

STATE OF ILLINOIS
UPPER ILLINOIS RIVER VALLEY DEVELOPMENT AUTHORITY
SPECIAL LIMITED SCOPE COMPLIANCE EXAMINATION

For the Two Years Ended June 30, 2011

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SPECIAL LIMITED SCOPE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2011

AGENCY OFFICIALS

Executive Director

Mr. Andrew Hamilton

Authority offices are located at:

633 LaSalle St., Suite 401
Ottawa, IL 61350

2925 Meadowbrook Road, Suite A
Springfield, IL 62711



MANAGEMENT ASSERTION LETTER

June 13, 2012

Honorable William G. Holland
Illinois Auditor General
740 E. Ash Street
Springfield, IL 62703
Attention: Lisa Warden, Audit Manager

Auditor General Holland:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements 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, 2011. Based on this evaluation, we assert that during the year(s) ended June 30, 2010 and June 30, 2011, 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 or otherwise authorized by law.
- B. The Authority has submitted its annual certifications of debt service requirements to the Governor of Illinois as required by law.

Yours very truly,

Upper Illinois River Valley Development Authority

Andrew Hamilton, Executive Director

STATE OF ILLINOIS
UPPER ILLINOIS RIVER VALLEY DEVELOPMENT AUTHORITY
SPECIAL LIMITED SCOPE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2011

COMPLIANCE REPORT

SUMMARY

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' REPORT

The Independent Accountants' Report on Special Limited State Compliance Testing and on Supplementary 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>Current</u> <u>Compliance</u> <u>Report</u>	<u>Prior</u> <u>Compliance</u> <u>Report</u>
Findings	0	0
Repeated findings	0	0
Prior recommendations implemented or not repeated	0	0

EXIT CONFERENCE

A formal exit conference was waived by Authority management in correspondence dated June 1, 2012.

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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 Upper Illinois River Valley 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 during the two years ended June 30, 2011. 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 expended 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 submitted its annual certifications of debt service requirements to the State Comptroller and State Treasurer as required by law.

We conducted our special limited scope compliance 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.

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 compliance requirements listed in the first paragraph of this report during the two years ended June 30, 2011.

There were no immaterial findings 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 2010 and the 2011 Supplementary Information for State Compliance Purposes. However, we do not express an opinion on the supplementary information.

We have not applied procedures to the 2009 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, Authority management and the Authority's governing board 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

June 13, 2012

STATE OF ILLINOIS
UPPER ILLINOIS RIVER VALLEY DEVELOPMENT AUTHORITY
SPECIAL LIMITED SCOPE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2011

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
 - Analysis of Significant Variations in Expenditures

- Report Comments

The accountants' 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. However, the accountants do not express an opinion on the supplementary information.

The auditors have not applied procedures to the 2009 Supplementary Information for State Compliance Purposes, and accordingly, do not express an opinion thereon.

STATE OF ILLINOIS
 UPPER ILLINOIS RIVER VALLEY DEVELOPMENT AUTHORITY
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
 For the Eighteen Months Ended December 31, 2011

	Appropriations (Net of Transfers)	Lapse Period		Total Expenditures 18 Months Ended December 31	Balances Lapsed December 31
		Expenditures Through June 30	Expenditures July 1 to December 31		
P.A. 96-0956					
P.A. 96-0957					
FISCAL YEAR 2011					
General Revenue Fund - 001					
Operational Expenses	\$ 1,570,000	\$ 291,208	\$ -	\$ 291,208	\$ 1,278,792
Total Fiscal Year 2011	<u>\$ 1,570,000</u>	<u>\$ 291,208</u>	<u>\$ -</u>	<u>\$ 291,208</u>	<u>\$ 1,278,792</u>

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

STATE OF ILLINOIS
 UPPER ILLINOIS RIVER VALLEY DEVELOPMENT AUTHORITY
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
 For the Eighteen Months Ended December 31, 2010

P.A. 96-0042 FISCAL YEAR 2010	Appropriations (Net of Transfers)	Lapse Period		Total Expenditures 18 Months Ended December 31	Balances Lapsed December 31
		Expenditures Through June 30	Expenditures July 1 to December 31		
General Revenue Fund - 001					
For replenishment of a draw on the Debt Service Reserve Fund backing bonds issued on behalf of Waste Recovery - Illinois and related trustee and legal expenses.	\$ 290,000	\$ 289,046	\$ -	\$ 289,046	\$ 954
Total Fiscal Year 2010	<u>\$ 290,000</u>	<u>\$ 289,046</u>	<u>\$ -</u>	<u>\$ 289,046</u>	<u>\$ 954</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
UPPER RIVER VALLEY DEVELOPMENT AUTHORITY
**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES
AND LAPSED BALANCES**

	Fiscal Year		
	2011	2010	2009
General Revenue Fund - 001	P.A. 96-0956		
	P.A. 96-0957	P.A. 96-0042	P.A. 95-0733
Appropriations (Net of Transfers)	\$ 1,570,000	\$ 290,000	\$ 292,500
Expenditures:			
For replenishment of a draw on the Debt Service Reserve Fund backing bonds issued on behalf of Waste Recovery - Illinois and related trustee and legal expenses.	-	289,046	283,884
Operating Expenses	291,208	-	-
Total Expenditures	<u>291,208</u>	<u>289,046</u>	<u>283,884</u>
Lapsed Balances	<u>\$ 1,278,792</u>	<u>\$ 954</u>	<u>\$ 8,616</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
UPPER ILLINOIS RIVER VALLEY DEVELOPMENT AUTHORITY
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
For the Two Years Ended June 30, 2011

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2010 AND 2011

Expenditures related to Operating Expenses increased 100%, while expenditures related to replenishment of a draw on the Debt Service Reserve Fund backing bonds issued on behalf of Waste Recovery - Illinois and related trustee and legal expenses decreased by 100%, due to the manner in which the General Assembly appropriated funds to the Authority for fiscal year 2011. In fiscal year 2010, the General Assembly appropriated all Authority amounts for the replenishment of a draw on the Debt Service Reserve Fund backing bonds issued on behalf of Waste Recovery - Illinois and related trustee and legal expenses. In fiscal year 2011, the General Assembly appropriated all Authority amounts to meet the operating expenses of the Authority. All expenditures made in fiscal year 2011 were made for the purpose of replenishment of the Debt Service Reserve Fund and related trustee and legal expenses on moral obligation bonds in accordance with the Upper Illinois River Valley Development Authority Act (70 ILCS 530/7f).

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2010 AND 2009

We noted no significant variations in expenditures between Fiscal Years 2010 and 2009.

STATE OF ILLINOIS
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REPORT COMMENTS

For the Two Years Ended June 30, 2011

The Upper Illinois River Valley Development Authority (Authority) was created by an act of the Illinois legislature and signed into law by Public Act 86-1024 on January 1, 1990. The Authority is a general development agency for the counties of Bureau, Grundy, Kane, Kendall, LaSalle, Marshall, McHenry, and Putnam and is one of ten regional developmental authorities within the State of Illinois.

The Authority has the ability to issue up to \$250,000,000 bonds on behalf of manufacturing firms to encourage the creation of jobs. With the Governor's approval, the Authority can issue Moral Obligation Bonds that are backed by the State of Illinois.

On August 1, 1998, the Authority issued \$2,930,000 of Solid Waste Disposal Refunding Revenue Bonds on behalf of Waste Recovery-Illinois. On January 29, 2003, New Heights Recovery, LLC, which superseded Waste Recovery-Illinois, notified the Authority that it had insufficient funds to make the current and future principal and interest payments on the bonds. Due to bankruptcy proceedings, New Heights Recovery, LLC has not been able to make its bond payments since fiscal year 2004.

The Upper Illinois River Valley Development Authority Act (Act) (70 ILCS 530) 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 fiscal year 2010, 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 for related trustee and legal expenses. In fiscal year 2011, due to changes in the manner in which the General Assembly made appropriations from the General Revenue Fund, the Authority was appropriated a lump sum amount for the purpose of meeting its operational expenses for the fiscal year.

During the examination period, the Authority paid all State appropriations to the Debt Service Reserve Fund. The trustee then transferred funds from the Debt Service Reserve Fund to meet debt service requirements and to pay trustee fees.

There were a number of changes to the Authority's Act, effective for fiscal year 2012. Public Act 97-0312 increased the amount the Authority may issue in bonds to \$500,000,000 on behalf of manufacturing firms to encourage the creation of jobs. In addition, the Authority may no longer issue Moral Obligation bonds backed by the State of Illinois on bonds issued after August 11, 2011, the effective date of the amendatory act.