	-	-	6,509,085	6,509,085
Total Fund Balance/Net Assets	<u>-</u>	<u>6,518,305</u>	<u>6,518,305</u>	<u>(9,220)</u>	<u>6,509,085</u>
Total Liabilities and Fund Balance	<u>\$2,495</u>	<u>\$6,518,305</u>	<u>\$6,520,800</u>	<u>\$ -</u>	<u>\$6,520,800</u>

The accompanying notes are an integral part of these financial statements.

State of Illinois--East St. Louis Financial Advisory Authority
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEETS TO STATEMENT OF NET ASSETS
June 30, 2008

Total Fund Balances - Governmental Funds	\$ 6,518,305
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Some liabilities reported in the Statement of Net Assets do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds. These activities consist of:	
Compensated absences	<u>(9,220)</u>
Net Assets of Governmental Activities	<u>\$ 6,509,085</u>

The accompanying notes are an integral part of these financial statements.

State of Illinois--East St. Louis Financial Advisory Authority
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL REVENUES,
 EXPENDITURES AND CHANGES IN NET ASSETS**

For the Year Ended June 30, 2008

	General Revenue Fund	Corporate Savings Fund	Total Governmental Funds	Adjustments	Statement of Activities
EXPENDITURES/EXPENSES					
Total operating expenses of the East St. Louis Financial Advisory Authority	\$ 216,358	\$ 11,878	\$ 228,236	\$ 2,666	\$ 230,902
	<u>-</u>	<u>225,837</u>	<u>225,837</u>	<u>-</u>	<u>225,837</u>
PROGRAM REVENUES					
Total interest and investment income	<u>216,358</u>	<u>-</u>	<u>216,358</u>		<u>216,358</u>
OTHER SOURCES					
Total appropriations from State resources	-	213,959	213,959	(\$ 2,666)	211,293
Increase in Fund Balance/Net Assets	<u>-</u>	<u>6,304,346</u>	<u>6,304,346</u>		<u>6,297,792</u>
FUND BALANCE/NET ASSETS, June 30, 2007					
	<u>\$ -</u>	<u>\$ 6,518,305</u>	<u>\$ 6,518,305</u>		<u>\$ 6,509,085</u>

The accompanying notes are an integral part of these financial statements.

State of Illinois--East St. Louis Financial Advisory Authority
RECONCILIATION OF STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN NET ASSETS OF
GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
For the Year Ended June, 30 2008

Net Change in Fund Balances \$ 213,959

Amounts reported for governmental activities in the Statement
of Activities are different because:

Some expenses reported in the Statement of Activities do not require
the use of current financial resources, and thus, are not reported as
expenditures in governmental funds. These activities consist of:

Compensated absences (2,666)

Changes in Net Assets of Governmental Activities \$ 211,293

The accompanying notes are an integral part of these financial statements.

State Of Illinois—East St. Louis Financial Advisory Authority
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

A. **ORGANIZATION**

The East St. Louis Financial Advisory Authority (Authority) was established by provisions of the Financially Distressed City Law (65 ILCS 5/8-12-5). The Authority was created to provide a secure financial basis for and to furnish assistance to the City of East St. Louis (City). The governing body of the Authority consists of five (5) Directors. The Directors are appointed by the Governor, with the advice and consent of the Senate.

B. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as prescribed by Governmental Accounting Standards Board (GASB). To facilitate the understanding of data included in the financial statements, summarized below are the more significant accounting policies.

Financial Reporting Entity

As defined by GAAP, the financial reporting entity consists of a primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as:

- 1) Appointment of a voting majority of the component unit's board and either (a) the primary government's ability to impose its will, or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or
- 2) Fiscal dependency on the primary government.

Based upon the required criteria, the Authority is a discretely determined component unit of the State of Illinois' reporting entity. The State of Illinois' Comprehensive Annual Financial Report (CAFR) further describes the State's reporting entity and may be obtained by writing to the State Comptroller's Office, Financial Reporting Department, 325 West Adams Street, Springfield, Illinois 62704-1871.

Basis of Presentation

The financial activities of the Authority are reported as a discretely presented component unit in the State of Illinois' CAFR. For its reporting purposes, the Authority has combined the fund and government-wide financial statements using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column. A brief description of the Authority's government-wide and fund financial statements is as follows:

State Of Illinois—East St. Louis Financial Advisory Authority
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008
(Continued)

B. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Basis of Presentation (Continued)

Government-wide Statements: The government-wide statement of net assets and statement of activities report the overall financial activity of the Authority. Eliminations have been made to minimize the double counting of internal activities of the Authority. The financial activities of the Authority consist only of governmental activities, which are primarily supported by intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function (i.e. general government) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Authority's funds. Separate statements for each fund category are presented. The emphasis on fund financial statements is on a major governmental fund, each displayed in a separate column.

The Authority administers the following major governmental funds (or portions thereof in the case of shared funds—see note on page 30) of the State:

General—This is the State's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The Authority administers and accounts for general government services in the General Fund. Certain resources obtained from federal grants and used to support general governmental activities are accounted for in the General Fund consistent with applicable legal requirements.

Corporate Savings—This fund is used to account for repayments of State loan funds received from the City. Expenditures from this fund are made to support activities leading to a restructuring of the City's debt and to enhance earnings on public funds through investments.

Basis of Accounting

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

State Of Illinois—East St. Louis Financial Advisory Authority
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2008

(Continued)

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures are generally recorded when the liability is incurred, as under accrual accounting. However, principal and interest on general long-term debt, claims and judgments, and compensated absences are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Significant revenue sources which are susceptible to accrual include interest. All other revenue sources including miscellaneous revenues are considered to be measurable and available when cash is received.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of GASB.

Shared Fund Presentation

The financial statement presentation for the General Revenue Fund presents only the portion of the shared fund that can be directly attributed to the operations of the Authority. Financial statements for the total fund operations of the General Fund are presented in the State of Illinois' CAFR.

In presenting these financial statements, certain unique accounts are used for the presentation of shared funds. The following accounts are used in these financial statements to present the Authority's portion of shared funds:

Unexpended Appropriations

This "asset" account represents lapse period warrants issued between July and August annually in accordance with the Statewide Accounting Management System (SAMS) records plus any liabilities relating to obligations re-appropriated to the subsequent fiscal year.

Appropriations from State Resources

This "other financing source" account represents the final legally adopted appropriation according to SAMS records. The amounts reported are net of any re-appropriations to subsequent years and the difference between current and prior year liabilities for re-appropriated accounts. Re-appropriations reflect the State's realignment of the budgetary needs to the subsequent year and avoid double counting a portion of the appropriation in more than one fiscal year.

State Of Illinois—East St. Louis Financial Advisory Authority
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008
(Continued)

B. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Shared Fund Presentation (Continued)

Lapsed Appropriations

Lapsed appropriations are the legally adopted appropriations less net warrants issued for the 14-month period from July to August of the following year and re-appropriations to subsequent years according to SAMS records.

Cash and Cash Equivalents

Cash and cash equivalents at the Authority consist of cash held in banks for locally held funds, and funds held in a bank deposit program by the Authority's broker.

Investments

Investments are stated at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in the unrealized gains (loss) on the carrying value of the investments are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in Net Assets.

Compensated Absences

The liability for compensated absences reported in the government-wide financial statements consists of unpaid, accumulated vacation and sick leave balances for employees of the Authority. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. The liability has been calculated based on the employees' current salary level and includes salary related costs.

Legislation that became effective January 1, 1998 capped the paid sick leave for all State Employees' Retirement System members at December 31, 1997. Employees continue to accrue twelve (12) sick days per year, but will not receive monetary compensation for any additional time earned after December 31, 1997. Sick days earned between 1984 and December 31, 1997 (with a 50% cash value) would only be used after all days with no cash value are depleted. Any sick days earned and unused after December 31, 1997 will be converted to service times for purposes of calculating employee pension benefits.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported at cost or estimated historical cost based on appraisals. Contributed assets are reported at estimated fair value at the time received. Capital assets are depreciated using the straight-line method.

State Of Illinois—East St. Louis Financial Advisory Authority
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008
(Continued)

B. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Capital Assets (Continued)

Capitalization thresholds and the estimated useful lives are as follows:

<u>Capital asset category</u>	<u>Capitalization threshold</u>	<u>Estimated useful life</u>
Equipment	\$5,000	3 – 6

Fund Balances

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for specific purposes. Designations of fund balances represent tentative State plans that are subject to change.

Net Assets

In the government-wide financial statements, equity is displayed in three components as follows:

Invested in Capital Assets, Net of Related Debt—This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted—This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the State's policy to use restricted resources first, then unrestricted resources when they are needed.

Unrestricted—This consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Classification of Revenues and Expenses

The Authority has classified its revenues and expenses as either operating or non-operating revenues and expenses according to the following criteria:

Operating Revenues and Expenses—These include expense activities that have the characteristics of exchange transactions, such as salaries and commodities, along with revenue from the State's funding of these activities. These activities are principally recorded in the General Revenue Fund.

State Of Illinois—East St. Louis Financial Advisory Authority
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008
(Continued)

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification of Revenues and Expenses (Continued)

Non-Operating Revenues and Expenses—These include activities that have the characteristics of non-exchange transactions and other revenue sources that are defined as non-operating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Government Entities That Use Proprietary Fund Accounting*, and GASB No. 34, such as investment income. These activities are recorded in the Corporate Savings Fund.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

C. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents

The State Treasurer is the custodian of the State's cash and cash equivalents for funds maintained in the State Treasury. The Authority independently manages cash and cash equivalents maintained outside of the State Treasury.

Cash on deposit for locally held funds had both a carrying amount and bank balance of \$131,196 at June 30, 2008. Of the total bank balance, \$100,000 was insured through the Federal Depository Insurance Corporation (FDIC). The remaining \$31,196 was uninsured and uncollateralized. In addition, the Authority had \$6,384,690 in a governmental trust with its broker at June 30, 2008. Of the total balance in the trust, \$300,000 was insured by the FDIC, with the remaining \$6,084,690 being uninsured and uncollateralized.

Subsequent to year-end, in September 2008, the Authority reinvested approximately \$6.4 million into United States Treasury Notes and Government Obligation mutual funds.

Investments

It is the policy of the Authority to invest its "locally held funds" in a manner which will: (a) ensure the safety of principal; (b) provide the highest investment return using authorized investment instruments; and (c) manage liquidity to pay Authority obligations, as required; all in conformance with the Illinois Public Funds Investment Act (30 ILCS 235).

State Of Illinois—East St. Louis Financial Advisory Authority
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2008
 (Continued)

C. **CASH AND CASH EQUIVALENTS AND INVESTMENTS** (Continued)

Investments (Continued)

The Act authorizes public agencies, including the State of Illinois Primary Government and State its Component Units, to engage in a wide variety of investment activities. These include bonds, notes, certificates of indebtedness, treasury bills, or other securities now or hereafter issued, which are guaranteed by the full faith and credit of the United States of America as to principal and interest. However, the statute requires that securities purchased shall mature or be redeemable prior to the date when they will be required for expenditure.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority does not have a policy that specifically defines and addresses interest rate risk.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to a debt instrument will not fulfill its obligations. The Authority does not have a policy that specifically defines and addresses credit risk.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the concentration of an entity’s investment in a single issuer.

At June 30, 2008, the Authority had no outstanding investments.

D. **CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2008 was as follows:

	Balance July 01, 2007	Additions	Deletions	Net Transfers	Balance June 30, 2008
Capital Assets Being Depreciated: Equipment	\$6,904	\$ -	\$6,904	\$ -	\$ -
Less: Accumulated Depreciation: Equipment	6,904	-	6,904	-	-
Total Capital Assets Being Depreciated, Net	\$ -	\$ -	\$ -	\$ -	\$ -

E. **PENSION PLAN**

Substantially all of the Authority’s full-time employees who are not eligible for participation in another state-sponsored retirement plan participate in the State Employees’ Retirement System (SERS), which is a pension trust fund in the State of Illinois reporting entity. The SERS is a single-employer defined benefit public employee retirement system (PERS) in which State employees participate, except those covered by the State Universities, Teachers’, General Assembly, and Judges’ Retirement Systems. The financial position and results of operation of the SERS for fiscal year 2008 are included in the State of Illinois’ Comprehensive Annual Financial Report for the year ended June 30, 2008. The SERS issues a separate CAFR that may be obtained by writing to the SERS, 2101 South Veterans Parkway, Springfield, Illinois, 62794-9255.

State Of Illinois—East St. Louis Financial Advisory Authority
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008
(Continued)

E. **PENSION PLAN** *(Continued)*

A summary of SERS benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established are included as an integral part of the SERS' CAFR. Also included is a discussion of employer and employee obligations to contribute and the authority under which those obligations are established.

The Authority pays employer retirement contributions based on an actuarially determined percentage of their payrolls. For fiscal year 2008, the employer contribution rate was 16.561%. Effective for pay periods beginning after December 31, 1991, the State opted to pay the employee portion of retirement for most State agencies (including the Authority) with employees covered by the State Employees' and Teachers' Retirement Systems. Generally, this "pickup" of employee retirement was part of the fiscal year 2008 budget process. The pickup is subject to sufficient annual appropriations and those employees covered may vary across employee groups and State agencies.

F. **POST-EMPLOYMENT BENEFITS**

The State provides health, dental and life insurance benefits for certain retirees and their dependents. Substantially all State employees become eligible for post-employment benefits if they eventually become annuitants of one of the State sponsored pension plans. Health and dental benefits include basic benefits for annuitants under the State's self-insurance plan and insurance contracts currently in force. Life insurance benefits are limited to \$5,000 per annuitant age 60 and older.

Costs incurred for health, dental, and life insurance for annuitants and their dependents were not separated from benefits provided to active employees and their dependents for the year ended June 30, 2008. However, post-employment costs for the State as a whole for all State agencies/departments for dependent health, dental and life insurance for annuitants and their dependents are disclosed in the Illinois Comprehensive Annual Financial Report for the State. Cost information for retirees by individual State agency is not available. Payments are made on a "pay-as-you-go" basis.

G. **RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; workers compensation and natural disasters. The State retains the risk of loss (i.e. self-insured) for these risks.

The Authority's risk management activities are financed through appropriations to the Illinois Department of Central Management Services and are accounted for in the General Fund of the State. The claims are not considered to be a liability of the Authority; and accordingly, have not been reported in the Authority's financial statements for the year ended June 30, 2008.

State Of Illinois—East St. Louis Financial Advisory Authority
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008
(Continued)

H. **INTEREST REVENUE**

Interest revenue is composed of the following amounts:

Interest earned on Corporate Savings Fund (1302)	\$ 625
Investment earnings	<u>225,212</u>
Total Interest and Investment Income	<u>\$225,837</u>

I. **LEASE**

The Authority leases office space from the State of Illinois in the Kenneth Hall State Regional Office Building in East St. Louis.

Rent expense for office space was \$0 for the year ended June 30, 2008. No in-kind revenue or expense has been recorded for this item.

J. **SUBSEQUENT EVENTS**

Subsequent to year-end, the credit and liquidity crisis in the United States and throughout the global financial system has resulted in substantial volatility in financial markets and the banking system. These and other economic events have had a significant adverse impact on investment portfolios. Since the Authority's investments are in cash and money market funds, this situation has had minimal effect on the entity's financial position.

State Of Illinois—East St. Louis Financial Advisory Authority
SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES
SUMMARY
For the Two Years Ended June 30, 2008

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

- Fiscal Schedules and Analysis:

- Schedule of Appropriations, Expenditures, and Lapsed Balances
- Comparative Schedule of Net Appropriations, Expenditures, and Lapsed Balances
- Comparative Schedule of Locally-Held Funds (Accrual Basis)
- Schedule of Changes in State Property
- Explanation of Significant Variations in Expenditures
- Analysis of Significant Lapse Period Spending
- Analysis of Significant Account Balances

- Analysis of Operations:

- Authority Functions and Planning Program
- Average Number of Employees
- Loan Agreement
- Locally Held Funds
- Emergency Purchases
- Illinois First Projects
- Service Efforts and Accomplishments (Unaudited)

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

State Of Illinois—East St. Louis Financial Advisory Authority
 SCHEDULE OF APPROPRIATIONS, EXPENDITURES
 AND LAPSED BALANCES
 Appropriations for Fiscal Year 2008
 Fourteen Months Ended August 31, 2008

<u>Public Act 95-0348</u>	Appropriations (Net After Transfers)	Expenditures Through 6/30/2008	Lapse Period Expenditures 7/1-8/31/2008	Total Expenditures	Balances Lapsed
Appropriated funds:					
General Revenue Fund - 001					
Operating expenses of the East St. Louis Financial Advisory Authority					
	\$240,000	\$213,863	\$2,495	\$216,358	\$23,642
Grand Total – All Funds	\$240,000	\$213,863	\$2,495	\$216,358	\$23,642

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

State Of Illinois—East St. Louis Financial Advisory Authority
 SCHEDULE OF APPROPRIATIONS, EXPENDITURES
 AND LAPSED BALANCES

(Continued)

Appropriations for Fiscal Year 2007
 Fourteen Months Ended August 31, 2007

Public Act 94-798	Appropriations (Net After Transfers)	Expenditures Through 6/30/2007	Lapse Period Expenditures 7/1-8/31/2007	Total Expenditures	Balances Lapsed
Appropriated funds:					
General Revenue Fund - 001					
Operating expenses of the East St. Louis Financial Advisory Authority					
	\$240,000	\$231,859	\$5,592	\$237,451	\$2,549
Grand Total – All Funds	\$240,000	\$231,859	\$5,592	\$237,451	\$2,549

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

State Of Illinois—East St. Louis Financial Advisory Authority
 COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,
 EXPENDITURES AND LAPSED BALANCES
 For the Years Ended June 30, 2008, 2007, and 2006

<u>General Revenue Fund – 001</u>	<u>2008</u> <u>PA 95-0348</u>	<u>2007</u> <u>PA 94-798</u>	<u>2006</u> <u>PA 94-0015</u>
Appropriations (net after transfers)	\$240,000	\$240,000	\$220,000
Expenditures			
Operating expenses of the East St. Louis Financial Advisory Authority	<u>216,358</u>	<u>237,451</u>	<u>210,247</u>
Total Expenditures	<u>216,358</u>	<u>237,451</u>	<u>210,247</u>
Total Lapsed Balances	<u>\$ 23,642</u>	<u>\$ 2,549</u>	<u>\$ 9,753</u>

State Of Illinois—East St. Louis Financial Advisory Authority
 COMPARATIVE SCHEDULE OF LOCALLY-HELD FUNDS
 (ACCRUAL BASIS)
 For the Years Ended June 30, 2008, 2007, and 2006

<u>Corporate Savings Fund - 1302</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Balance, July 1	\$6,304,346	\$6,047,220	\$5,833,561
Interest and investment income	<u>225,837</u>	<u>269,540</u>	<u>214,099</u>
Total Revenues	<u>225,837</u>	<u>269,540</u>	<u>214,099</u>
Contractual services	<u>11,878</u>	<u>12,414</u>	<u>440</u>
Total Expenditures	<u>11,878</u>	<u>12,414</u>	<u>440</u>
Balance, June 30	<u><u>\$6,518,305</u></u>	<u><u>\$6,304,346</u></u>	<u><u>\$6,047,220</u></u>

State Of Illinois—East St. Louis Financial Advisory Authority
 SCHEDULE OF CHANGES IN STATE PROPERTY
 For the Years Ended June 30, 2008 and 2007

Beginning Balance, July 1, 2006	\$87,457
Additions	3,589
Deletions	<u>25,207</u>
Net transfers	(<u>7,812</u>)
Ending Balance, June 30, 2007	<u>\$58,027</u>
Beginning Balance, July 1, 2007	\$58,027
Additions	13,455
Deletions	<u>11,902</u>
Net transfers	<u>-</u>
Ending Balance, June 30, 2008	<u>\$59,580</u>

Note: Information was obtained from Authority records and reconciled to property reports submitted to the Office of the Comptroller.

State Of Illinois—East St. Louis Financial Advisory Authority
EXPLANATION OF SIGNIFICANT VARIATIONS IN EXPENDITURES
For the Years Ended June 30, 2008, 2007, and 2006

<u>General Revenue Fund - 001</u>	Fiscal Year		
	2008	2007	2006
Personal services	\$158,873	\$200,074	\$184,894
Contractual services	44,510	27,208	14,651
Travel	4,962	2,628	2,701
Commodities	5,694	3,204	4,099
Printing	193	90	1,078
Equipment	-	324	-
Electronic data processing	-	67	-
Telecommunications	2,126	3,856	2,824
Total General Revenue Fund Expenditures	<u>216,358</u>	<u>237,451</u>	<u>210,247</u>
 <u>Corporate Savings Fund - 1302</u>			
Total Corporate Savings Fund Expenditures	<u>11,878</u>	<u>12,414</u>	<u>440</u>
Total Expenditures – All Funds	<u>\$228,236</u>	<u>\$249,865</u>	<u>\$210,687</u>

Scope: GRF (001): Variances > \$5,000 and 20%
CSF (1302): Variances > \$40,000 and 20%

The increase in contractual services from 2006 to 2007 is partially the result of the costs incurred to move the new Executive Director to East Saint Louis. Also, legal fees related to a lawsuit brought against the Authority near the end of the fiscal year accounts for the rest of the increase.

The decrease in personal services from 2007 to 2008 is due to the fact the Authority was not fully staffed during a large portion of 2008. The Authority used temporary staff to accomplish the day-to-day requirements, which accounts for most of the increase in contractual services from 2007 to 2008. At June 30, 2008, the Authority was again fully staffed.

State Of Illinois—East St. Louis Financial Advisory Authority
 ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING
 For the Years Ended June 30, 2008 and 2007

Description	Fiscal Year 2008			
	Expenditures Through 6/30/2008	Lapse Period Expenditures	Total Expenditures	Percentage of Total
Personal services	\$158,873	\$ -	\$158,873	0%
Contractual services	43,441	1,069	44,510	2%
Travel	4,962	-	4,962	0%
Commodities	4,585	1,109	5,694	19%
Printing	-	193	193	100% ^A
Equipment	-	-	-	0%
Electronic data processing	-	-	-	0%
Telecommunications	2,002	124	2,126	6%
Total	\$213,863	\$2,495	\$216,358	1%

Description	Fiscal Year 2007			
	Expenditures Through 6/30/2007	Lapse Period Expenditures	Total Expenditures	Percentage of Total
Personal services	\$200,074	\$ -	\$200,074	0%
Contractual services	22,472	4,736	27,208	17%
Travel	2,628	-	2,628	0%
Commodities	3,064	140	3,204	4%
Printing	90	-	90	0%
Equipment	324	-	324	0%
Electronic data processing	67	-	67	0%
Telecommunications	3,140	716	3,856	19%
Total	\$231,859	\$ 5,592	\$237,451	2%

SCOPE: 20%

(A) The fiscal year 2008 lapse period printing expenditures represent stationary purchased in June 2008.

State Of Illinois—East St. Louis Financial Advisory Authority
 ANALYSIS OF SIGNIFICANT ACCOUNT BALANCES
 For the Years Ended June 30, 2008 and 2007

	June 30,		Increase/ (Decrease)
	2008	2007	
Corporate Savings Fund:			
Cash and cash equivalents	\$6,515,886	\$ 351,073	\$6,164,813 ⁽¹⁾
Investments	-	5,953,273	(5,953,273) ⁽¹⁾

Scope: Variance > 20%

(1) The increase in cash and cash equivalents and decrease in investments is due to the fact that in March of 2008, the Authority's final US Treasury Notes matured. All funds that were previously used for Treasury Notes were then placed into a money market savings account.

State Of Illinois—East St. Louis Financial Advisory Authority
ANALYSIS OF SIGNIFICANT ACCOUNT BALANCES

(Continued)

For the Years Ended June 30, 2008 and 2007

	June 30,		Increase/ (Decrease)
	2007	2006	
Corporate Savings Fund:			
Cash and cash equivalents	\$ 351,073	\$ 249,903	\$101,170 ⁽²⁾
Investments	5,953,273	5,797,697	155,576

Scope: Variance > 20%

- (2) The increase in cash and cash equivalents is primarily due to interest received during the year on balances in a money market account.

State Of Illinois—East St. Louis Financial Advisory Authority
ANALYSIS OF OPERATIONS
For the Two Years Ended June 30, 2008

INTRODUCTION

During the audit period, the State of Illinois – East St. Louis Financial Advisory Authority (Authority) received two lump sum appropriations (one for each fiscal year) from the General Revenue Fund to provide for the operating expenses of the Authority.

AUTHORITY FUNCTIONS AND PLANNING PROGRAM

The State of Illinois, East St. Louis Financial Advisory Authority (Authority) was established on August 30, 1990. The purpose of the Authority is to provide a secure financial basis for and to furnish assistance to the City of East St. Louis (City). The Authority issued a loan of \$3,795,000 to the City in Fiscal Year 1991, allowing the City to provide basic municipal services and meet its obligations to creditors.

The Authority has statutory powers to:

- Provide for its organizations and internal management,
- Make rules and regulations governing the use of property and facilities,
- Make and execute contracts, leases, and other instruments or agreements necessary or convenient for the exercise of its powers,
- Approve all loans, grants, or other financial aid from any State agency to the City,
- Appoint officers, agents, and employees of the Authority,
- Engage the services of consultants for rendering professional and technical assistance and advice on matters within the Authority's power,
- Pay the expenses of operations, and
- Determine the terms and conditions of any loans made to the City.

The Authority is made up of a governing board of five Directors appointed by the Governor, with the advice and consult of the Senate, with one serving as the Authority Chairperson. The Directors serve without compensation. The Directors are appointed to hold office for a term of three years and until his or her successor has been appointed. The members of the Board of Directors at June 30, 2008 were

- Dr. Katie H. Wright, Vice Chairperson
- Otis Cowan
- Anthony "Tony" Grant
- Jacqueline R. Settles
- Chairperson Position is Vacant

The City is required to develop and adopt budgets and financial plans annually and during interim periods as directed by the Authority. The Authority has the power to approve or reject any budgets, financial plans, or contracts that are inconsistent with the budget or financial plan of the City.

State Of Illinois—East St. Louis Financial Advisory Authority
ANALYSIS OF OPERATIONS
For the Two Years Ended June 30, 2008
(Continued)

AUTHORITY FUNCTIONS AND PLANNING PROGRAM (Continued)

The Authority's Executive Director was W. Kenneth Gearhart from September 1, 1998 until October 31, 2006 and Melinda Carlton from November 1, 2006 until October 3, 2007. Patrice Rencher assumed the Executive Director duties on October 4, 2007. The Executive Director's duties include having signature authority for all expenditures made from the proceeds of any State loans, advising the City on preparation of a financial plan and budget, and monitoring expenditures of the City. The Authority had a contract with R. Bruce Patterson to serve as the Authority's Legal Counsel that was effective until November 2005. This position remained vacant until filled by Mr. Robert Bassett effective May 16, 2007.

Planning Program

The Authority has developed a planning document that includes long-term and short-term goals. The long-term goals developed by the Authority include:

- To change the method of approving City expenditures,
- To analyze the long-term impact on financial recovery of having the entire city included in a TIF district,
- To develop a role in the City's effectiveness and productivity improvements, and
- To develop a role in the development of a comprehensive recovery plan for the City.

The Authority also established several short-term goals to assist in fulfilling its long-term objectives. Short-term goals are reviewed annually by the Authority. The Authority's short-term goals are to:

- Make a determination about the City's FY2006 audit;
- Monitor and report on the condition of the City's 2008 Budget;
- Monitor the status of TIF funding and obligations;
- Monitor City compliance with the Three-Year Financial Plan.

These goals are monitored through meetings held by the Authority. By reviewing the goals annually, the Authority is able to focus on areas that will enable it to more effectively carry out its statutorily mandated functions.

Auditor's Assessment of Planning Program

During the audit period, the Authority maintained an adequate planning program.

State Of Illinois—East St. Louis Financial Advisory Authority
 ANALYSIS OF OPERATIONS
 For the Two Years Ended June 30, 2008
 (Continued)

AUTHORITY FUNCTIONS AND PLANNING PROGRAM (Continued)

Authority Location and Management

- Chairperson: VACANT

- Executive Director: W. Kenneth Gearhart (retired October 31, 2006)
 Executive Director: Melinda Carlton (November 1, 2006 – October 3, 2007)
 Executive Director: Patrice Rencher (effective October 4, 2007)

- Address: East St. Louis Financial Advisory Authority
 Kenneth Hall State Regional Office Building
 10 Collinsville Avenue
 Suite 202
 East St. Louis, Illinois 62201

AVERAGE NUMBER OF EMPLOYEES

The following information was prepared from the Authority's records and presents the average number of Authority and contractual employees for the fiscal year ended June 30,

	2008	2007	2006
Payroll Employees	2	3	3
Contractual Employees	1	1	0
Total Employees	3	4	3

The Authority began utilizing the State of Illinois Central Payroll System in FY1996. All Authority employees, excluding Legal Counsel, are payroll employees.

During FY2007 and FY2008, the Authority's governing board consisted of four Directors appointed by the Governor, who served without compensation. From May 16, 2007 to the present, the Authority also contracted for legal services necessary to assist in the affairs of the Authority. From December 2005 to May 2007, the legal position was vacant.

LOAN AGREEMENT

The Authority loaned a total of \$3,795,000 to the City of East St. Louis (City) during FY1991. The loan agreement required the City to make quarterly loan repayments beginning in FY1994. The Authority's governing legislation was amended in FY1995 to allow the Authority to use loan repayment funds to assist with the restructuring of the City's debt. The Authority pledged the first two loan payments to assist the City in obtaining financing to purchase fire-fighting equipment. During FY1996, the City fulfilled the terms of the loan and the provisional payments pledged by the Authority were released. The provisional payments have been applied against the loan principal. This loan was paid in full as of July 2003.

State Of Illinois—East St. Louis Financial Advisory Authority
ANALYSIS OF OPERATIONS
For the Two Years Ended June 30, 2008
(Continued)

LOCALLY HELD FUNDS

The Financially Distressed City Law (65 ILCS 5/8-12-6(c)) was amended in FY1995 to enable the Authority to deposit loan repayment funds received from the City into a revolving fund under the control of the Authority. These monies can be used by the Authority to support activities leading to the restructuring of the City's debt, and may be pledged as security for any new debt incurred by the City. The Authority held loan repayment monies in one locally held fund. The Corporate Savings Fund (1302) was administered by the Authority throughout FY2007 and FY2008.

Corporate Savings Fund (1302)

The Corporate Savings Fund was established to account for repayments of State loan funds received from the City and to support activities leading to a restructuring of the City's debt.

The roll forward schedules for the Authority's Locally Held Fund for the two fiscal years ended June 30, 2008 are presented on page 41 of this report.

EMERGENCY PURCHASES

The Authority did not engage in any emergency purchases during the audit period.

ILLINOIS FIRST PROJECTS

The Authority did not have any Illinois First Projects funded during the audit period.

SERVICE EFFORTS AND ACCOMPLISHMENTS (Unaudited)

The East St. Louis Financial Advisory Authority has been a central component in many positive developments for the City of East St. Louis (City); many times, it has been the prime motivator in the accomplishments. It has assisted in:

- Implementing a \$3,795,000 state loan to the City in 1991 and 1992 which was paid back in 2003, two years early.
- Restoring withheld IDOT Motor Fuel Tax (MFT) payments in 1991 by entering into an agreement for the City to repay \$2,885,142 in misused MFT funds. The monies were repaid in 2003, three years early.
- Establishing a riverboat gambling casino in 1993.
- Expanding the riverboat gambling casino and hotel through TIF revenue bonds in 1999.
- Restructuring the City's debt and liabilities in 1994 through the issuance of \$21,435,000 in Debt Restructuring Revenue Bonds and refunding the refundable portion in 2003.

State Of Illinois—East St. Louis Financial Advisory Authority
ANALYSIS OF OPERATIONS
For the Two Years Ended June 30, 2008
(Continued)

SERVICE EFFORTS AND ACCOMPLISHMENTS (Unaudited) (Continued)

- Designing a new Financial Management System (FMS) in 1999 and participating in monthly reviews of its performance.
- Hiring a Financial Management System Contractor in 2000 to manage, operate and maintain the FMS and participating in monthly meetings regarding performance and outcomes.
- Hiring a TIF consultant in 2003 to prepare options and recommendations for revisiting the City-wide TIF program to help reduce inordinately high property taxes.
- Initiating a self-insurance program and establishing appropriate self-insurance cash reserves.
- Initiating an internal control audit of the City's FMS in 2004, and
- Resolving accounting and budget problems and issues including advising on how to balance the budgets. The Authority approves the City's annual budget, annual Three-Year Financial Plan and contracts, purchase orders and personnel actions. The Authority serves as a source of managerial and financial expertise and advice to City management.