

**STATE OF ILLINOIS
SOUTHWESTERN ILLINOIS DEVELOPMENT AUTHORITY
SPECIAL LIMITED SCOPE COMPLIANCE EXAMINATION**

For the Two Years Ended June 30, 2006

**SOUTHWESTERN ILLINOIS DEVELOPMENT AUTHORITY
SPECIAL LIMITED SCOPE COMPLIANCE EXAMINATION
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AGENCY OFFICIALS

SOUTHWESTERN ILLINOIS DEVELOPMENT AUTHORITY

Executive Director (August 1, 2004 to Present)
(July 1, 2004 to July 31, 2004)

Mr. Michael Lundy
Mr. Joe Gasparich, Acting

Assistant Director

Mr. Joe Gasparich

Authority office is located at:

1022 Eastport Plaza Drive
Collinsville, IL 62234



MANAGEMENT ASSERTION LETTER

Office of the Auditor General
Illes Park Plaza
740 East Ash
Springfield, Illinois
62703-3154

October 11, 2006

Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grants that could have a material effect on the operations of the Authority. We are responsible for, and we have established and maintained an effective system of, internal controls over compliance requirements. We have performed an evaluation of the Authority's compliance with the following assertions during the two-year period ended June 30, 2006. Based on this evaluation, we assert that during the year(s) ended June 30, 2005 and June 30, 2006, the Authority has materially complied with the assertions below.

- A. The Authority has expended public funds of the State in accordance with the purpose for which such funds have been appropriated.
- B. The Authority has submitted its annual certifications of debt service requirements to the Governor of Illinois as required by law.

Yours very truly,

Southwestern Illinois Development Authority



Mike Lundy, Executive Director

COMPLIANCE REPORT

SUMMARY

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

ACCOUNTANTS' REPORT

The Independent Accountants' Report on Special Limited State Compliance Testing, and on Supplementary Information for State Compliance Purposes did 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	0	0
Repeated findings	0	0
Prior recommendations implemented or not repeated	0	0

There were no findings noted in our testing which are required to be included in the report.

EXIT CONFERENCE

Authority management waived a formal exit conference in correspondence dated March 2, 2007.

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OFFICE OF THE AUDITOR GENERAL
WILLIAM G. HOLLAND

**INDEPENDENT ACCOUNTANTS' REPORT ON SPECIAL LIMITED STATE
COMPLIANCE TESTING, AND ON SUPPLEMENTARY INFORMATION
FOR STATE COMPLIANCE PURPOSES**

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

We have examined the Southwestern Illinois Development Authority's (Authority) compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General for the appropriations made by the Illinois General Assembly to the Authority from the General Revenue Fund (001) during the two years ended June 30, 2006. 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. Whether the Authority has expended public funds of the State in accordance with the purposes for which such funds have been appropriated.
- B. Whether the Authority has submitted its annual certifications of debt service requirements to the Governor of Illinois as required by law.

Our special limited scope compliance examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the applicable attestation standards which are set forth in 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 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.

Our special limited scope compliance examination was restricted to appropriations made by the Illinois General Assembly to the Authority from the General Revenue Fund and related expenditures.

In our opinion, the Authority complied, in all material respects, with the aforementioned requirements during the two years ended June 30, 2006. The results of our procedures disclosed no 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.

As required by the Audit Guide, immaterial findings relating to instances of noncompliance excluded from this report have been reported in a separate letter.

Supplementary Information for State Compliance Purposes

Our examination was conducted for the purpose of forming an opinion on compliance with the requirements listed in the first paragraph of this report. 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. We have applied certain limited procedures as prescribed by the Audit Guide, as adopted by the Auditor General, to the 2005 and the 2006 Supplementary Information for State Compliance Purposes. However, we do not express an opinion on the supplementary information.

We have not applied procedures to the 2004 Supplementary Information for State Compliance Purposes, and accordingly, we do not express an opinion thereon.

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



Bruce L. Bullard, CPA
Director of Financial and Compliance Audits

October 11, 2006

SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

SUMMARY

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

- Fiscal Schedules and Analysis:
 - Schedule of Appropriations, Expenditures and Lapsed Balances
 - Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances
- Report Comments

The auditors' report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states the auditors have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General, to the 2005 and the 2006 Supplementary Information for State Compliance Purposes. However, the auditors do not express an opinion on the supplementary information.

The auditors have not applied procedures to the 2004 Supplementary Information for State Compliance Purposes, and accordingly, do not express an opinion thereon.

STATE OF ILLINOIS
SOUTHWESTERN ILLINOIS DEVELOPMENT AUTHORITY
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
For the Fiscal Year Ended June 30, 2006

	Appropriations (Net of Transfers)	Lapse Period		Total Expenditures 14 Months Ended August 31	Balances Lapsed August 31
		Expenditures Through June 30	Expenditures July 1 to August 31		
P.A. 94-0015 FISCAL YEAR 2006					
GENERAL REVENUE FUND-001					
Replenishment of a Draw on the Debt Service Reserve Fund Backing Bonds Issued on Behalf of Spectralite Consortium Inc.	\$ 737,725	\$ 210,000	\$ 0	\$ 210,000	\$ 527,725
Replenishment of a Draw on the Debt Service Reserve Fund Backing Bonds Issued on Behalf of Waste Recovery - Illinois	\$ 360,715	\$ 344,824	\$ 0	\$ 344,824	\$ 15,891
Replenishment of a Draw on the Debt Service Reserve Fund Backing Bonds Issued on Behalf of Altron Center Business Park	\$ 1,950,000	\$ 1,450,000	\$ 0	\$ 1,450,000	\$ 500,000
Total Fiscal Year 2006	<u>\$ 3,048,440</u>	<u>\$ 2,004,824</u>	<u>\$ 0</u>	<u>\$ 2,004,824</u>	<u>\$ 1,043,616</u>

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

STATE OF ILLINOIS
SOUTHWESTERN ILLINOIS DEVELOPMENT AUTHORITY
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
For the Fiscal Year Ended June 30, 2005

	Appropriations (Net of Transfers)	Expenditures Through June 30	Lapse Period		Total Expenditures 14 Months Ended August 31	Balances Lapsed August 31
			Expenditures July 1 to August 31	Expenditures August 31		
P.A. 93-0842 FISCAL YEAR 2005						
GENERAL REVENUE FUND-001						
Replenishment of a Draw on the Debt Service Reserve Fund Backing Bonds Issued on Behalf of Spectralite Consortium Inc.	\$ 1,420,700	\$ 1,185,202	\$ 235,498	\$ 1,420,700	\$ 0	
Replenishment of a Draw on the Debt Service Reserve Fund Backing Bonds Issued on Behalf of Waste Recovery - Illinois	\$ 644,000	\$ 644,000	\$ 0	\$ 644,000	\$ 0	
Total Fiscal Year 2005	<u>\$ 2,064,700</u>	<u>\$ 1,829,202</u>	<u>\$ 235,498</u>	<u>\$ 2,064,700</u>	<u>\$ 0</u>	

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

STATE OF ILLINOIS
SOUTHWESTERN ILLINOIS DEVELOPMENT AUTHORITY
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
For the Fiscal Years Ended June 30,

	Fiscal Year		
	2006	2005	2004
<u>GENERAL REVENUE FUND-001</u>	<u>P.A. 94-0015</u>	<u>P.A. 93-0842</u>	<u>P.A. 93-0094</u>
Appropriations (Net of Transfers)	\$ 3,048,440	\$ 2,064,700	\$ 697,400
<u>Expenditures</u>			
Replenishment of a Draw on the Debt Service Reserve Fund Backing Bonds Issued on Behalf of Spectralite Consortium Inc.	\$ 210,000	\$ 1,420,700	\$ 232,700
Replenishment of a Draw on the Debt Service Reserve Fund Backing Bonds Issued on Behalf of Waste Recovery - Illinois	\$ 344,824	\$ 644,000	\$ 464,700
Replenishment of a Draw on the Debt Service Reserve Fund Backing Bonds Issued on Behalf of Alton Center Business Park	\$ 1,450,000	\$ 0	\$ 0
Total Expenditures	\$ 2,004,824	\$ 2,064,700	\$ 697,400
Lapsed Balances	\$ 1,043,616	\$ 0	\$ 0

STATE OF ILLINOIS
SOUTHWESTERN ILLINOIS DEVELOPMENT AUTHORITY
REPORT COMMENTS
For the Two Years Ended June 30, 2006

The Southwestern Illinois Development Authority (Authority) was established in September 1987 as a political subdivision, body politic and municipal corporation. The Authority's purpose is to promote development and to assist in the development, construction and acquisition of industrial, commercial, housing or residential projects within Madison, St. Clair, and Clinton counties and any navigable waters and air space located therein.

The Authority has the continuing power to issue bonds, notes, or other evidences of indebtedness for the purpose of developing, constructing, acquiring or improving projects, including those established by business entities locating or expanding property within the territorial jurisdiction of the Authority.

Proceeds of Authority issued revenue bonds are loaned to companies for the acquisition of land and construction of various facilities. These companies are primarily liable for repayment of the bonds, which are secured by Authority loan agreements with the companies. In a few instances, the State has accepted a moral obligation to repay the bonds in the event the companies are unable to meet the bond's repayment commitments.

On April 19, 1995, the Authority issued \$6,700,000 of Series 1995 Industrial Development Revenue Bonds on behalf of Spectrulite Consortium, Inc. On January 29, 2003, Spectrulite Consortium Inc. filed a petition for reorganization under Chapter 11 of the Bankruptcy Code. Subsequently, Spectrulite entered into a rental agreement, for which Authority management stated that the State's share of rental income applied to debt service payments was \$287,038 for fiscal year 2005 and \$273,725 for fiscal year 2006.

On August 1, 1998, the Authority issued \$2,895,000 of Series 1998 A Solid Waste Disposal Refunding Revenue Bonds on behalf of Waste Recovery-Illinois. On August 1, 2002, Waste Recovery-Illinois notified the Authority it had insufficient funds to make the current and future principal and interest payments on the bonds.

On May 4, 2000, the Authority issued \$11,548,000 of Series 2000 Taxable Private Activity Revenue Bonds on behalf of Alton Center Business Park. On September 24, 2004, Alton Center Business Park notified the Authority it had insufficient funds to make the current and future principal and interest payments on the bonds.

The Southwestern Illinois Development Act (70 ILCS 520/7(f)) states that if the Authority determines that its monies will not be sufficient for the payment of the principal and interest on its bonds, the Authority shall certify to the Governor the amount required in order to make such principal and interest payments. Additionally, in the event that payments are withdrawn from a debt service reserve fund for an Authority bond issue, the Authority shall certify to the Governor the amount required to restore the reserve fund to the required level. The Governor will then

submit the amounts to the General Assembly in order for the Authority to be appropriated monies for such purposes. As a result, the General Assembly made appropriations to the Authority in order to replenish draws on the debt service reserve fund backing bonds issued on behalf of Waste Recovery-Illinois, Spectrulite Consortium, Inc., and Alton Center Business Park.

During the examination period, the Authority paid all State appropriations to the debt service reserve fund. The trustee transferred funds from the debt service reserve fund as necessary to meet debt service requirements.