

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

For the Two Years Ended June 30, 2005

STATE OF ILLINOIS  
UPPER ILLINOIS RIVER VALLEY DEVELOPMENT AUTHORITY  
SPECIAL LIMITED SCOPE COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2005

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STATE OF ILLINOIS  
UPPER ILLINOIS RIVER VALLEY DEVELOPMENT AUTHORITY  
SPECIAL LIMITED SCOPE COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2005

**AGENCY OFFICIALS**

Executive Director

Mr. Andrew Hamilton

Authority offices are located at:

321 West Main Street  
Ottawa, IL 61350

2925 Meadowbrook Road, Suite A  
Springfield, IL 62711



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Upper Illinois River Valley Development Authority

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Union BanCorp Financial Center, 321 W. Main Street, Ottawa, Illinois 61350, Toll Free - Tel: 866/325-7525, Fax: 866-325-7569

MANAGEMENT ASSERTION LETTER

February 8, 2006

Honorable William G. Holland  
Illinois Auditor General  
740 East Ash Street  
Springfield, IL 62703

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 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 assertions during the two-year period ended June 30, 2005. Based on this evaluation, we assert that during the years ended June 30, 2005 and June 30, 2004, the Fund has materially complied with the assertions below.

- A. The Authority has expended public funds of the State in accordance with the purposes 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,

Upper Illinois River Valley Development Authority

A handwritten signature in black ink, appearing to read "Andrew Hamilton", is written over a horizontal line.

Andrew Hamilton, Executive Director

## **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.

### **AUDITORS' REPORT**

The Independent Accountants' Report on Special Limited 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>This Report</u>
Findings	0
Repeated Findings	N/A
Prior recommendations implemented or not repeated	N/A

This is the first examination of the Upper Illinois River Valley Development Authority.

### **EXIT CONFERENCE**

The Authority declined a formal exit conference in a letter from Andrew Hamilton, Executive Director dated March 23, 2006.

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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 (001) during the two years ended June 30, 2005. 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.

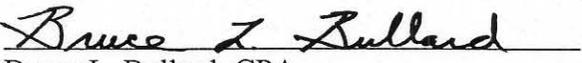
In our opinion, the Authority complied, in all material respects, with the aforementioned requirements during the two years ended June 30, 2005. The results of our procedures disclosed no instances of noncompliance with those requirements, which are required to be reported in accordance with criteria 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 2004 and the 2005 Supplementary Information for State Compliance Purposes. However, we do not express an opinion on the supplementary information.

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

February 8, 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
  - Analysis of Significant Differences in Expenditures

- Report Comments

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

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

	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. 93-0842 FISCAL YEAR 2005					
General Revenue Fund - 001					
For replenishment of a draw on the Debt Service Reserve Fund backing bonds issued on behalf of Waste Recovery - Illinois.	\$ 512,600	\$ 283,927	\$ 0	\$ 283,927	\$ 228,673
Total Fiscal Year 2005	<u>\$ 512,600</u>	<u>\$ 283,927</u>	<u>\$ 0</u>	<u>\$ 283,927</u>	<u>\$ 228,673</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  
**SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES**  
 For the Fiscal Year Ended June 30, 2004

P.A. 93-94 FISCAL YEAR 2004	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		
General Revenue Fund - 001					
For replenishment of a draw on the Debt Service Reserve Fund backing bonds issued on behalf of Waste Recovery - Illinois.	\$ 355,800	\$ 353,414	\$ 0	\$ 353,414	\$ 2,386
Total Fiscal Year 2004	<u>\$ 355,800</u>	<u>\$ 353,414</u>	<u>\$ 0</u>	<u>\$ 353,414</u>	<u>\$ 2,386</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  
**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES**  
For the Fiscal Years Ended June 30,

	Fiscal Year	
	2005	2004
General Revenue Fund - 001	P.A. 93-0842	P.A. 93-94
Appropriations (Net of Transfers)	\$ 512,600	\$ 355,800
<u>Expenditures</u>		
For replenishment of a draw on the Debt Service Reserve Fund backing bonds issued on behalf of Waste Recovery - Illinois	\$ 283,927	\$ 353,414
Total Expenditures	\$ 283,927	\$ 353,414
Lapsed Balances	\$ 228,673	\$ 2,386

STATE OF ILLINOIS  
UPPER ILLINOIS RIVER VALLEY DEVELOPMENT AUTHORITY  
SPECIAL LIMITED SCOPE COMPLIANCE EXAMINATION  
**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES**  
For the Two Years Ended June 30, 2005

**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2004 AND 2005**

**General Revenue Fund (001)**

For Replenishment of a Draw on the Debt Service Reserve Fund

The excess amount paid in FY04 was to establish a reserve in the debt service fund as required by the bond agreement and trust indenture.

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

For the Two Years Ended June 30, 2005

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 four active regional developmental authorities within the State of Illinois.

The Authority has the ability to issue up to \$250,000,000 taxable or federal tax-exempt 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, possibly, future principal and interest payments on the bonds. Due to bankruptcy proceedings, New Heights Recovery, LLC was not able to make its bond payments starting in FY04.

The Upper Illinois River Valley Development Authority 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 FY04 and 05 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.

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.