

## REPORT DIGEST

### FINANCIAL, COMPLIANCE, AND PROGRAM AUDIT OF THE

### VILLAGE OF ROBBINS' USE OF MUNICIPAL ECONOMIC DEVELOPMENT FUNDS

Released: July 2005



State of Illinois  
Office of the Auditor General

**WILLIAM G. HOLLAND**  
AUDITOR GENERAL

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## SYNOPSIS

The Public Utilities Act (220 ILCS 5/8-403.1) requires the Auditor General to conduct an annual financial, compliance, and program audit of distributions received by any municipality from the Municipal Economic Development Fund. Qualified solid waste energy facilities are required to pay into the Fund \$0.0006 per kilowatt hour of electricity the facilities sold to electric utilities.

Each audit is to be for distributions from the Fund for the immediately preceding year. This is the sixth audit conducted under this requirement. This audit covers distributions from the Fund during calendar year 2004.

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

- In 2004, Robbins received \$345,527 in quarterly disbursements from the Fund. The Village earned \$102 in interest for total cash receipts of \$345,629 in 2004.
- Robbins disbursed \$353,951 from Fund receipts. Specific disbursements in 2004 were for Village payroll and employee health insurance, legal services for the acquisition of tax-delinquent properties in the Village, and other general Village expenses. We identified no questionable expenditures in calendar year 2004.



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## REPORT CONCLUSIONS

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The Village of Robbins is the only entity to receive distributions from the Municipal Economic Development Fund. In calendar year 2004, Robbins' net cash receipts from the Municipal Economic Development Fund (MEDF) totaled \$345,527 and the Village earned \$102 in interest income. Robbins' cash disbursements from MEDF receipts totaled \$353,951 in calendar year 2004. Robbins began the year with a cash balance of \$8,853 in its bank account for Municipal Economic Development Funds and ended the year with a balance of \$531 in the account.

Based on our review of documentation provided by the Village of Robbins, we concluded that Robbins' calendar year 2004 expenditures of MEDF receipts appeared to be consistent with Public Utilities Act requirements. Specific disbursements were made for: employee payroll and health insurance expenses; legal services for the acquisition of tax-delinquent properties in the Village; repairs to a fire engine; new air conditioning system for the Village Hall; and other general Village expenses.

The Public Utilities Act establishes requirements regarding the allowable uses of Municipal Economic Development Funds. The Act states that MEDF distributions 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.

The Act also lists specific purposes for which the MEDF distributions cannot be used.

We referred questionable expenditures from the audits of 2001 and 2002 expenditures to the Office of the Attorney General, as required by the Public Utilities Act. As of April 2005, the Attorney General's office had not yet completed its review of these expenditures to determine whether they complied with Public Utilities Act requirements. In July 2003, Village officials adopted a more detailed spending policy to ensure that Municipal Economic Development Funds are used consistently with the requirements of the Public Utilities Act. We identified no questionable expenditures for calendar year 2004.

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## **THE MUNICIPAL ECONOMIC DEVELOPMENT FUND**

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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 to receive and maintain payments from qualified solid waste energy facilities that sell electricity to electric utilities. Each qualified facility must make payments of \$0.0006 per kilowatt hour of electricity it produces and sells to the electric utilities. The facilities make payments to the Department of Revenue, which deposits the payments into the Fund. The Department may assess penalties and interest if the facilities do not submit the payments.

The State Treasurer is required to make quarterly distributions from the Fund to each city, village, or incorporated town that has within its boundaries an incinerator that:

- (1) uses, or on the effective date of Public Act 90-813 [January 29, 1999], used municipal waste as its primary fuel to generate electricity;
- (2) was determined by the Illinois Commerce Commission (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 had the only operating incinerator in the State that met these criteria and was entitled to receive disbursements from the Municipal Economic Development Fund. (pages 1-3)

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

The State Treasurer made four quarterly Municipal Economic Development Fund payments to Robbins in calendar year 2004 totaling \$347,403. However, the Comptroller offset \$1,876 for bills owed by Robbins to the State, so the total amount actually received by Robbins for deposit was \$345,527. Robbins earned \$102 in interest income on the funds received, making total receipts \$345,629 for calendar year 2004. Digest Exhibit 1 shows that Robbins disbursed \$353,951 in Municipal Economic Development Fund receipts during calendar year 2004.

<b>Digest Exhibit 1 ROBBINS' RECEIPT AND DISBURSEMENT OF MUNICIPAL ECONOMIC DEVELOPMENT FUNDS (Calendar Year 2004)</b>	
Fund Distribution Received 01/04:	\$69,645
Fund Distribution Received 04/04:	\$69,397
Fund Distribution Received 07/04:	\$140,605
Fund Distribution Received 11/04:	\$67,756
Interest Income:	\$102
Amount Offset by Comptroller	<u>\$(1,876)</u>
Total CY 04 Cash Receipts:	\$345,629
 Total CY 04 Cash Disbursements:	 <u>\$353,951</u>
 Deficiency of Cash Receipts Over Cash Disbursements:	 \$(8,322)
 Cash Balance End of CY03:	 \$8,853
 Cash Balance as of 12/31/04:	 <u>\$531</u>
Note: Figures rounded to nearest dollar. Totals may not add due to rounding.	
Source: Village of Robbins.	

Specific disbursements were made for: employee payroll and health insurance expenses; legal services for the acquisition of tax-delinquent properties in the Village; repairs to a fire engine; new air conditioning system for the Village Hall; and general Village expenses. General expenses included auto fuel and repair and equipment rental and purchase. Digest Exhibit 2 summarizes the amount and purpose for Robbins' cash disbursements from

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

**Robbins received \$345,527 from the Fund and earned \$102 in interest income in calendar year 2004.**

**Robbins disbursed \$353,951 in Fund receipts during calendar year 2004.**

the Municipal Economic Development Fund receipts during calendar year 2004.

We audited the Statements of Cash Receipts to the Village of Robbins from the Municipal Economic Development Fund and Cash Disbursements made by the Village of Robbins from those cash receipts for the year ended December 31, 2004. We concluded that the financial statements were fairly presented in all material respects. Appendix B to the full report contains the Independent Auditors Report.

<b>Digest Exhibit 2</b>	
<b>VILLAGE OF ROBBINS' DISBURSEMENT OF</b>	
<b>MUNICIPAL ECONOMIC DEVELOPMENT FUNDS</b>	
<b>(Calendar Year 2004)</b>	
<b>Amount</b>	<b>Purpose</b>
\$225,336	Employee payroll expenses
\$30,003	Employee health insurance expenses
\$44,456	General Village expenses
\$25,260	Legal work for the acquisition of tax-delinquent properties in the Village
\$22,375	Air conditioning system for Village Hall
\$4,094	Fire engine repair
\$2,428	Acquisition of property for Metra station parking lot
<u>\$353,951</u>	Total Disbursements
Note: Figures rounded to nearest dollar. Total may not add due to rounding. Source: Village of Robbins.	

Based on our review of documentation provided by the Village of Robbins, we concluded that Robbins' calendar year 2004 expenditures of Fund receipts appeared to comply with Public Utilities Act guidelines.

We questioned expenses for lawsuit settlement payments in our audits of 2001 and 2002 expenditures and referred these expenditures to the Office of the Attorney General as required under the Public Utilities Act. As of April 2005, the Attorney General's office had not yet completed its review of those expenditures to determine if they were consistent with the provisions of the Public Utilities Act. The Act states that MEDF distributions 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.

On July 22, 2003, Robbins trustees adopted a revised, detailed spending policy to help prevent further questionable expenditures. No questionable expenditures were identified for calendar year 2004. (pages 3-6)

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**No questionable  
expenditures were  
identified for  
calendar year  
2004.**

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## **AGENCY RESPONSE**

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The Village of Robbins concurred with the conclusions in the audit. The full text of the Village's response is included as Appendix C of the report.

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WILLIAM G. HOLLAND  
Auditor General

WGH/BH  
July 2005