

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

For the Two Years Ended June 30, 2013

STATE OF ILLINOIS
 UPPER ILLINOIS RIVER VALLEY DEVELOPMENT AUTHORITY
 SPECIAL LIMITED SCOPE COMPLIANCE EXAMINATION
 For the Two Years Ended June 30, 2013

TABLE OF CONTENTS

	<u>Schedule</u>	<u>Page(s)</u>
Agency Officials		1
Management Assertion Letter		2
Compliance Report:		
Summary		3
Independent Accountant’s Report on Special Limited State Compliance, on Internal Control over Compliance, and on Supplementary Information for State Compliance Purposes		4
Supplementary Information for State Compliance Purposes:		
Summary		7
Fiscal Schedules and Analysis		
Schedule of Appropriations, Expenditures and Lapsed Balances Fiscal Year 2013	1	8
Schedule of Appropriations, Expenditures and Lapsed Balances Fiscal Year 2012	2	9
Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances	3	10
Analysis of Significant Variations in Expenditures	4	11
Report Comments		12

STATE OF ILLINOIS
UPPER ILLINOIS RIVER VALLEY DEVELOPMENT AUTHORITY
SPECIAL LIMITED SCOPE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2013

AGENCY OFFICIALS

Executive Director

Mr. Andrew Hamilton

Authority offices are located at:

633 LaSalle St., Suite 401
Ottawa, IL 61350

MANAGEMENT ASSERTION LETTER

November 26, 2013

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

Dear 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, 2013. Based on this evaluation, we assert that during the year(s) ended June 30, 2012 and June 30, 2013, 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, 2013

COMPLIANCE REPORT

SUMMARY

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

ACCOUNTANT’S REPORT

The Independent Accountant’s 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>Current</u>	<u>Prior</u>
	<u>Report</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 November 21, 2013.

SPRINGFIELD OFFICE:
ILES PARK PLAZA
740 EAST ASH • 62703-3154
PHONE: 217/782-6046
FAX: 217/785-8222 • TTY: 888/261-2887
FRAUD HOTLINE: 1-855-217-1895



CHICAGO OFFICE:
MICHAEL A. BILANDIC BLDG. • SUITE S-900
160 NORTH LASALLE • 60601-3103
PHONE: 312/814-4000
FAX: 312/814-4006
FRAUD HOTLINE: 1-855-217-1895

OFFICE OF THE AUDITOR GENERAL
WILLIAM G. HOLLAND

INDEPENDENT ACCOUNTANT'S REPORT ON SPECIAL LIMITED
STATE COMPLIANCE, ON INTERNAL CONTROL OVER COMPLIANCE, 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 insofar as such standards are applicable to this special limited testing during the two years ended June 30, 2013. 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 Governor of Illinois as required by law.

Our 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 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 compliance testing was restricted to the appropriations made by the Illinois General Assembly to the Authority from the General Revenue Fund and the 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, 2013.

Internal Control

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements listed in the first paragraph of this report. In planning and performing our examination, we considered the Authority's internal control over compliance with the requirements listed in the first paragraph of this report to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide, issued by the Illinois Office of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the requirements listed in the first paragraph of this report on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a requirement listed in the first paragraph of this report will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance 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.

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 for the years ended June 30, 2013 and June 30, 2012 in Schedules 1 through 4 and the Report Comments 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 June 30, 2013 and June 30, 2012 accompanying supplementary information in Schedules 1 through 4 and the Report Comments. However, we do not express an opinion on the accompanying supplementary information.

We have not applied procedures to the June 30, 2011 accompanying supplementary information in Schedules 3 and 4, and accordingly, we do not express an opinion or provide any assurance on it.

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

Springfield, Illinois

November 26, 2013

STATE OF ILLINOIS
UPPER ILLINOIS RIVER VALLEY DEVELOPMENT AUTHORITY
SPECIAL LIMITED SCOPE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2013

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 accountant's report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states the accountants have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General to the June 30, 2013 and June 30, 2012 in Schedules 1 through 4 and the Report Comments. However, the accountants 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
 Appropriations for Fiscal Year 2013

Fourteen Months Ended August 31, 2013

P.A. 97-0731	Appropriations	Expenditures Through 6/30/13	Lapse Period Expenditures 7/01 - 8/31/13	Total Expenditures	Balances Lapsed
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	\$ 288,300	\$ 288,300	\$ -	\$ 288,300	\$ -
Total Fiscal Year 2013	<u>\$ 288,300</u>	<u>\$ 288,300</u>	<u>\$ -</u>	<u>\$ 288,300</u>	<u>\$ -</u>

∞

Note: Appropriations, expenditures, and lapsed balances were obtained from Authority records and have been reconciled to records of the State Comptroller. Expenditure amounts are vouchers approved for payment by the Authority and submitted to the State Comptroller for payment to the vendor.

STATE OF ILLINOIS
 UPPER ILLINOIS RIVER VALLEY DEVELOPMENT AUTHORITY
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
 Appropriations for Fiscal Year 2012

Eighteen Months Ended December 31, 2012

P.A. 97-0063	Expenditures Through 6/30/12	Lapse Period Expenditures 7/01 - 12/31/12	Total Expenditures	Balances Lapsed
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	\$ 2,253,800	\$ -	\$ 288,200	\$ 1,965,600
Total Fiscal Year 2012	<u>\$ 2,253,800</u>	<u>\$ -</u>	<u>\$ 288,200</u>	<u>\$ 1,965,600</u>

Note: Appropriations, expenditures, and lapsed balances were obtained from Authority records and have been reconciled to records of the State Comptroller. Expenditure amounts are vouchers approved for payment by the Authority and submitted to the State Comptroller for payment to the vendor.

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, 2013, 2012 and 2011

	2013	Fiscal Year 2012	2011
	P.A. 97-0731	P.A. 97-0063	P.A. 96-0956 P.A. 96-0957
General Revenue Fund - 001			
Appropriations	\$ 288,300	\$ 2,253,800	\$ 1,570,000
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	288,300	288,200	-
Operating Expenses	-	-	291,208
Total Expenditures	<u>\$ 288,300</u>	<u>\$ 288,200</u>	<u>\$ 291,208</u>
Lapsed Balances	<u>\$ -</u>	<u>\$ 1,965,600</u>	<u>\$ 1,278,792</u>

Note: The Fiscal Year 2011 expenditures and lapsed balances do not reflect interest payments approved and submitted after August.

STATE OF ILLINOIS
UPPER ILLINOIS RIVER VALLEY DEVELOPMENT AUTHORITY
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
For the Two Years Ended June 30, 2013

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2013 AND 2012

We noted no significant variations in expenditures between Fiscal Years 2013 and 2012.

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2012 AND 2011

Expenditures related to Operating Expenses decreased 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 increased by 100%. This was due to the manner in which the General Assembly appropriated funds to the Authority for Fiscal Years 2012 and 2011. In Fiscal Year 2011, the General Assembly appropriated all Authority amounts to meet the operating expenses of the Authority. In Fiscal Year 2012, 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. All expenditures made in Fiscal Year 2012 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).

STATE OF ILLINOIS
UPPER ILLINOIS RIVER VALLEY DEVELOPMENT AUTHORITY
REPORT COMMENTS

For the Two Years Ended June 30, 2013

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 July 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.

There were several changes during Fiscal Year 2012. Public Act 97-0312 increased the amount the Authority may issue in bonds from \$250,000,000 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.

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 Years 2013 and 2012, 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.

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.