

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

**For the Two Years Ended June 30, 2004**

**SOUTHWESTERN ILLINOIS DEVELOPMENT AUTHORITY  
SPECIAL LIMITED SCOPE COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2004**

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**AGENCY OFFICIALS**

**SOUTHWESTERN ILLINOIS DEVELOPMENT AUTHORITY**

Executive Director (August 1, 2004 to Present)	Mr. Michael Lundy
Interim Executive Director (August 22, 2003 to July 31, 2004)	Mr. Joe Gasparich
Executive Director (July 1, 2002 to August 21, 2003)	Mr. Joe Behnken
Assistant Director	Mr. Joe Gasparich

Authority office is located at:

1022 Eastport Plaza Drive  
Collinsville, IL 62234



Members of the Board:  
Robert Lombardi, Chair  
Bruce Cook  
Robert Halsey  
Barbara Johnson  
James S. Nations  
Rudy McIntosh  
Robert L. Plummer  
Reggie Sparks  
Jim Sullivan

Serving the Counties of Clinton, Madison and St. Clair

Ex. Officio:  
Jack Lavin  
Michael M. Rumman

Executive Director:  
Michael J. Lundy

Assistant Director:  
Joe Gasparich

MANAGEMENT ASSERTION LETTER

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

September 16, 2004

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, 2004. Based on this evaluation, we assert that during the year(s) ended June 30, 2003 and June 30, 2004, 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,

Michael J. Lundy  
Executive Director  
SWIDA

Michael J. Lundy

## **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 a correspondence dated March 25, 2005.

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ILES PARK PLAZA  
740 EAST ASH • 62703-3154  
PHONE: 217/782-6046  
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CHICAGO OFFICE:  
MICHAEL A. BILANDIC BLDG. · SUITE S-900  
160 NORTH LASALLE · 60601-3103  
PHONE: 312/814-4000  
FAX: 312/814-4006

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, 2004. 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, 2004. 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.

There were no immaterial findings relating to instances of noncompliance that have been excluded from this report.

### **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 2003 and the 2004 Supplementary Information for State Compliance Purposes. However, we do not express an opinion on the supplementary information.

We have not applied procedures to the 2002 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  
Compliance Audit Director

September 16, 2004

## **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 accountants' report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states we have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General, to the 2003 and the 2004 Supplementary Information for State Compliance Purposes. However, we do not express an opinion on the supplementary information.

We have not applied procedures to the 2002 Supplementary Information for State Compliance Purposes, and accordingly, we 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, 2004

P.A. 93-0094  FISCAL YEAR 2004	Appropriations (Net of Transfers)	Voucher Expenditures Through June 30	Lapse Period Expenditures July 1 to August 31	Total Expenditures 14 Months Ended August 31	Balances Lapsed August 31
General Revenue Fund					
Replenishment of a Draw on the Debt Service Reserve Fund Backing Bonds Issued on Behalf of Spectrulite Consortium Inc.	\$ 232,700	\$ 232,700	\$ 0	\$ 232,700	\$ 0
Replenishment of a Draw on the Debt Service Reserve Fund Backing Bonds Issued on Behalf of Waste Recovery-Illinois	<u>\$ 464,700</u>	<u>\$ 464,700</u>	<u>\$ 0</u>	<u>\$ 464,700</u>	<u>\$ 0</u>
Total Fiscal Year 2004	<u><u>\$ 697,400</u></u>	<u><u>\$ 697,400</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 697,400</u></u>	<u><u>\$ 0</u></u>

Note: Appropriations, expenditures and lapsed balances were obtained from Agency records and 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		
	2004 <u>P.A. 93-0094</u>	2003 <u></u>	2002 <u>P.A. 92-0008</u>
<u>GENERAL REVENUE FUND - 001</u>			
<u>Appropriations (Net of Transfers)</u>	<u>\$ 697,400</u>	<u>\$ 0</u>	<u>\$ 1,696,164</u>
<u>Expenditures</u>			
Payment of Principal and Interest on Bonds Issued on Behalf of Laclede Steel	\$ 0	\$ 0	\$ 1,083,082
Replenishment of a Draw on the Debt Service Reserve Fund Backing Bonds Issued on Behalf of Laclede Steel	\$ 0	\$ 0	\$ 613,082
Replenishment of a Draw on the Debt Service Reserve Fund Backing Bonds Issued on Behalf of Spectrulite Consortium Inc.	\$ 232,700	\$ 0	\$ 0
Replenishment of a Draw on the Debt Service Reserve Fund Backing Bonds Issued on Behalf of Waste Recovery-Illinois	<u>\$ 464,700</u>	<u>\$ 0</u>	<u>\$ 0</u>
Total Expenditures	<u>\$ 697,400</u>	<u>\$ 0</u>	<u>\$ 1,696,164</u>
Lapsed Balances	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

**STATE OF ILLINOIS**  
**SOUTHWESTERN ILLINOIS DEVELOPMENT AUTHORITY**  
**REPORT COMMENTS**  
**For the Two Years Ended June 30, 2004**

The Southwestern Illinois Development Authority (Authority) was established in September 1987 as a political subdivision, body politic and municipal corporation to promote development and to assist in the development, construction and acquisition of industrial, commercial, housing or residential projects within Madison and St. Clair 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. The State has accepted a moral obligation to repay the bonds in the event the Authority and the companies are unable to meet the bond's repayment commitments.

On April 19, 1995, the Authority issued \$6,700,000 of 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.

On August 1, 1998, the Authority issued \$3,745,000 of 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.

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, in FY04 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 and Spectrulite Consortium, Inc. No appropriations were made to the Authority in FY03.

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.