



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

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

SOUTHWESTERN ILLINOIS DEVELOPMENT AUTHORITY

**SPECIAL LIMITED SCOPE COMPLIANCE
EXAMINATION**

For the Two Years Ended: June 30, 2010

Release Date: May 26, 2011

Summary of Findings:

Total this audit:	2
Total last audit:	1
Repeated from last audit:	1

INTRODUCTION

The Illinois General Assembly made appropriations to the Southwestern Illinois Development Authority to replenish draws on the debt service reserve fund backing bonds issued on behalf of Spectrulite Consortium Inc., Waste Recovery – Illinois, Alton Center Business Park, and Laclede Steel – Illinois. In accordance with the Illinois State Auditing Act (30 ILCS 5/3-1(a)), our special limited scope compliance examination was limited to these State appropriations and related payments and to \$250,000 of State funds granted by the Department of Commerce and Economic Opportunity subject to a State appropriation to the Authority for the Mid-America Medical District.

SYNOPSIS

- The Authority did not certify to the Governor the amounts required by the Authority to enable it to pay principal, interest, and to replenish the debt service reserve funds for its bonds for Fiscal Years 2011.
- The Authority's expenditures did not comply with the authorized uses in the appropriation bill.

**SOUTHWESTERN ILLINOIS DEVELOPMENT AUTHORITY
SPECIAL LIMITED SCOPE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2010**

EXPENDITURE STATISTICS	2010	2009	2008
Total Expenditures.....	\$ 2,568,707	\$ 2,767,210	\$ 3,091,957
OPERATIONS TOTAL.....	\$ 2,568,707	\$ 2,767,210	\$ 3,091,957
% of Total Expenditures.....	100.0%	100.0%	100.0%
Total Receipts.....	\$ -	\$ -	\$ 250,000

AGENCY DIRECTOR	
During Examination Period:	Michael Lundy, Executive Director
Currently:	Michael Lundy, Executive Director

FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS

**FAILURE TO SUBMIT REQUIRED CERTIFICATIONS
TO THE GOVERNOR**

**Three of 7 (43%) required
certifications were not submitted
to the Governor**

The Authority did not certify to the Governor the amounts required by the Authority to enable it to pay principal, interest, and to replenish the debt service reserve fund for its bonds for Fiscal Year 2011 as required by the Southwestern Illinois Development Authority Act (Act). We noted the Authority did not prepare and submit 3 of 7 (43%) required certifications to the Governor, certifying the amounts required to pay principal, interest, and reserve fund deficiencies for the bonds. (Finding 1, Pages 7-8)

We recommended the Authority's Chairman timely certify to the Governor the annual amounts required to pay the principal of and interest on its bonds, as well as amounts required to replenish the debt service reserve funds to the minimum balance, as required by the Act.

Authority agrees with auditors

Authority management agreed with the finding and recommendation.

**EXPENDITURES DID NOT COMPLY WITH
APPROPRIATION BILLS**

**Expenditures were not consistent
with the specific uses designated in
the appropriation bills**

The Authority made expenditures that did not comply with the authorized uses in the appropriation bills. The Appropriation Acts specifically stated the funds were to be used for the replenishment of draws on the debt service reserve fund backing bonds issued and related trustee and legal expenses.

We noted the following:

- Three of 20 (15%) vouchers tested, totaling \$600,000, were for principal and interest payments made on behalf of Alton Center Business Park. However, the appropriation, from which the Authority made the payments, states that the appropriated funds were to be used for the replenishment of a draw on the debt service reserve fund backing bonds issued on behalf of Alton Center Business Park.
- During Fiscal Years 2009 and 2010, the Authority expended appropriated funds totaling \$4,337,411 to trustees responsible for overseeing the Alton Center Business Park and Laclede Steel – Illinois bonds. According to the appropriation, the funds were for the replenishment of a draw on the debt service reserve fund backing bonds issued and related trustee and legal expenses. Only \$373,357 of the amounts paid to trustee and legal expenses as authorized. The

remainder was used to make debt service principal and interest payments.

Authority agrees with auditors

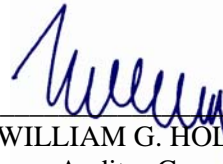
Authority management stated principal and interest payments were made as anticipated to avoid a default, and they were not aware that wording of the appropriation bill must be consistent with the specific use of the appropriations. (Finding 2, Pages 9-10)

We recommended the Authority work with the Governor's Office of Management and Budget to ensure future appropriations reflect the specific, anticipated use of State funds or seek a supplemental appropriation if needed to ensure expenditures from appropriated line items are used for the purpose for which they are appropriated.

Authority management agreed with the finding and recommendation.

AUDITORS' OPINION

We conducted a special limited scope compliance examination of appropriations made by the General Assembly to the Authority and related expenditures and the grant received from the Illinois Department of Commerce and Economic Opportunity subject to a State appropriation to the Authority for the Mid-America Medical District as authorized by the Illinois State Auditing Act.



WILLIAM G. HOLLAND
Auditor General²

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AUDITORS ASSIGNED

This examination was performed by staff of the Office of the Auditor General.