



STATE OF ILLINOIS

OFFICE OF THE AUDITOR GENERAL

FINANCIAL, COMPLIANCE, AND PROGRAM AUDIT
THE VILLAGE OF ROBBINS' USE OF
MUNICIPAL ECONOMIC DEVELOPMENT FUNDS
JUNE 2000

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*To the Legislative Audit Commission, the
Speaker and Minority Leader of the House
of Representatives, the President and
Minority Leader of the Senate, the members
of the General Assembly, the Governor, and
the State Treasurer:*

This is our report of the Financial, Compliance, and Program Audit of the Village of Robbins' Use of Municipal Economic Development Funds.

The audit was conducted pursuant to Public Act 90-813, which was adopted on January 29, 1999. This audit was conducted in accordance with generally accepted government auditing standards and the standards promulgated by the Office of the Auditor General at 74 Ill. Adm. Code 420.310.

The audit report is transmitted in conformance with Section 3-14 of the Illinois State Auditing Act and Section 8-403.1 of the Public Utilities Act.

WILLIAM G. HOLLAND
Auditor General

Springfield, Illinois
June 2000

REPORT DIGEST

Financial, Compliance, and
Program Audit of the

VILLAGE OF ROBBINS' USE OF MUNICIPAL ECONOMIC DEVELOPMENT FUNDS

Released: June 2000



State of Illinois
Office of the Auditor General

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SYNOPSIS

Public Act 90-813, adopted on January 29, 1999, amended the Public Utilities Act (220 ILCS 5/8-403.1) to require the Auditor General to conduct an annual financial, compliance, and program audit of distributions received by any municipality in Illinois from the Municipal Economic Development Fund. Under the Public Utilities Act, qualified solid waste energy facilities are required to pay into the Fund \$0.0006 per kilowatt hour of electricity for which payment was received during the previous month.

Each audit is to be for distributions from the Fund for the immediately preceding year. This is the first audit conducted under this requirement. This audit covers distributions from the Fund during calendar year 1999.

The Village of Robbins was the only entity to receive distributions from the Fund for calendar year 1999. The audit concluded that:

- Robbins received \$137,828 from the Fund for calendar year 1999.
- As of January 2000, Robbins had not spent any of the \$137,828 received. Therefore, there were no expenditures to review for this audit.

The next annual audit pursuant to this requirement will review any expenditures made by Robbins from Fund distributions during calendar year 2000.

We identified some potential weaknesses regarding the State's collection of monies deposited into the Fund. Subsequent financial and compliance audits by the Auditor General of the State Treasurer, Illinois Commerce Commission (ICC), and Department of Revenue will examine whether the proper amount of Fund payments is being collected from qualified solid waste energy facilities and paid to Robbins in a timely manner.

REPORT CONCLUSIONS

The Village of Robbins was the only entity to receive distributions from the Municipal Economic Development Fund for calendar year 1999. Robbins received \$137,828 from the Fund for calendar year 1999. As of January 2000, Robbins had not expended any of these funds. Therefore, there were no expenditures to review for this audit. The next annual audit pursuant to this requirement will review any expenditures made by Robbins from Municipal Economic Development Fund distributions during calendar year 2000.

We identified some potential weaknesses regarding the State's collection of monies deposited into the Fund. Subsequent financial and compliance audits by the Auditor General of the State Treasurer, ICC, and Department of Revenue will examine whether the proper amount of Fund payments is being collected from qualified facilities and paid to Robbins in a timely manner.

THE MUNICIPAL ECONOMIC DEVELOPMENT FUND

The Public Utilities Act was amended in January 1999 to create the Municipal Economic Development Fund. The Municipal Economic Development Fund is a trust fund created outside the State treasury to receive and maintain payments from qualified solid waste energy facilities that sell electricity to electric utilities.

The Public Utilities Act defines a "qualified solid waste energy facility" as a facility that the ICC determines to qualify under the Local Solid Waste Disposal Act (415 ILCS 10) to use methane gas generated from landfills as its primary fuel and to possess characteristics that would enable it to qualify as a cogeneration or small power production facility under federal law. The ICC is responsible for requiring electric utilities to enter into long-term contracts to purchase electricity from qualified solid waste energy facilities. According to information from the ICC, Treasurer, and Department of Revenue, there were 24 qualified solid waste energy facilities operating in Illinois in 1999. (Pages 1-2)

Robbins was the only entity to receive distributions from the Municipal Economic Development Fund.

Robbins received \$137,828 from the Fund for calendar year 1999.

As of January 2000, Robbins had not spent any of the funds received.

EXPENDITURE OF DISTRIBUTIONS FROM THE MUNICIPAL ECONOMIC DEVELOPMENT FUND

Digest Exhibit 1 shows that the Treasurer distributed \$137,828 in calendar year 1999 Municipal Economic Development Fund receipts to Robbins. Robbins did not expend any funds received from the Municipal Economic Development Fund through January 2000.

Digest Exhibit 1 VILLAGE OF ROBBINS' RECEIPT AND EXPENDITURE OF MUNICIPAL ECONOMIC DEVELOPMENT FUNDS (For Calendar Year 1999)	
Disbursement Received 10/99:	\$ 61,628
Disbursement Received 01/00:	\$ 76,200
Total	\$137,828
Receipts: Total	\$ <u>0</u>
Expenditures:	\$ <u>137,828</u>
Balance as of January 2000:	
Note: Figures rounded to nearest dollar. Source: Village of Robbins	

When Robbins received the first payment of \$61,628 in October 1999, it did not set up a separate account as required by the Public Utilities Act (220 ILCS 5/8-403.1). Robbins corrected the error by establishing a separate interest-bearing account on January 26, 2000. The \$137,828 deposited into the account included the initial \$61,628, plus \$76,200 received in January 2000. (Pages 5-6)

Future financial and compliance audits of the Treasurer, ICC, and Department of Revenue will assess whether the proper amount of Fund payments is being collected from qualified solid waste energy facilities and paid to Robbins in a timely manner.

OTHER ISSUES FOR REVIEW DURING FUTURE FINANCIAL AND COMPLIANCE AUDITS OF STATE AGENCIES

Information received from the State Treasurer, ICC, and Department of Revenue indicates that the State may need to improve controls over receipts and disbursements from the Municipal Economic Development Fund. Future financial and compliance audits of these agencies will focus on:

- **Whether all Required Payments are being made into the Fund** – We received differing information from the Treasurer, ICC, and the Department of Revenue regarding qualified solid waste energy facilities required to pay into the Municipal Economic Development Fund.

FINANCIAL, COMPLIANCE, AND PROGRAM AUDIT OF THE VILLAGE OF
ROBBINS' USE OF MUNICIPAL ECONOMIC DEVELOPMENT FUNDS

- **Whether Qualified Solid Waste Energy Facilities are Paying into the Fund in a Timely Manner** – Qualified solid waste energy facilities have filed late payments with the Treasurer. The Public Utilities Act (220 ILCS 5/8-403.1) states that each facility that sells electricity to an electric utility shall make a payment into the Fund by the 15th of each month based on the number of kilowatts for which payment was received during the previous month. As of March 2000, only 8 of the 24 facilities had paid into the Fund for the last quarter of calendar year 1999.
- **Whether the Treasurer is Making Disbursements to Robbins in a Timely Manner** – The Public Utilities Act (220 ILCS 5/8-403.1) states that the State Treasurer must make distributions from the Municipal Economic Development Fund immediately after January 15, April 15, July 15, and October 15 of each year. Because Robbins maintains the Fund receipts in a separate interest-bearing account, any delay by the Treasurer in making quarterly disbursements could result in lost revenue for Robbins. (Pages 6-7)

AGENCY RESPONSES

The audit report has no recommendations. However, the Village of Robbins responded in writing to the report. Their response questions whether all funds are being collected by the State on behalf of Robbins. As discussed above, we will follow up on this in subsequent financial and compliance audits of State agencies. Robbins' entire response is included in Appendix C of the audit report.

WILLIAM G. HOLLAND
Auditor General

WGH/JK

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**Audit of the
VILLAGE OF ROBBINS’
USE OF MUNICIPAL ECONOMIC DEVELOPMENT FUNDS**

REPORT CONCLUSIONS

The Village of Robbins was the only entity to receive distributions from the Municipal Economic Development Fund for calendar year 1999. Robbins received \$137,828 from the Fund for calendar year 1999. As of January 2000, Robbins had not spent any of the \$137,828 received. Therefore, there were no expenditures from the disbursements to review for this audit. The next annual audit pursuant to this requirement will review any expenditures made by Robbins from Municipal Economic Development Fund distributions during calendar year 2000.

We identified some potential weaknesses regarding the State’s collection of monies deposited into the Municipal Economic Development Fund. Subsequent financial and compliance audits conducted by the Auditor General of the State Treasurer, Illinois Commerce Commission, and Department of Revenue will examine whether the proper amount of Municipal Economic Development Fund payments is being collected from qualified solid waste energy facilities and paid to Robbins in a timely manner.

BACKGROUND

Public Act 90-813, adopted on January 29, 1999, amended the Public Utilities Act (220 ILCS 5/8-403.1 – Appendix A) to require the Auditor General to conduct an annual financial, compliance, and program audit of distributions received by any municipality in Illinois from the Municipal Economic Development Fund. The audit requirement began January 1, 2000. Each audit is to be for distributions from the immediately preceding year. Therefore, this is an audit of distributions from the Municipal Economic Development Fund during calendar year 1999.

The Public Utilities Act specifies that if the Auditor General finds that distributions have been expended in violation of Section 8-403.1 of the Public Utilities Act, the matter shall be referred to the Attorney General. The Attorney General may recover, in a civil action, three times the amount of any distributions illegally expended.

The Public Utilities Act states that it is the policy of Illinois to encourage the development of alternate energy production facilities in order to conserve energy resources and to provide for their most efficient use. In an effort to achieve these goals, the Public Utilities Act states that the Illinois Commerce Commission (ICC) shall require electric utilities to enter into long-term contracts to purchase electricity from qualified solid waste energy facilities.

The Public Utilities Act defines a “qualified solid waste energy facility” as a facility that the ICC determines to qualify under the Local Solid Waste Disposal Act (415 ILCS 10) to use

methane gas generated from landfills as its primary fuel and to possess characteristics that would enable it to qualify as a cogeneration or small power production facility under federal law. According to information received from the ICC, the Department of Revenue, and the State Treasurer, there were 24 qualified solid waste energy facilities operating in Illinois in 1999. Exhibit 1-1 shows the location of these 24 facilities.

THE MUNICIPAL ECONOMIC DEVELOPMENT FUND

The Public Utilities Act was amended in January 1999 to create the Municipal Economic Development Fund. The Municipal Economic Development Fund is a trust fund created outside the State treasury to receive and maintain payments received from qualified solid waste energy facilities that sell electricity to electric utilities. Exhibit 1-2 summarizes how payments go into and out of the Municipal Economic Development Fund.

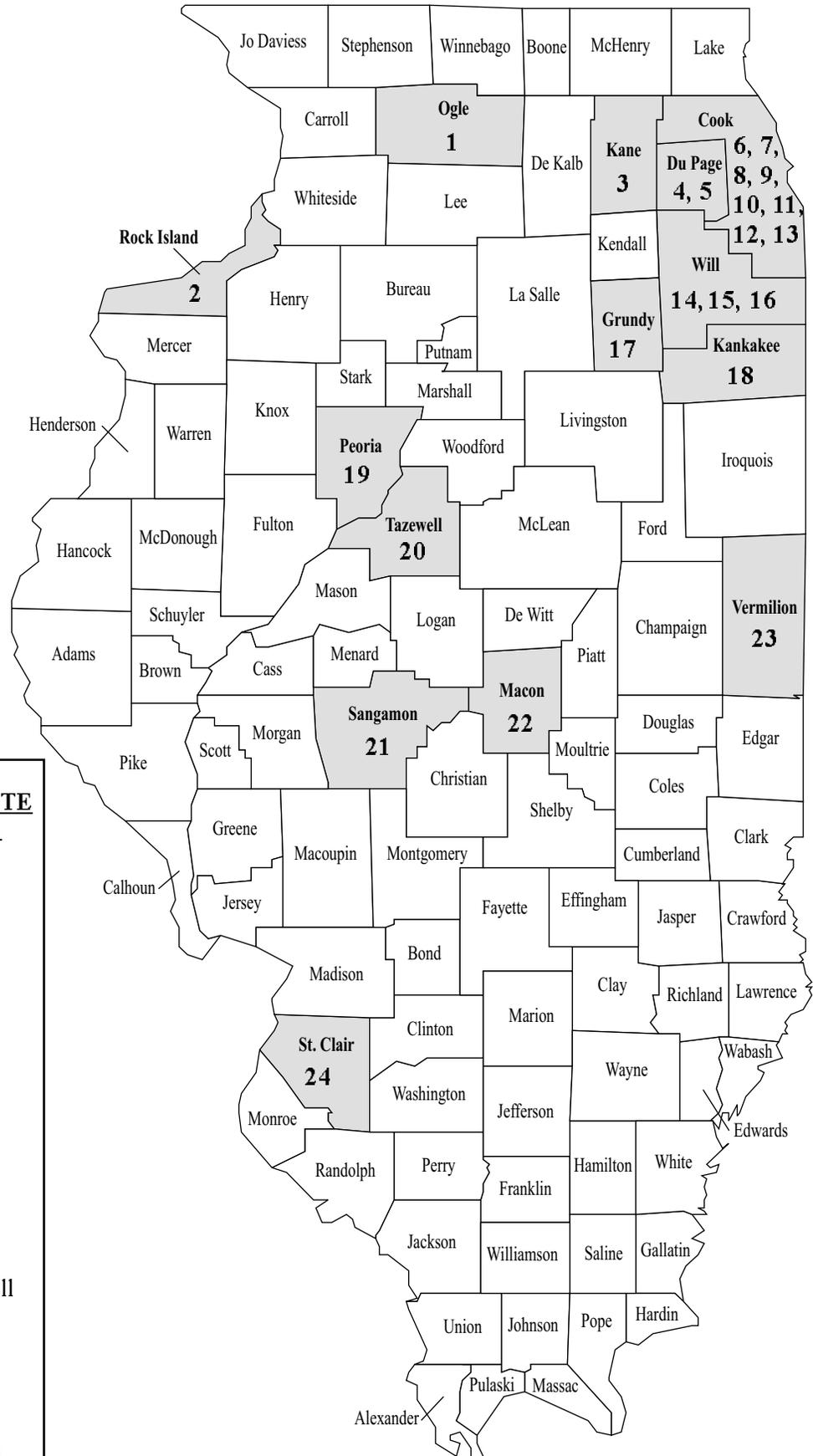
Beginning in February 1999 and through January 2009, each qualified solid waste energy facility is required to pay into the Municipal Economic Development Fund an amount equal to six-tenths of a mill (\$0.0006) per kilowatt hour of electricity the facility sold to electric utilities. These monthly payments are made to the State Treasurer. The State Treasurer deposits the monies into the Municipal Economic Development Fund.

The State Treasurer is required to make distributions from the Municipal Economic Development Fund immediately after January 15, April 15, July 15, and October 15 of each year. Maximum aggregate distributions of \$500,000 for the four quarters beginning with the April distribution and ending with the January distribution are to be made to each city, village, or incorporated town that has within its boundaries an incinerator that:

- (1) uses municipal waste as its primary fuel to generate electricity;
- (2) was determined by the ICC to qualify as a qualified solid waste energy facility prior to the effective date of Public Act 89-448 (March 14, 1996); and
- (3) commenced operation prior to January 1, 1998.

According to information from the ICC and the Illinois Environmental Protection Agency, Robbins has the only operating incinerator in the State that meets these criteria; therefore, Robbins is the only community entitled to receive disbursements from the Municipal Economic Development Fund.

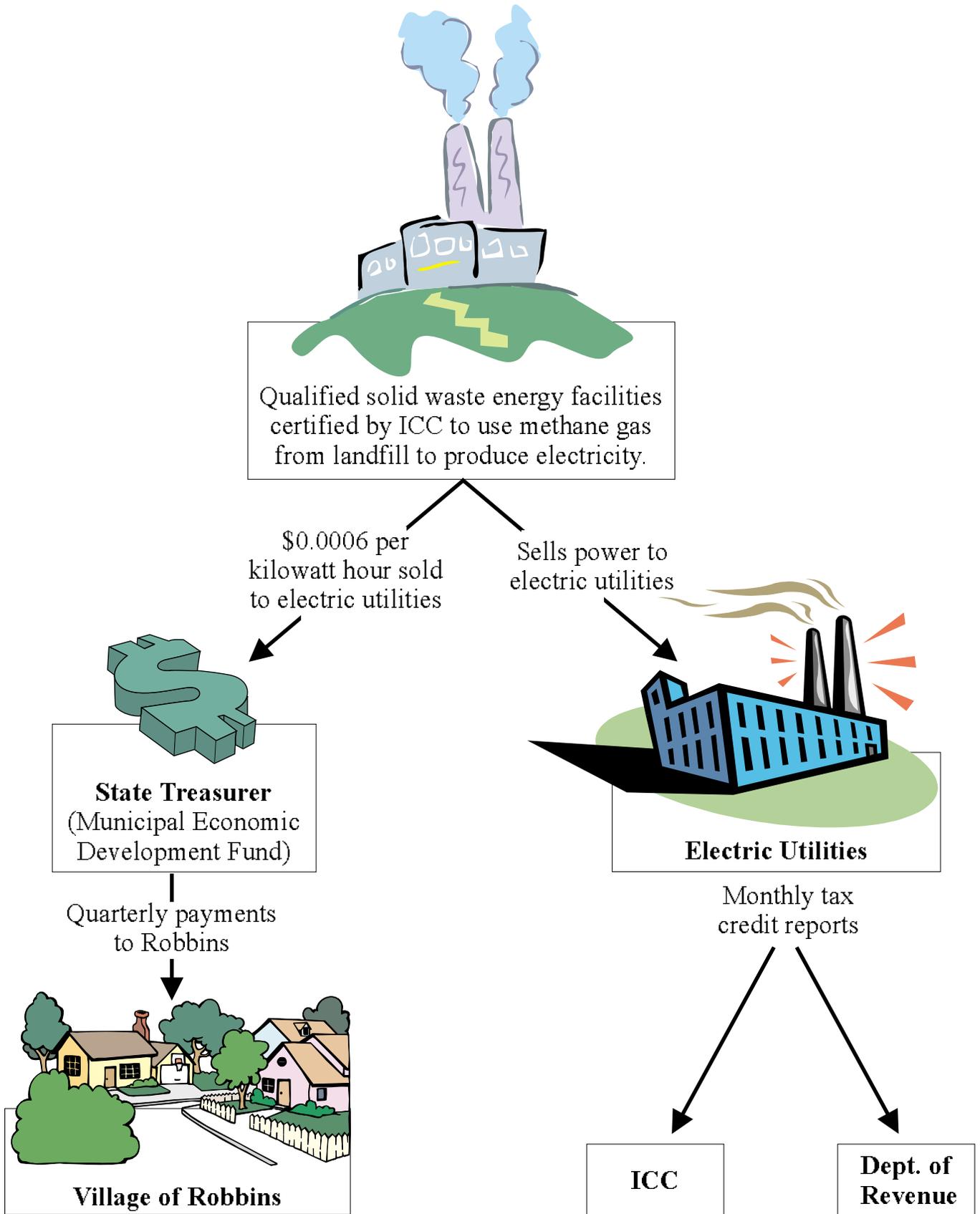
**Exhibit 1-1
QUALIFIED SOLID WASTE ENERGY FACILITIES BY COUNTY**



- LANDFILLS WITH
QUALIFIED SOLID WASTE
ENERGY FACILITIES**
1. Rockford Landfill
 2. Quad Cities Landfill
 3. Woodland Landfill
 4. Greene Valley Landfill
 5. Mallard Lake Landfill
 6. Chicago Landfill
 7. CID Landfill
 8. Dolton Landfill
 9. Lake Landfill #1
 10. Lake Landfill #2
 11. Landfill (# 27397)
 12. Lansing Landfill
 13. McCook Landfill
 14. CDT Landfill #1
 15. CDT Landfill #2
 16. Romeoville Landfill
 17. Morris Community Landfill
 18. Kankakee Landfill
 19. Peoria County Landfill
 20. Tazewell Landfill
 21. Sangamon Landfill
 22. Macon County Landfill
 23. Brickyard Energy Partners
 24. Milam Landfill

Source: OAG analysis of ICC, Revenue and Treasurer data.

Exhibit 1-2
MUNICIPAL ECONOMIC DEVELOPMENT FUND
PAYMENT ACQUISITION AND DISTRIBUTION



**DELAY IN ESTABLISHING
THE MUNICIPAL ECONOMIC DEVELOPMENT FUND**

The State Treasurer did not establish the Municipal Economic Development Fund in February 1999 as required by the Public Utilities Act (220 ILCS 5/8-403.1). This oversight was noted in the Auditor General’s financial and compliance audit of the State Treasurer’s fiscal operations for the year ended June 30, 1999. Qualified solid waste energy facilities were to begin paying into the Fund in February 1999 and payments to Robbins were to begin by April 15, 1999. However, the first receipts under this statute were not collected until September 1999, and the first payment to Robbins of \$61,628 was not made until October 1999.

The Treasurer’s Office did not contact the qualified solid waste facilities until July 1999. Consequently, qualified solid waste energy facilities did not begin making payments into the Fund in the required timeframes. The audit recommended that the Treasurer’s Office develop a procedure to monitor new and amended statutes to ensure that statutorily mandated responsibilities are carried out in a timely manner. The Treasurer accepted the recommendation.

**EXPENDITURE OF DISTRIBUTIONS FROM
THE MUNICIPAL ECONOMIC DEVELOPMENT FUND**

As shown in Exhibit 1-3, the Treasurer distributed \$137,828 in calendar year 1999 Municipal Economic Development Fund receipts to Robbins. The Treasurer made an initial distribution of \$61,628 to Robbins in October 1999. The second distribution of \$76,200 was made in January 2000, which covered payments for the last quarter of 1999, plus some payments from earlier periods.

Exhibit 1-3 also shows that Robbins did not expend any funds received from the Municipal Economic Development Fund through January 2000. Appendix B contains an independent auditors report on the cash receipts and disbursements from the Municipal Economic Development Fund paid to Robbins for the year ended December 31, 1999.

Exhibit 1-3 VILLAGE OF ROBBINS’ RECEIPT AND EXPENDITURE OF MUNICIPAL ECONOMIC DEVELOPMENT FUNDS (For Calendar Year 1999)	
Disbursement Received 10/99:	\$ 61,628
Disbursement Received 01/00:	<u>\$ 76,200</u>
Total Receipts:	\$137,828
Total Expenditures:	<u>\$ 0</u>
Balance as of January 2000:	<u>\$137,828</u>
Note: Figures rounded to nearest dollar. Source: Village of Robbins	

When Robbins received the first payment of \$61,628 in October 1999, it did not set up a separate account for these funds as required by the Public Utilities Act (220 ILCS 5/8-403.1). Robbins corrected the error by establishing a separate interest-bearing account on January 26, 2000. The \$137,828 deposited into the separate account included the initial \$61,628 received,

plus \$76,200 received in January 2000. Thus, although Robbins initially violated the Public Utilities Act by co-mingling Municipal Economic Development Funds and other Village funds, the error was corrected with the establishment of a separate account for the Municipal Economic Development Fund distributions.

**OTHER ISSUES FOR REVIEW DURING FUTURE FINANCIAL AND COMPLIANCE
AUDITS OF STATE AGENCIES**

Information received from the State Treasurer, ICC, and Department of Revenue indicates that the State may need to improve controls over receipts and disbursements from the Municipal Economic Development Fund. Future financial and compliance audits of the Treasurer, ICC, and the Department of Revenue will focus on three control areas:

- **Whether Qualified Solid Waste Energy Facilities are Making all Required Payments into the Fund** – We received differing information from the Treasurer, ICC, and the Department of Revenue regarding qualified solid waste energy facilities required to pay into the Municipal Economic Development Fund. For calendar year 1999, one facility was identified on the Treasurer’s list but not on documentation provided by the ICC or the Department of Revenue. Also, the Department of Revenue provided information for one facility that was not provided by the Treasurer or ICC. However, subsequent to the time period covered in the audit, the ICC provided a list that included additional qualified facilities. Overall, the lists from the Treasurer, ICC, and Department of Revenue identified a combined total of 24 qualified solid waste energy facilities that should have paid into the Fund in 1999. During our next financial and compliance audits of the Treasurer, ICC, and Department of Revenue, we will assess whether all identified qualified solid waste energy facilities are paying into the Fund.
- **Whether Qualified Solid Waste Energy Facilities are Paying into the Fund in a Timely Manner** – After the Treasurer established the Municipal Economic Development Fund and began receiving payments in September 1999, qualified solid waste energy facilities still continued to file late monthly payments with the Treasurer. The Public Utilities Act (220 ILCS 5/8-403.1) states that each qualified solid waste energy facility that sells electricity to an electric utility shall make a payment into the Municipal Economic Development Fund by the 15th of each month based on the number of kilowatts for which payment was received during the previous month. Based on information from the Treasurer as of March 2000, only 8 of the 24 qualified solid waste energy facilities made payments into the Municipal Economic Development Fund for the last quarter of calendar year 1999. During our next financial and compliance audit of the Treasurer we will assess the timeliness of payments into the Fund.
- **Whether the Treasurer is Making Disbursements to Robbins in a Timely Manner** – The Public Utilities Act (220 ILCS 5/8-403.1) states that the State Treasurer must make distributions from the Municipal Economic Development Fund immediately after January 15, April 15, July 15, and October 15 of each year. Because Robbins maintains Municipal Economic Development Fund receipts in a separate interest-bearing account, any delay by

the Treasurer in making quarterly disbursements could result in lost revenue for Robbins. During our next financial and compliance audit of the Treasurer, we will examine the timeliness of disbursements made to Robbins.

SCOPE AND METHODOLOGY

This audit was conducted in accordance with generally accepted government auditing standards and the audit standards promulgated by the Office of the Auditor General at 74 Ill. Adm. Code 420.310.

The audit scope encompassed distributions from the Municipal Economic Development Fund and any expenditure of those distributions made during calendar year 1999. The Public Utilities Act (220 ILCS 5/8-403.1) states that each annual audit of distributions from the Municipal Economic Development Fund is to cover distributions received and expenditures made from the immediately preceding year. The Act defines a year's distributions as those beginning with the April 15th quarterly distribution (covering receipts into the Fund from the preceding January, February, and March) and ending with the January 15th distribution (covering receipts into the Fund from the preceding October, November, and December). Therefore, this audit covered quarterly distributions for calendar year 1999, which were scheduled to be made in April 1999, July 1999, October 1999, and January 2000.

Robbins was the sole recipient of funds from the Municipal Economic Development Fund in calendar year 1999. The audit examined Robbins' receipt of and accounting for Municipal Economic Development Funds received for calendar year 1999. However, the audit did not include an examination of Robbins' expenditures because Robbins did not expend any Municipal Economic Development Funds in calendar year 1999.

We interviewed representatives of Robbins to determine existing controls over the receipt and expenditure of Municipal Economic Development Funds. We reviewed accounting worksheets and bank account statements to determine the amount of funds received and expended by Robbins.

Robbins' fiscal year ends April 30, and their audit for the year ended April 30, 1999, had not been completed by May 2000. Financial statements for the year ended April 30, 2000, also had not been completed. We will review these financial statements in subsequent audits.

We contacted the State Treasurer's Office and the Illinois Commerce Commission to determine their roles in establishing and maintaining the Municipal Economic Development Fund. We also contacted the Illinois Environmental Protection Agency for information on landfills and the Department of Revenue for information on its receipt of tax credit reports.

We identified a possible need for improved controls over the receipt and disbursement of Municipal Economic Development Funds. Our next financial and compliance audits of the Treasurer, ICC, and the Department of Revenue will examine whether qualified solid waste energy facilities are making all required payments into the Fund in a timely manner.

APPENDIX A

Public Utilities Act – 220 ILCS 5/8-403.1

ILLINOIS COMPILED STATUTES
CHAPTER 220. UTILITIES
ACT 5. PUBLIC UTILITIES ACT
ARTICLE VIII. SERVICE OBLIGATIONS AND CONDITIONS

5/8-403.1. Electricity purchased from qualified solid waste energy facility; tax credit; distributions for economic development

§ 8-403.1. Electricity purchased from qualified solid waste energy facility; tax credit; distributions for economic development.

(a) It is hereby declared to be the policy of this State to encourage the development of alternate energy production facilities in order to conserve our energy resources and to provide for their most efficient use.

(b) For the purpose of this Section and Section 9-215.1, "qualified solid waste energy facility" means a facility determined by the Illinois Commerce Commission to qualify as such under the Local Solid Waste Disposal Act, to use methane gas generated from landfills as its primary fuel, and to possess characteristics that would enable it to qualify as a cogeneration or small power production facility under federal law.

(c) In furtherance of the policy declared in this Section, the Illinois Commerce Commission shall require electric utilities to enter into long-term contracts to purchase electricity from qualified solid waste energy facilities located in the electric utility's service area, for a period beginning on the date that the facility begins generating electricity and having a duration of not less than 10 years in the case of facilities fueled by landfill-generated methane, or 20 years in the case of facilities fueled by methane generated from a landfill owned by a forest preserve district. The purchase rate contained in such contracts shall be equal to the average amount per kilowatt-hour paid from time to time by the unit or units of local government in which the electricity generating facilities are located, excluding amounts paid for street lighting and pumping service.

(d) Whenever a public utility is required to purchase electricity pursuant to subsection (c) above, it shall be entitled to credits in respect of its obligations to remit to the State taxes it has collected under the Electricity Excise Tax Law equal to the amounts, if any, by which payments for such electricity exceed (i) the then current rate at which the utility must purchase the output of qualified facilities pursuant to the federal Public Utility Regulatory Policies Act of 1978, less (ii) any costs, expenses, losses, damages or other amounts incurred by the utility, or for which it becomes liable, arising out of its failure to obtain such electricity from such other sources. The amount of any such credit shall, in the first instance, be determined by the utility, which shall make a monthly report of such credits to the Illinois Commerce Commission and, on its monthly tax return, to the Illinois Department of Revenue. Under no circumstances shall a utility be required to purchase electricity from a qualified solid waste energy facility at the rate prescribed in subsection (c) of this Section if such purchase would result in estimated tax credits that exceed, on a monthly basis, the utility's estimated obligation to remit to the State taxes it has

collected under the Electricity Excise Tax Law. The owner or operator shall negotiate facility operating conditions with the purchasing utility in accordance with that utility's posted standard terms and conditions for small power producers. If the Department of Revenue disputes the amount of any such credit, such dispute shall be decided by the Illinois Commerce Commission. Whenever a qualified solid waste energy facility has paid or otherwise satisfied in full the capital costs or indebtedness incurred in developing and implementing the qualified facility, the qualified facility shall reimburse the Public Utility Fund and the General Revenue Fund in the State treasury for the actual reduction in payments to those Funds caused by this subsection (d) in a manner to be determined by the Illinois Commerce Commission and based on the manner in which revenues for those Funds were reduced.

(e) The Illinois Commerce Commission shall not require an electric utility to purchase electricity from any qualified solid waste energy facility which is owned or operated by an entity that is primarily engaged in the business of producing or selling electricity, gas, or useful thermal energy from a source other than one or more qualified solid waste energy facilities.

(f) This Section does not require an electric utility to construct additional facilities unless those facilities are paid for by the owner or operator of the affected qualified solid waste energy facility.

(g) The Illinois Commerce Commission shall require that: (1) electric utilities use the electricity purchased from a qualified solid waste energy facility to displace electricity generated from nuclear power or coal mined and purchased outside the boundaries of the State of Illinois before displacing electricity generated from coal mined and purchased within the State of Illinois, to the extent possible, and (2) electric utilities report annually to the Commission on the extent of such displacements.

(h) Nothing in this Section is intended to cause an electric utility that is required to purchase power hereunder to incur any economic loss as a result of its purchase. All amounts paid for power which a utility is required to purchase pursuant to subparagraph (c) shall be deemed to be costs prudently incurred for purposes of computing charges under rates authorized by Section 9-220 of this Act. Tax credits provided for herein shall be reflected in charges made pursuant to rates so authorized to the extent such credits are based upon a cost which is also reflected in such charges.

(i) Beginning in February 1999 and through January 2009, each qualified solid waste energy facility that sells electricity to an electric utility at the purchase rate described in subsection (c) shall file with the State Treasurer on or before the 15th of each month a form, prescribed by the State Treasurer, that states the number of kilowatt hours of electricity for which payment was received at that purchase rate from electric utilities in Illinois during the immediately preceding month. This form shall be accompanied by a payment from the qualified solid waste energy facility in an amount equal to six-tenths of a mill (\$0.0006) per kilowatt hour of electricity stated on the form. Payments received by the State Treasurer shall be deposited into the Municipal Economic Development Fund, a trust fund created outside the State treasury. The State Treasurer may invest the moneys in the Fund in any investment authorized by the Public Funds Investment Act, and investment income shall be deposited into and become part of

the Fund. Moneys in the Fund shall be used by the State Treasurer as provided in subsection (j). The obligation of a qualified solid waste energy facility to make payments into the Municipal Economic Development Fund shall terminate upon either: (1) expiration or termination of a facility's contract to sell electricity to an electric utility at the purchase rate described in subsection (c); or (2) entry of an enforceable, final, and non-appealable order by a court of competent jurisdiction that Public Act 89-448 is invalid. Payments by a qualified solid waste energy facility into the Municipal Economic Development Fund do not relieve the qualified solid waste energy facility of its obligation to reimburse the Public Utility Fund and the General Revenue Fund for the actual reduction in payments to those Funds as a result of credits received by electric utilities under subsection (d).

(j) The State Treasurer, without appropriation, must make distributions immediately after January 15, April 15, July 15, and October 15 of each year, up to maximum aggregate distributions of \$500,000 for the distributions made in the 4 quarters beginning with the April distribution and ending with the January distribution, from the Municipal Economic Development Fund to each city, village, or incorporated town that has within its boundaries an incinerator that: (1) uses municipal waste as its primary fuel to generate electricity; (2) was determined by the Illinois Commerce Commission to qualify as a qualified solid waste energy facility prior to the effective date of Public Act 89-448; and (3) commenced operation prior to January 1, 1998. Total distributions in the aggregate to all qualified cities, villages, and incorporated towns in the 4 quarters beginning with the April distribution and ending with the January distribution shall not exceed \$500,000. The amount of each distribution shall be determined pro rata based on the population of the city, village, or incorporated town compared to the total population of all cities, villages, and incorporated towns eligible to receive a distribution. Distributions received by a city, village, or incorporated town must be held in a separate account and may be used only to promote and enhance industrial, commercial, residential, service, transportation, and recreational activities and facilities within its boundaries, thereby enhancing the employment opportunities, public health and general welfare, and economic development within the community, including administrative expenditures exclusively to further these activities. These funds, however, shall not be used by the city, village, or incorporated town, directly or indirectly, to purchase, lease, operate, or in any way subsidize the operation of any incinerator, and these funds shall not be paid, directly or indirectly, by the city, village, or incorporated town to the owner, operator, lessee, shareholder, or bondholder of any incinerator. Moreover, these funds shall not be used to pay attorneys fees in any litigation relating to the validity of Public Act 89-448. Nothing in this Section prevents a city, village, or incorporated town from using other corporate funds for any legitimate purpose. For purposes of this subsection, the term "municipal waste" has the meaning ascribed to it in Section 3.21 of the Environmental Protection Act.

(k) If maximum aggregate distributions of \$500,000 under subsection (j) have been made after the January distribution from the Municipal Economic Development Fund, then the balance in the Fund shall be refunded to the qualified solid waste energy facilities that made payments that were deposited into the Fund during the previous 12-month period. The refunds shall be prorated based upon the facility's payments in relation to total payments for that 12-month period.

(1) Beginning January 1, 2000, and each January 1 thereafter, each city, village, or incorporated town that received distributions from the Municipal Economic Development Fund, continued to hold any of those distributions, or made expenditures from those distributions during the immediately preceding year shall submit to a financial and compliance and program audit of those distributions performed by the Auditor General at no cost to the city, village, or incorporated town that received the distributions. The audit should be completed by June 30 or as soon thereafter as possible. The audit shall be submitted to the State Treasurer and those officers enumerated in Section 3-14 of the Illinois State Auditing Act. If the Auditor General finds that distributions have been expended in violation of this Section, the Auditor General shall refer the matter to the Attorney General. The Attorney General may recover, in a civil action, 3 times the amount of any distributions illegally expended. For purposes of this subsection, the terms "financial audit," "compliance audit", and "program audit" have the meanings ascribed to them in Sections 1-13 and 1-15 of the Illinois State Auditing Act.

APPENDIX B

Independent Auditors Report

INDEPENDENT AUDITORS REPORT

Honorable William G. Holland
Auditor General
State of Illinois

We have audited the accompanying statements of cash receipts to the Village of Robbins from the State Municipal Economic Development Fund and cash disbursements made by the Village of Robbins from those cash receipts for the year ended December 31, 1999 and for the period from January 1, 2000 through January 26, 2000. These financial statements are the responsibility of the management of the Village of Robbins. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash receipts to the Village of Robbins from the State Municipal Economic Development Fund and the cash disbursements made by the Village of Robbins from those cash receipts for the year ended December 31, 1999 and for the period from January 1, 2000 through January 26, 2000, on the basis of accounting described in Note 1.

THOMAS J. LOOBAY, CPA
Compliance Audit Director

January 31, 2000

VILLAGE OF ROBBINS
 STATEMENTS OF CASH RECEIPTS FROM
 THE STATE MUNICIPAL ECONOMIC DEVELOPMENT FUND AND
 CASH DISBURSEMENTS FROM THOSE CASH RECEIPTS
 FOR THE YEAR ENDED DECEMBER 31, 1999
 AND FOR THE PERIOD FROM JANUARY 1, 2000 TO JANUARY 26, 2000

	<u>Year Ended December 31, 1999</u>	<u>January 1, 2000 to January 26, 2000</u>
<u>CASH RECEIPTS:</u>		
Cash Receipts from the State Municipal Economic Development Fund	\$61,628.44	\$76,199.79
<u>CASH DISBURSEMENTS:</u>		
Cash Disbursements from Receipts from the State Municipal Economic Development Fund	<u>-0-</u>	<u>-0-</u>
Excess of Cash Receipts Over Cash Disbursements	\$61,628.44	\$76,199.79
Cash Balance at Beginning of Period	<u>-0-</u>	<u>61,628.44</u>
Cash Balance at End of Period	<u><u>\$61,628.44</u></u>	<u><u>\$137,828.23</u></u>

The accompanying note is an integral part of these financial statements.

NOTE TO FINANCIAL STATEMENTS

Note 1 - Significant Accounting Policies

The accompanying financial statements have been prepared on the cash receipts and disbursements basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under that basis, the only asset recognized is cash, and no liabilities are recognized. All transactions are recognized as either cash receipts or disbursements, and non-cash transactions are not recognized. The cash basis differs from generally accepted accounting principles primarily because the effects of interest earned, other receivables, and obligations unpaid at the date of the financial statements are not included in the financial statements.

APPENDIX C

Village of Robbins' Response



VILLAGE OF ROBBINS

INCORPORATED DECEMBER 14, 1917

TELEPHONE (708) 385-8940
FAX (708) 385-0542

RECEIVED
AUDITOR GENERAL
SPFLD.

MAYOR IRENE H. BRODIE, Ph.D.

3327 WEST 137TH STREET

ROBBINS, ILLINOIS 60472

PALMA L. JAMES
Clerk

TRUSTEES

Wille E. Carter
Richard Williams
Gregory Wright
Adele F. Sharp
James E. Coffey, Sr.
Lynnie D. Johnson

2000 JUN 14 A 9 54

June 9, 2000

Jim Kincaid
Audit Manager
Office of the Auditor General
160 North LaSalle Street, Suite S-900
Chicago, IL 60601

Dear Mr. Kincaid:

We are in receipt of your audit report dated May 18, 2000, on the economic development fund, but we are not in receipt of the original revised report dated May 31, 2000. A facsimile of the revised audit was sent to our Village Clerk. Please see that my office receives an original revised report, as we discussed on June 7, 2000.

I do not understand how the state can expend so much effort in monitoring the money we are receiving, yet the state is being derelict in its efforts to collect the money it committed to us. As chief executive of the Village of Robbins, I will do all within my power to monitor the funds that we receive from the state in an effort to assure that there will be no misappropriation of any of them. I request of you to help us encourage the state of Illinois to funnel monies into the Robbins' account to adjust for the unpaid years for which the \$500,000 were committed.

Thank you for the manner in which you have handled your responsibilities regarding these funds.

Sincerely,

Dr. Irene H. Brodie
Mayor

cc: David Nixon