

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

For the Two Years Ended June 30, 2020

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SOUTHWESTERN ILLINOIS DEVELOPMENT AUTHORITY
SPECIAL LIMITED SCOPE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2020

AUTHORITY OFFICIALS

Executive Director	Mr. Michael Lundy
Assistant Executive Director (1/1/20 – Present)	Vacant
Assistant Executive Director (7/1/18 – 12/31/19)	Mr. Joe Gasparich
Financial Director	Ms. Teri Rumsey
Housing Director	Ms. Destini Lednický

AUTHORITY OFFICERS

Chairman	Mr. James Nations
Vice Chairman	Mr. Reggie Sparks
Secretary	Mr. Gregory Kuehnel
Treasurer	Mr. Kevin Kaufhold

GOVERNING AUTHORITY MEMBERS¹

Member	Mr. Jim Sullivan
Member	Mr. Rickie Thomas
Member	Mr. David Willey
Member	Mr. Kennard Tucker
Member	Mr. David Miller
Member	Mr. Kevin Jemison
Member	Mr. Mark Rabe
Member (1/10/20 – Present)	Mr. Robert Stephan
Member (12/2/19 – 1/9/20)	Vacant
Member (7/1/18 – 12/1/19)	Ms. Erika Kennett
Member	Vacant
Member	Vacant

¹ The Southwestern Illinois Development Authority Act (70 ILCS 520/4) requires 14 members appointed by the Governor, Director of Commerce and Economic Opportunity, Secretary of Transportation, and the county board chairmen of Madison, St. Clair, Clinton and Bond counties.

AUTHORITY OFFICE

The Authority's office is located at:

1022 Eastport Plaza Drive
Collinsville, Illinois 62234

Members of the Board:
Dave Willey, Chair
Debra Moore
Bruce Mattea
Bryan Whitaker
Greg Kuehnel
Kevin Kaufhold
Kennard Tucker
Bob Netemeyer
Robert Stephan



Ex. Officio:
Erin Guthrie
Omar Osman

Executive Director:
Michael J. Lundy

MANAGEMENT ASSERTION LETTER

May 26, 2021

Honorable Frank J. Mautino
Auditor General
State of Illinois
740 East Ash Street
Springfield, Illinois 62703-3154

Auditor General Mautino:

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 Southwestern Illinois Development Authority (Authority) for appropriations made by the General Assembly to the Authority from the General Revenue Fund. 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 specified requirements during the two-year period ended June 30, 2020. Based on this evaluation, we assert that during the years ended June 30, 2019, and June 30, 2020, the Authority has materially complied with the specified requirements listed below.

- 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 submitted its annual certification of debt service requirements to the Governor of Illinois as required by law.

Yours truly,

Southwestern Illinois Development Authority

SIGNED ORIGINAL ON FILE

Michael Lundy, Executive Director

SIGNED ORIGINAL ON FILE

Teri Rumsey, Financial Director

SOUTHWESTERN ILLINOIS DEVELOPMENT AUTHORITY
SPECIAL LIMITED SCOPE COMPLIANCE EXAMINATION
 For the Two Years Ended June 30, 2020

COMPLIANCE REPORT

SUMMARY

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

ACCOUNTANT’S REPORT

The Independent Accountant’s Report on State Compliance, on Internal Control Over Compliance, 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>Prior</u>
<u>Findings</u>	<u>Report</u>	<u>Report</u>
Findings	0	1
Repeated findings	0	0
Prior recommendations implemented or not repeated	1	0

SCHEDULE OF FINDINGS

PRIOR FINDING NOT REPEATED

<u>Item No.</u>	<u>Page</u>	<u>Last/First</u> <u>Report</u>	<u>Description</u>
A	7	2018/2018	Improper Use of Expenditure Authority

EXIT CONFERENCE

The Authority waived an exit conference in a correspondence from Teri Rumsey, Financial Director, on May 26, 2021.

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OFFICE OF THE AUDITOR GENERAL

FRANK J. MAUTINO

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

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Governing Board
Southwestern Illinois Development Authority

Compliance

We have examined compliance by the Southwestern Illinois Development Authority (Authority) with the specified 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 appropriations made by the General Assembly from the General Revenue Fund during the two years ended June 30, 2020. Management of the Authority is responsible for compliance with the specified requirements. Our responsibility is to express an opinion on the Authority's compliance with the specified requirements based on our examination.

The specified requirements are:

- 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 submitted its annual certifications of debt service requirements to the Governor of Illinois as required by law.

Our 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 *Audit Guide*. Those standards, the

Act, and the *Audit Guide* require that we plan and perform the examination to obtain reasonable assurance about whether the Authority complied with the specified requirements in all material respects. An examination involves performing procedures to obtain evidence about whether the Authority complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance with the specified requirements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide 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 with the specified requirements during the two years ended June 30, 2020, in all material respects.

The purpose of this report is solely to describe the scope of our testing and the results of that testing in accordance with the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the specified requirements (internal control). In planning and performing our examination, we considered the Authority's internal control to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Authority's compliance with the specified requirements and to test and report on the Authority's internal control in accordance with the *Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control 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 and correct, noncompliance with the specified requirements on a timely basis. *A material weakness in internal control* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that material noncompliance with the specified requirements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

There were no immaterial findings that have been excluded from this report.

The purpose of this report is solely to describe the scope of our testing of internal control and the results of that testing based on the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

Supplementary Information for State Compliance Purposes

Our examination was conducted for the purpose of forming an opinion on the Authority's compliance with the specified requirements. The accompanying supplementary information for the years ended June 30, 2020, and June 30, 2019, in Schedules 1 through 4 and the Analysis of Operations section are presented for purposes of additional analysis. Such information is the responsibility of Authority management. We have applied certain limited procedures as prescribed by the *Audit Guide* to the accompanying supplementary information for the years ended June 30, 2020, and June 30, 2019, in Schedules 1 through 4. We have not applied procedures to the accompanying supplementary information for the year ended June 30, 2018, in Schedule 3. We do not express an opinion, a conclusion, nor provide any assurance on the accompanying supplementary information in Schedules 1 through 4 or the Analysis of Operations section.

SIGNED ORIGINAL ON FILE

JANE CLARK, CPA
Director of Financial and Compliance Audits

Springfield, Illinois
May 26, 2021

SOUTHWESTERN ILLINOIS DEVELOPMENT AUTHORITY
SCHEDULE OF FINDINGS – PRIOR FINDING NOT REPEATED

For the Two Years Ended June 30, 2020

A. **FINDING** (Improper Use of Expenditure Authority)

During the prior examination, the Southwestern Illinois Development Authority (Authority) did not ensure appropriations received from the General Assembly were utilized for the purposes intended.

During the current examination, our testing indicated the Authority ensured appropriations received from the General Assembly were used for intended purposes. (Finding Code No. 2018-001)

SOUTHWESTERN ILLINOIS DEVELOPMENT AUTHORITY
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
 Expenditure Authority for Fiscal Year 2020

For the Fifteen Months Ended September 30, 2020

Public Act 101-0007 FISCAL YEAR 2020	Expenditure Authority (Net of Transfers)	Lapse Period		Total Expenditures 15 Months Ended September 30, 2020	Balances Lapsed September 30, 2020
		Expenditures Through June 30, 2020	Expenditures July 1 to September 30, 2020		
APPROPRIATED FUND					
General Revenue Fund - 001					
Replenishment of a Draw on the Debt Service Reserve Fund Backing Bonds Issued on Behalf of Laclede Steel-Illinois	\$ 1,416,100	\$ 1,388,010	\$ -	\$ 1,388,010	\$ 28,090
GRAND TOTAL	<u>\$ 1,416,100</u>	<u>\$ 1,388,010</u>	<u>\$ -</u>	<u>\$ 1,388,010</u>	<u>\$ 28,090</u>

Note 1: Expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the Authority's records and have been reconciled to the Office of Comptroller's records as of September 30, 2020.

Note 2: Expenditure amounts are vouchers approved for payment by the Authority and submitted to the Office of Comptroller for payment.

SOUTHWESTERN ILLINOIS DEVELOPMENT AUTHORITY
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
 Expenditure Authority for Fiscal Year 2019

For the Sixteen Months Ended October 31, 2019

Public Act 100-0586 FISCAL YEAR 2019	Expenditure Authority (Net of Transfers)	Expenditures Through June 30, 2019	Lapse Period		Total Expenditures 16 Months Ended October 31, 2019	Balances Lapsed October 30, 2019
			Expenditures July 1 to October 31, 2019	Expenditures October 31, 2019		
	\$ 1,391,700	\$ 1,378,659	\$ -	\$ -	\$ 1,378,659	\$ 13,041
GRAND TOTAL	\$ 1,391,700	\$ 1,378,659	\$ -	\$ -	\$ 1,378,659	\$ 13,041

APPROPRIATED FUND

General Revenue Fund - 001

Replenishment of a Draw on the Debt Service Reserve Fund Backing Bonds Issued on Behalf of Laclede Steel-Illinois

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Note 1: Expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the Authority's records and have been reconciled to the Office of Comptroller's records as of October 31, 2019.

Note 2: Expenditure amounts are vouchers approved for payment by the Authority and submitted to the Office of Comptroller for payment.

SOUTHWESTERN ILLINOIS DEVELOPMENT AUTHORITY
**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,
EXPENDITURES, AND LAPSED BALANCES**

For the Fiscal Years Ended June 30,

	2020	2019	2018
APPROPRIATED FUND			
General Revenue Fund - 001			
Appropriations (Net of Transfers)	\$ 1,416,100	\$ 1,391,700	\$ 1,361,500
Expenditures:			
Replenishment of a Draw on the Debt			
Service Reserve Fund Backing Bonds			
Issued on behalf of Laclede Steel-Illinois	\$ 1,388,010	\$ 1,378,659	\$ 1,358,735
Total Expenditures	\$ 1,388,010	\$ 1,378,659	\$ 1,358,735
Lapsed Balances	\$ 28,090	\$ 13,041	\$ 2,765

Note 1: Expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the Authority's records as of September 30, 2020, and October 31, 2019 and have been reconciled to the Office of Comptroller's records.

Note 2: Expenditure amounts are vouchers approved for payment by the Authority and submitted to the Office of Comptroller for payment.

Note 3: The Authority received appropriations during Fiscal Year 2020 from Public Act 101-0007. In addition, the Authority received appropriations during Fiscal Year 2019 from Public Act 100-0586.

**SOUTHWESTERN ILLINOIS DEVELOPMENT AUTHORITY
COMPARATIVE SCHEDULE OF NET EXPENDITURES
BY MAJOR ACTIVITY**

For the Fiscal Years Ended June 30,

	2020	2019	2018
<u>EXPENDITURE STATISTICS</u>			
All State Treasury Funds			
Total Awards and Grants Expenditures:	\$ 1,388,010	\$ 1,378,659	\$ 1,358,735
Percentage of Total Expenditures:	100.0%	100.0%	100.0%
GRAND TOTAL - ALL EXPENDITURES:	\$ 1,388,010	\$ 1,378,659	\$ 1,358,735

Note 1: Expenditures were obtained from the Authority's records and have been reconciled to the Office of Comptroller's records as of September 30, 2020 and October 31, 2019.

Note 2: Expenditure amounts are vouchers approved for payment by the Authority and submitted to the Office of Comptroller for payment to the vendor.

SOUTHWESTERN ILLINOIS DEVELOPMENT AUTHORITY
ANALYSIS OF OPERATIONS
For the Two Years Ended June 30, 2020

(NOT EXAMINED)

Authority Functions

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, Clinton, and Bond 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 certain 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.

Bond Issues In Default

On June 3, 2004, the Authority issued \$13,585,000 of Series 2004 Taxable Solid Waste Disposal Refunding Revenue Bonds on behalf of Laclede Steel Company. On January 31, 2005, Laclede Steel - Illinois filed a Disclosure Statement in connection with a Plan of Liquidation under Chapter 11 of the Bankruptcy Code. Laclede Chain, a wholly owned subsidiary of Laclede Steel - Illinois, was sold, and the proceeds of the sale were pledged to the State of Illinois in order to secure the Series 2004 Taxable Solid Waste Disposal Refunding Revenue Bonds. On June 7, 2006, the trustee of the bonds notified the Authority it had insufficient funds to make the current and future principal and interest payments on the bonds.

Obligor Required Notice of Default

According to the moral obligation loan agreements, the obligors (companies for whom the bonds were issued) are required to advise the Authority and the trustee, in writing, whether or not it reasonably believes it will have available sufficient monies to make the next two payments of interest on and, if applicable, the next regularly scheduled payment of principal of the bonds.

Furthermore, if at any time the obligor reasonably believes it will not have sufficient moneys available to make any regularly scheduled payment of principal and interest on the bonds, the obligor is required to promptly advise the Authority, the trustee, and the rating service in writing of such event and the reasons giving rise to such situation.

The Authority is not requiring regular notification from Laclede Steel - Illinois as they are bankrupt and have no staff or owners and, therefore, did not continue to notify the Authority of their inability to make payments of principal and interest after the bankruptcy notice.

SOUTHWESTERN ILLINOIS DEVELOPMENT AUTHORITY
ANALYSIS OF OPERATIONS
For the Two Years Ended June 30, 2020

(NOT EXAMINED)

State Moral Obligation

The Southwestern Illinois Development Act (70 ILCS 520/7(f)) states if the Authority determines 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 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 Authority contacts the trustee of each defaulted bond issue to determine the payment necessary to meet each payment. The Governor will then submit the amounts to the General Assembly in order for the Authority to be appropriated monies for such purposes.

In Fiscal Year 2019, the General Assembly appropriated \$1,391,700 to the Authority in order to pay for the replenishment on the draw on the debt service reserve fund backing bond issued on behalf of Laclede Steel – Illinois. In addition, the Authority also used those appropriations to pay the related trustee fees for Laclede Steel – Illinois bonds.

In Fiscal Year 2020, the General Assembly appropriated \$1,416,100 to the Authority in order to pay for the replenishment on the draw on the debt service reserve fund backing bond issued on behalf of Laclede Steel – Illinois. In addition, the Authority also used those appropriations to pay the related trustee fees for Laclede Steel – Illinois bonds.

The Authority relies on accuracy of information as presented by trustees when trustees request the Authority either pay principal or interest or replenish the debt service fund.

SOUTHWESTERN ILLINOIS DEVELOPMENT AUTHORITY
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
For the Two Years Ended June 30, 2020

(NOT EXAMINED)

Fiscal Year 2020 Compared to Fiscal Year 2019

The Authority did not have any significant variations in expenditures.

Fiscal Year 2019 Compared to Fiscal Year 2018

The Authority did not have any significant variations in expenditures.