STATE OF ILLINOIS

OFFICE OF THE AUDITOR GENERAL

FINANCIAL, COMPLIANCE, AND PROGRAM AUDIT

OF THE

THE VILLAGE OF ROBBINS' USE OF MUNICIPAL ECONOMIC DEVELOPMENT FUNDS

NOVEMBER 2008

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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, and the Governor:

This is our report of the Financial, Compliance, and Program Audit of the Village of Robbins' Use of Municipal Economic Development Funds, for the year ended December 31, 2007.

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
November 2008

REPORT DIGEST

FINANCIAL, COMPLIANCE, AND PROGRAM AUDIT OF THE

VILLAGE OF ROBBINS' USE OF MUNICIPAL ECONOMIC DEVELOPMENT FUNDS

Released: November 2008

State of Illinois
Office of the Auditor General

WILLIAM G. HOLLAND
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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 ninth audit conducted under this requirement. This audit covers distributions from the Fund during calendar year 2007.

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

- In 2007, Robbins received $448,349 in quarterly disbursements from the Fund. Robbins used these monies for specific disbursements such as Village payroll, employee insurance and pension expenses, and general Village expenses.

- Robbins officials deposited a Department of Commerce and Economic Opportunity grant of $1.6 million into the Village's MEDF account, resulting in a commingling of the State MEDF and the grant funds for approximately one month. The Public Utilities Act requires that MEDF monies be held in a "separate account." When the grant funds were removed, officials did not calculate and transfer the interest earned on those grant funds to the proper account.

- We noted instances where poor internal controls over the use of grant funds resulted in the Village using $32,243 in MEDF funds either to pay for expenses that should have been paid with grant funds or to reimburse granting agencies for funds spent on purposes other than those for which the grants were received.

REPORT CONCLUSIONS

The Village of Robbins is the only entity to receive distributions from the Municipal Economic Development Fund. In calendar year 2007, Robbins' net cash receipts from the Municipal Economic Development Fund (MEDF) totaled $448,349 and the Village earned $2,457 in interest income on monies deposited into its MEDF account. Robbins' cash disbursements from MEDF receipts totaled $451,331 in calendar year 2007. Robbins began the year with a cash balance of $964 in its bank account for Municipal Economic Development Funds and ended the year with a balance of $439 in the account.

In April 2007, Robbins officials deposited $1.6 million in grant funds received from the Department of Commerce and Economic Opportunity (DCEO) into the Village's MEDF account, resulting in a commingling of the State MEDF and the grant funds for approximately one month. When the grant monies were removed from the Village's MEDF account, Village officials did not properly allocate and transfer the amount of interest earned on the grant monies out of the MEDF account, but rather left all the accrued interest in the MEDF account. The commingling of funds resulted in noncompliance with the Public Utilities Act which requires that MEDF receipts be held in a "separate account."

The Public Utilities Act establishes requirements regarding the allowable uses of Municipal Economic Development Funds (220 ILCS 5/8-403.1(j)). 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. Based on our review of documentation provided by the Village of Robbins, we concluded that most of Robbins' calendar year 2007 expenditures of MEDF receipts appeared to be consistent with Public Utilities Act requirements. Specific disbursements were made for employee payroll; employee insurance and retirement expenses; waste hauling; and other general Village expenses.

However, we noted two instances where poor internal controls over the use of grant funds resulted in the Village using MEDF monies for questionable purposes. In the first instance, the Village received a $37,000 grant from the Department of Commerce and Economic Opportunity (DCEO) to pay for Village planning. According to Robbins officials, the DCEO grant funds were deposited into the Village's general fund and $24,500 in grant funds were spent for purposes other than those allowable under the grant. The MEDF monies were then used to reimburse the grant.

In the second instance, the Village received a $34,400 Justice Assistance Grant from Cook County. As with the DCEO grant, grant funds were used for purposes other than those specified in the grant. Robbins used $7,743.05 in MEDF monies to repay Cook County for grant funds used for other purposes.

We were unable to determine the nature of the expenditures of the grant funds, which were subsequently reimbursed with MEDF funds, to determine whether such expenditures complied with the Public Utilities Act. We recommended that the Village maintain the appropriate documentation.

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 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.

Amendments added by Public Act 94-836 require that the Treasurer compare the monthly amount received to the amount received for the corresponding month in 2002. If the amount received in 2002 is greater, the difference is to be transferred from the General Revenue Fund to the MEDF. A total of $200,073 was transferred in 2007.

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.

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

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 2–3)

EXPENDITURE OF DISTRIBUTIONS FROM THE MUNICIPAL ECONOMIC DEVELOPMENT FUND

Robbins received $448,349 from the Fund and earned $2,457 in interest income in calendar year 2007.

Robbins disbursed $451,331 in Fund receipts during calendar year 2007.

The State Treasurer made quarterly Municipal Economic Development Fund payments to Robbins in calendar year 2007 totaling $448,349. Robbins earned $2,457. in interest income on monies deposited into its MEDF account. Digest Exhibit 1 shows that Robbins disbursed $451,331 in Municipal Economic Development Fund receipts during calendar year 2007.

The large increase in the amount of interest recorded in the MEDF account in 2007 was the result of Robbins' commingling MEDF funds with grant funds Robbins received from the Department of Commerce and Economic Opportunity (DCEO). In April 2007, Robbins officials deposited $1.6 million in grant funds it received from DCEO into its MEDF account, resulting in a commingling of the funds for approximately one month. When the grant monies were removed from the Village's MEDF account, Village officials did not properly allocate and transfer the amount of interest earned on the grant monies out of the MEDF account, but rather left all the accrued interest in the MEDF account. The commingling of funds resulted in noncompliance with Section 8-403.1(j) of the Public Utilities Act which requires that a recipient of State MEDF monies must hold those monies in a "separate account."

We recommended that Village officials keep all monies received from the State Municipal Economic Development Fund in a separate account and that they should calculate the amount of interest earned by the grant funds and transfer that amount to the proper fund. Village officials responded that the grant was deposited into the MEDF account in error and that the interest earned will be calculated and transferred to the correct account.

We recommended that Robbins officials calculate the interest earned on the grant funds and transfer it to the proper account.

Specific disbursements of MEDF funds were made for employee payroll; employee insurance and pension expenses; waste hauling; reimbursement of grant funds; and general Village expenses. Digest Exhibit 2 summarizes the amount and purpose for Robbins' cash disbursements from the Municipal Economic Development Fund receipts during calendar year 2007.

Digest Exhibit 1
ROBBINS' RECEIPT AND DISBURSEMENT OF MUNICIPAL ECONOMIC DEVELOPMENT FUNDS
(Calendar Year 2007)

Fund Distribution Received 01/07:	$97,375
Fund Distribution Received 04/07:	$142,272
Fund Distribution Received 07/07:	$162,753
Fund Distribution Received 10/07:	$45,949
Interest Income[1]:	$2,457
Total CY07 Cash Receipts[2]:	$450,807
Total CY07 Cash Disbursements:	$451,331
Excess of Cash Receipts Over Cash Disbursements:	$(524)
Cash Balance End of CY06:	$964
Cash Balance as of 12/31/07[2]:	$439

Notes: [1] Includes interest on a $1.6 million grant deposited into the Village's MEDF account in error.
[2] Figures rounded to nearest dollar. Totals may not add due to rounding.
Source: Village of Robbins.

We noted two instances where poor internal controls resulted in Robbins using MEDF monies for questionable purposes.

Based on our review of documentation provided by the Village of Robbins, we concluded that most of Robbins' calendar year 2007 expenditures of Fund receipts appeared to comply with Public Utilities Act guidelines. However, we noted two instances where poor internal controls over the use of grant funds resulted in the Village using MEDF funds for questionable purposes.

In the first instance, the Village received a $37,000 grant from the Department of Commerce and Economic Opportunity (DCEO) to pay for Village planning. According to Robbins officials, the DCEO grant funds were deposited into the Village's general fund and $24,500 of the $37,000 in grant funds were spent for purposes other than those allowable under the grant. The MEDF funds were then used to reimburse the grant:

Digest Exhibit 2
VILLAGE OF ROBBINS' DISBURSEMENT OF MUNICIPAL ECONOMIC DEVELOPMENT FUNDS (Calendar Year 2007)

Amount	Purpose
$315,685	Employee payroll expenses
$22,171	Employee insurance and retirement expenses
$9,000	Waste removal/hauling
$72,231	General Village expenses
$32,243	Reimbursement of grant funds
$451,331	**Total Disbursements**

Note: Figures rounded to nearest dollar. Totals may not add due to rounding.
Source: Village of Robbins.

- $12,500 in MEDF monies were used to pay the firm doing the planning work for the Village pursuant to the grant, instead of using the DCEO grant funds to pay the firm. While the $12,500 payment to the planning firm would be an allowable expense under the Public Utilities Act guidelines, it is questionable because the grant funds, not MEDF monies, should have been used to pay the planning firm. Furthermore, the grant closeout report filed with DCEO showed that $12,500 in grant funds were used to pay the planning firm, when in fact, MEDF funds were used.

- $12,000 in MEDF monies were used to repay to DCEO for "unexpended" grant funds. Robbins used $12,000 of the DCEO planning grant for purposes not allowable under the grant, and consequently had to return $12,000 to DCEO. Since the DCEO funds had already been expended for other purposes, MEDF funds were used to reimburse DCEO. We were unable to determine the nature of the expenditures of the $12,000 in grant funds, which were subsequently reimbursed with MEDF funds, to determine whether such expenditures complied with the Public Utilities Act.

In the second instance, the Village received a $34,400 Justice Assistance Grant from Cook County. As with the DCEO grant, grant monies were used for purposes other than those specified in the grant. Robbins used $7,743.05 in MEDF monies to repay Cook County for grant funds used for other purposes. Again, we were unable to determine the nature of the expenditures of the $7,743.05 in grant funds, which were subsequently reimbursed with MEDF funds, to determine whether such expenditures complied with the Public Utilities Act.

We recommended that Robbins officials ensure that grant funds are used only for the specified purposes and retain documentation of all MEDF account expenditures.

Robbins' most recent financial audit for the year ended April 30, 2005 also noted a lack of proper fiscal controls, including the transfer of grant funds to pay payroll and other non-grant related expenses. Grant funds were often transferred to the general fund and appropriate expenditures could not be identified. The audit recommended the Village prepare fiscal and operating procedures.

We recommended that the Village improve controls over grant funds to ensure that they are spent only for the purposes specified in the grant. Additionally, we recommended that officials ensure that documentation of all MEDF account expenditures is retained. Robbins officials responded that they are working with their outside auditor to implement policies and procedures to improve controls over all Village funds.

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, 2007. We concluded that the financial statements were fairly presented in all material respects. Appendix B to the full report contains the Independent Auditor's Reports. (pages 4-10)

AGENCY RESPONSE

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.

WILLIAM G. HOLLAND
Auditor General

WGH/BH
November 2008

TABLE OF CONTENTS

	Auditor General's Transmittal Letter	
	Report Digest	i
	Report Conclusions	1
	Background	2
	The Municipal Economic Development Fund	2
	Expenditure of Distributions from the Municipal Economic Development Fund	4
	• **Recommendation 1: Allocation of Interest**	5
	• **Recommendation 2: Improve Spending Controls**	8
	Other Issues	9
	Scope and Methodology	10

EXHIBITS	**TITLE**	**PAGE**
Exhibit 1-1	Amounts Received from Municipal Economic Development Fund and Spent by Village of Robbins -- Calendar Years 1999 – 2007	4
Exhibit 1-2	Village of Robbins' Receipt and Disbursement of Municipal Economic Development Funds -- Calendar Year 2007	6
Exhibit 1-3	Village of Robbins' Disbursement of Municipal Economic Development Funds -- Calendar Year 2007	7
Exhibit 1-4	Village of Robbins' Disbursement of Municipal Economic Development Funds -- Calendar Year 1999 through Calendar Year 2007	9

APPENDICES	**TITLE**	**PAGE**
Appendix A	Public Utilities Act – 220 ILCS 5/8-403.1	11
Appendix B	Financial Reports	21
Appendix C	Village of Robbins' Response	35

Financial, Compliance, and Program Audit

VILLAGE OF ROBBINS' USE OF MUNICIPAL ECONOMIC DEVELOPMENT FUNDS

(For the Year Ended December 31, 2007)

REPORT CONCLUSIONS

The Village of Robbins is the only entity to receive distributions from the Municipal Economic Development Fund. In calendar year 2007, Robbins' net cash receipts from the Municipal Economic Development Fund (MEDF) totaled $448,349 and the Village earned $2,457 in interest income on monies deposited into its MEDF account. Robbins' cash disbursements from MEDF receipts totaled $451,331 in calendar year 2007. Robbins began the year with a cash balance of $964 in its bank account for Municipal Economic Development Funds and ended the year with a balance of $439 in the account.

In April 2007, Robbins officials deposited $1.6 million in grant funds received from the Department of Commerce and Economic Opportunity (DCEO) into the Village's MEDF account, resulting in a commingling of the State MEDF and the grant funds for approximately one month. When the grant monies were removed from the Village's MEDF account, Village officials did not properly allocate and transfer the amount of interest earned on the grant monies out of the MEDF account, but rather left all the accrued interest in the MEDF account. The commingling of funds resulted in noncompliance with the Public Utilities Act which requires that MEDF receipts be held in a "separate account".

The Public Utilities Act establishes requirements regarding the allowable uses of Municipal Economic Development Funds (220 ILCS 5/8-403.1(j)). 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. Based on our review of documentation provided by the Village of Robbins, we concluded that most of Robbins' calendar year 2007 expenditures of MEDF receipts appeared to be consistent with Public Utilities Act requirements. Specific disbursements were made for employee payroll; employee insurance and retirement expenses; waste hauling; and other general Village expenses.

However, we noted two instances where poor internal controls over the use of grant funds resulted in the Village using MEDF monies for questionable purposes. In the first instance, the Village received a $37,000 grant from the Department of Commerce and Economic Opportunity (DCEO) to pay for Village planning. According to Robbins officials, the DCEO grant funds were deposited into the Village's general fund and $24,500 in grant funds were spent for purposes other than those allowable under the grant. The MEDF monies were then used to reimburse the grant.

In the second instance, the Village received a $34,400 Justice Assistance Grant from Cook County. As with the DCEO grant, grant funds were used for purposes other than those specified in the grant. Robbins used $7,743.05 in MEDF monies to repay Cook County for grant funds used for other purposes.

We were unable to determine the nature of the expenditures of the grant funds, which were subsequently reimbursed with MEDF funds, to determine whether such expenditures complied with the Public Utilities Act. We recommended that the Village maintain the appropriate documentation.

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. This is the ninth audit conducted under this requirement. The first audit, released in June 2000, covered calendar year 1999; subsequent audits have covered the subsequent calendar year distributions from the Municipal Economic Development Fund.

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 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 (MEDF) is a trust fund created to receive and maintain payments received 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 Illinois Commerce Commission (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.

Beginning in February 1999 and through January 2009, each qualified solid waste energy facility is required to pay into the MEDF an amount equal to six-tenths of a mill ($0.0006) per kilowatt hour of electricity the facility sold to electric utilities. The facilities make the payments to the Department of Revenue, which deposits them into the Fund. Public Act 92-435, effective August 17, 2001, allows the Department to assess penalties and interest if a facility submits a payment late or fails to submit payments.

Amendments added by Public Act 94-836, effective June 6, 2006, require the Treasurer to compare the amount received by the Department of Revenue each month to the amount received in the corresponding month in 2002. If the amount received in 2002 is greater than the amount for the current month, the Comptroller is to transfer the difference from the General Revenue Fund into the MEDF. In 2007, transfers occurred monthly as required, with one exception. The amount for January 2007 ($14,932.48) was not transferred until March 2007. A total of $200,072.76 was transferred from the General Revenue Fund to the State MEDF in calendar year 2007.

The State Treasurer is required to make distributions from the MEDF 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, 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 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 Illinois Commerce Commission and the Illinois Environmental Protection Agency, Robbins had the only operating incinerator in the State that met these criteria; therefore, Robbins was the only community entitled to receive disbursements from the Municipal Economic Development Fund.

As shown in Exhibit 1-1, Robbins has received over $2.5 million in distributions from the Municipal Economic Development Fund since it was created in 1999. The exhibit also shows the amount of interest earned by Robbins on the funds deposited into the Village's MEDF account and the amounts spent by Robbins for each year since 1999. No interest is recorded for 1999 because Robbins did not deposit the funds in a separate account until January 2000.

Exhibit 1-1
AMOUNTS RECEIVED FROM MUNICIPAL ECONOMIC DEVELOPMENT FUND AND SPENT BY VILLAGE OF ROBBINS
Calendar Years 1999 – 2007

Year	Fund Distributions	Interest	Total Income[4]	Amounts Spent
CY99	$61,628	$0	$61,628	$0
CY00	$196,197	$6,863	$203,060	$110,660
CY01	$263,184	$5,370	$268,554	$417,772
CY02	$374,067	$186	$409,253[2]	$411,464
CY03	$303,626[1]	$152	$303,778	$297,525
CY04	$345,527[1]	$102	$345,629	$353,951
CY05	$335,251[1]	$122	$335,373	$335,733
CY06	$239,748[1]	$45	$239,793	$239,000
CY07	$448,349	$2,457[3]	$450,807	$451,331
Total[4]	**$2,567,578[1]**	**$15,297[3]**	**$2,617,875[2]**	**$2,617,436**

Notes: [1] Does not include Comptroller offsets of $448 in CY03, $1,876 in CY04, $490 in CY05, and $2,447 in CY06.
[2] Includes $35,000 in reimbursements from other Village funds for expenditures in 2001 and 2002.
[3] Includes interest accumulated on grant funds inappropriately deposited into the Village's MEDF account.
[4] Totals may not add due to rounding.
Source: Information provided by Village of Robbins, State Comptroller, and prior OAG audits.

EXPENDITURE OF DISTRIBUTIONS FROM THE MUNICIPAL ECONOMIC DEVELOPMENT FUND

The Treasurer made four quarterly Municipal Economic Development Fund payments to Robbins in calendar year 2007 totaling $448,349. As shown in Exhibit 1-2, Robbins earned an additional $2,457 in interest income on the funds in its MEDF account, resulting in total cash receipts of $450,807 for calendar year 2007.

The large increase in the amount of interest recorded in the MEDF account in 2007 was the result of Robbins' commingling MEDF funds with grant funds Robbins received from the Department of Commerce and Economic Opportunity (DCEO). In April 2007, Robbins officials deposited $1.6 million in grant funds it received from DCEO into its MEDF account, resulting in a commingling of the funds for approximately one month. When the grant monies were removed from the Village's MEDF account, Village officials did not properly allocate and transfer the amount of interest earned on the grant monies out of the MEDF account, but rather left all the accrued interest in the MEDF account. The commingling of funds resulted in noncompliance with Section 8-403.1(j) of the Public Utilities Act which requires that a recipient of State MEDF monies must hold those monies in a "separate account."

The grant agreement with DCEO allowed Robbins to retain the interest earned on the grant funds but required that it be accounted for and reported to the Department. The interest earned is subject to be refunded to the Department upon demand. Robbins officials stated that they deposited the funds into the MEDF account because the intent of the grant was to make up the difference between what the Village had received each year in distributions and the $500,000 amount it is allowed to receive annually under the Public Utilities Act. While the $1.6 million grant fairly approximated the difference between the amount of MEDF funds received by Robbins over the past eight years and the total maximum in MEDF payments that could be received, the stated purpose of the grant was for Robbins to improve its economic stability.

ALLOCATION OF INTEREST	
RECOMMENDATION NUMBER 1	***Village of Robbins officials should keep all monies received from the State Municipal Economic Development Fund in a separate account, as required by the Public Utilities Act. Further, officials should calculate the amount of interest earned on the DCEO grant funds while they were deposited in the Village's MEDF account and transfer the interest to the proper grant account.***
VILLAGE OF ROBBINS RESPONSE	The Village of Robbins should keep all monies received from the State MEDF in a separate account. In the past, the Village complied with that requirement. However, the DCEO grant was placed in the MEDF account in error. The grant was given based on past MEDF distributions from the State of Illinois and was mistaken for a MEDF distribution. The interest earned will be calculated and transferred into the correct grant account within the next 30 days.

Exhibit 1-2 shows that Robbins disbursed $451,331 in MEDF receipts during calendar year 2007. The Act sets restrictions on how the city, village, or town can use the distributions:

- Funds 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.

- Funds shall not be used, directly or indirectly, to purchase, lease, operate, or in any way subsidize the operation of any incinerator.

- Funds shall not be paid, directly or indirectly, to the owner, operator, lessee, shareholder, or bondholder of any incinerator.

- Funds shall not be used to pay attorney's fees in any litigation relating to the validity of Public Act 89-448, which was an act to abolish incinerator subsidies under the Retail Rate Law.

Exhibit 1-2
VILLAGE OF ROBBINS' RECEIPT AND DISBURSEMENT OF MUNICIPAL ECONOMIC DEVELOPMENT FUNDS
Calendar Year 2007

Fund Distribution Received 01/07:	$97,375
Fund Distribution Received 04/07:	$142,272
Fund Distribution Received 07/07:	$162,753
Fund Distribution Received 10/07:	$45,949
Interest Income[1]:	$2,457
Total CY07 Cash Receipts[2]:	$450,807
Total CY07 Cash Disbursements:	$451,331
Excess of Cash Receipts Over Cash Disbursements:	$(524)
Cash Balance End of CY06:	$964
Cash Balance as of 12/31/07[2]:	$439

Notes: [1] Includes interest on a $1.6 million grant deposited into the Village's MEDF account in error.
[2] Figures rounded to nearest dollar. Totals may not add due to rounding.
Source: Village of Robbins.

Robbins officials used the funds for a variety of purposes. Specific disbursements were made for employee payroll; employee insurance and retirement expenses; waste hauling services for the Village; and general Village expenses such as fuel for Village vehicles. Exhibit 1-3 shows in detail the amount and purpose for Robbins' cash disbursements from the MEDF account during calendar year 2007.

Exhibit 1-3
VILLAGE OF ROBBINS' DISBURSEMENT OF MUNICIPAL ECONOMIC DEVELOPMENT FUNDS
Calendar Year 2007

Amount	Purpose
$315,685	Village employee payroll expenses
$22,171	Village employee insurance and retirement expenses
$9,000	Waste removal/hauling
$72,231	General Village expenses
$32,243	Reimbursement of grant funds
$451,331	Total Disbursements

Note: Figures rounded to nearest dollar. Totals 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 most of Robbins' calendar year 2007 expenditures of MEDF receipts appeared to comply with Public Utilities Act guidelines. However, we noted two instances where poor internal controls over the use of grant funds resulted in the Village using MEDF funds for questionable purposes.

In the first instance, the Village received a $37,000 grant from the Department of Commerce and Economic Opportunity (DCEO) to pay for Village planning. According to Robbins officials, the DCEO grant funds were deposited into the Village's general fund and $24,500 of the $37,000 in grant funds were spent for purposes other than those allowable under the grant. The MEDF funds were then used to reimburse the grant:

- $12,500 in MEDF monies were used to pay the firm doing the planning work for the Village pursuant to the grant, instead of using the DCEO grant funds to pay the firm. While the $12,500 payment to the planning firm would be an allowable expense under the Public Utilities Act guidelines, it is questionable because the grant funds, not MEDF monies, should have been used to pay the planning firm. Furthermore, the grant closeout report filed with DCEO showed that $12,500 in grant funds were used to pay the planning firm, when in fact, MEDF funds were used.

- $12,000 in MEDF monies were used to repay to DCEO for "unexpended" grant funds. Robbins used $12,000 of the DCEO planning grant for purposes not allowable under the grant, and consequently had to return $12,000 to DCEO. Since the DCEO funds had already been expended for other purposes, MEDF funds were used to reimburse DCEO. We were unable to determine the nature of the expenditures of the $12,000 in grant funds, which were subsequently reimbursed with MEDF funds, to determine whether such expenditures complied with the Public Utilities Act.

In the second instance, the Village received a $34,400 Justice Assistance Grant from Cook County. As with the DCEO grant, grant monies were used for purposes other than those specified in the grant. Robbins used $7,743.05 in MEDF monies to repay Cook County for grant funds used for other purposes. Again, we were unable to determine the nature of the expenditures of the $7,743.05 in grant funds, which were subsequently reimbursed with MEDF funds, to determine whether such expenditures complied with the Public Utilities Act.

The Village's spending policy, adopted on July 22, 2003, in response to costs questioned in our audits of 2001 and 2002 expenditures, specifies that MEDF monies will only be used to attract businesses and support public goods or services or other activities that constitute the Village's major or central operations. In addition, the policy says the Village will classify basic activities supported by MEDF monies and lists these classifications, including general government services; education; health and welfare; public safety; streets and highway maintenance; recreation; and capital outlays for land, buildings, and equipment.

We inquired of Robbins officials as to which of the policy's spending classifications applied to the above questioned uses of the MEDF funds. Village officials did not respond directly to which classification the repayment of grant funds would be; however, they stated that they believe the DCEO grant reimbursement complies with the Public Utilities Act guidelines, since the grant was used to prepare a comprehensive plan used as an economic development guide by Village staff and developers.

Robbins' most recent financial audit for the year ended April 30, 2005 also noted a lack of proper fiscal controls, including the transfer of grant funds to pay payroll and other non-grant related expenses. Grant funds were often transferred to the general fund and appropriate expenditures could not be identified. The audit recommended the Village prepare fiscal and operating procedures.

IMPROVE SPENDING CONTROLS	
RECOMMENDATION NUMBER 2	***Village of Robbins officials should improve controls over grant funds to ensure that such funds are spent only for the purposes specified in the grant. Further, officials should ensure that documentation supporting all expenditures from MEDF funds is retained to demonstrate moneys were spent for the purposes specified in the Public Utilities Act.***
VILLAGE OF ROBBINS RESPONSE	The Village of Robbins recognizes a deficiency in controls over grant funds. Grant funds distributions all compiled with stated MEDF guidelines. The Village is working with its auditor to implement the policies and procedures to improve control over all Village funds.

Exhibit 1-4 summarizes the MEDF funds spent by Robbins since calendar year 1999 according to broad categories. As shown in the exhibit, over 60 percent of the funds have been spent for Village payroll and insurance expenses. These expenses are administrative expenses that provide residential and service activities in the Village, thereby enhancing the public health and general welfare of the residents. Other expenses shown include improvements and repairs to Village properties, street improvements, and legal services. The legal services included work to acquire the titles to tax-delinquent properties in the Village in an effort to spur economic development. The Village has also bought, leased, repaired, or equipped fire engines and police vehicles to better protect Village residents.

Exhibit 1-4
VILLAGE OF ROBBINS' DISBURSEMENT OF MUNICIPAL ECONOMIC DEVELOPMENT FUNDS
Calendar Years 1999 – 2007

Spending Category	Amount Spent	Percent
Payroll	$1,333,914.86	51.0
Insurance	$268,834.64	10.3
Water bills	$224,378.02	8.6
General Village expenses	$180,763.75	6.9
Village property repairs/additions	$89,426.16	3.4
Legal services	$88,556.91	3.4
Street improvements	$84,101.75	3.2
Purchase, repair, lease vehicles	$62,265.08	2.4
Lawsuit payments	$58,715.00	2.2
Lobbying	$56,000.00	2.1
Village waste removal Services	$49,933.81	1.9
Festival Expenses	$48,000.00	1.8
Audit/CPA services	$31,875.00	1.2
Repay grant funds	32,243.05	1.2
Appraisal services	$6,000.00	0.2
Acquisition of property	$2,427.50	0.1
Total	**$2,617,435.53**	**100.0**

Percentage total may not add due to rounding.
Source: Data provided by Village of Robbins and prior OAG audits.

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, 2007. The audit concluded that the financial statements were fairly presented in all material respects. Appendix B contains the Independent Auditor's Report.

For the Village of Robbins response, see Appendix C.

OTHER ISSUES

Qualified solid waste energy facilities must submit monthly reports and payments to the Department of Revenue. The information to be submitted includes the amount of energy reported as sold by the facility to a utility and the amount of tax the facility owes to the State (which is deposited into the MEDF). Amendments to the Public Utilities Act contained in Public Act 92-435 allow the Department to assess penalties and interest for failure to file the information required or for filing late.

The Department has a process in place to assess and collect penalties owed. In calendar year 2007, the Department collected $82,966.85 in penalty assessments from the facilities. This amount was deposited into the MEDF.

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. Those standards require that we plan and perform the audit to obtain a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Robbins is the sole recipient of funds from the Municipal Economic Development Fund. The audit scope encompassed Robbins' receipt of distributions from the MEDF and any expenditure of those distributions made during calendar year 2007. The Public Utilities Act (220 ILCS 5/8-403.1) states that each annual audit of distributions from the MEDF is to cover distributions received and expenditures made from the immediately preceding year. Therefore, this audit covers quarterly distributions received and expenditures made in calendar year 2007.

Our objectives for this audit included the following: to determine whether the funds were used in compliance with the Act; to audit the cash receipts and disbursements; and to test controls over the receipts and expenditures.

We interviewed a representative 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. We also reviewed documentation supporting all the funds expended. An Independent Auditor's Report and Statement of Cash Receipts and Disbursements in the Village's MEDF account are included in Appendix B. We also reviewed the approvals required by the Village's spending policy, including check request/funds transfer forms.

We contacted officials at the Department of Revenue and verified the process for assessing penalties and interest to energy facilities that file required monthly reports late or fail to file.

The Village of Robbins' fiscal year ends April 30, and the Village's audit for the year ending April 30, 2005 was completed in August 2007. This audit contained an adverse opinion on the Village's basic financial statements and on its combining and individual fund financial statements; nine reportable conditions, or significant deficiencies in internal controls were noted, of which all nine were material weaknesses. The conditions included no formal cost allocation plan, performing bank reconciliations independent of the accounting system, and grant funds expended for non-grant purposes or not being able to identify the purposes for which grant funds were spent.

APPENDIX A

Public Utilities Act

Public Utilities Act (excerpted) (220 ILCS 5/8-403.1)

Sec. 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 solid waste energy facility, whenever the qualified solid waste energy facility ceases to operate and produce electricity from methane gas generated from landfills, or at the end of the contract entered into pursuant to subsection (c) of this Section, whichever occurs first, the qualified solid waste energy 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. The payments shall be made to the Illinois Commerce Commission, which shall determine the appropriate disbursements to the Public Utility Fund and the General Revenue Fund based on this subsection (d).

(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.

(e-5) A qualified solid waste energy facility may receive the purchase rate provided in subsection (c) of this Section only for kilowatt-hours generated by the use of methane gas generated from landfills. The purchase rate provided in subsection (c) of this Section does not apply to electricity generated by the use of a fuel that is not methane gas generated from landfills. If the Illinois Commerce Commission determines that a qualified solid waste energy facility has violated the requirement regarding the use of methane gas generated from a landfill as set forth in this subsection (e-5), then the Commission shall issue an order requiring that the qualified solid waste energy facility repay the State for all dollar amounts of electricity sales that are determined by the Commission to be the result of the violation. As part of that order, the Commission shall have the authority to revoke the facility’s approval to act as a qualified solid waste energy facility granted by the Commission under this Section. If the amount owed by the qualified solid waste energy facility is not received by the Commission within 90 days after the date of the Commission’s order that requires repayment, then the Commission shall issue an order that revokes the facility’s approval to act as a qualified solid waste energy facility granted by the Commission under this Section. The Commission’s action that vacates prior qualified solid waste energy facility approval does not excuse the repayment to the State treasury required by subsection (d) of this Section for utility tax credits accumulated up to the time of the Commission’s action. A qualified solid waste energy facility must receive Commission approval before it may use any fuel in addition to methane gas generated from a landfill in order to generate electricity. If a qualified solid waste energy facility petitions the Commission to use any fuel in addition to methane gas generated from a landfill to generate electricity, then the Commission shall have the authority to do the following:

(1) establish the methodology for determining the amount of electricity that is generated by the use of methane gas generated from a landfill and the amount that is generated by the use of other fuel;

(2) determine all reporting requirements for the qualified solid waste energy facility that are necessary for the Commission to determine the amount of electricity that is generated by the use of methane gas from a landfill and the amount that is generated by the use of other fuel and the resulting payments to the qualified solid waste energy facility; and

(3) require that the qualified solid waste energy facility, at the qualified solid waste energy facility's expense, install metering equipment that the Commission determines is necessary to enforce compliance with this subsection (e-5).

A public utility that is required to enter into a long-term purchase contract with a qualified solid waste energy facility has no duty to determine whether the electricity being purchased was generated by the use of methane gas generated from a landfill or was generated by the use of some other fuel in violation of the requirements of this subsection (e-5).

(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 Department of Revenue on or before the 15th of each month a form, prescribed by the Department of Revenue, 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. Beginning on the effective date of this amendatory Act of the 92nd General Assembly, a qualified solid waste energy facility must file the form required under this subsection (i) before the 15th of each month regardless of whether the facility received any payment in the previous month. Payments received by the Department of Revenue 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).

Beginning on July 1, 2006 through January 31, 2009, each month the State Treasurer shall certify the following to the State Comptroller:

(A) the amount received by the Department of Revenue under this subsection (i) during the immediately preceding month; and

(B) the amount received by the Department of Revenue under this subsection (i) in the corresponding month in calendar year 2002.

As soon as practicable after receiving the certification from the State Treasurer, the State Comptroller shall transfer from the General Revenue Fund to the Municipal Economic Development Fund in the State treasury an amount equal to the amount by which the amount calculated under item (B) of this paragraph exceeds the amount calculated under item (A) of this paragraph, if any.

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).

A qualified solid waste energy facility that fails to timely file the requisite form and payment as required by this subsection (i) shall be subject to penalties and interest in conformance with the provisions of the Illinois Uniform Penalty and Interest Act.

Every qualified solid waste energy facility subject to the provisions of this subsection (i) shall keep and maintain records and books of its sales pursuant to subsection (c), including payments received from those sales and the corresponding tax payments made in accordance with this subsection (i), and for purposes of enforcement of this subsection (i) all such books and records shall be subject to inspection by the Department of Revenue or its duly authorized agents or employees.

When a qualified solid waste energy facility fails to file the form or make the payment required under this subsection (i), the Department of Revenue, to the extent that it is practical, may enforce the payment obligation in a manner consistent with Section 5 of the Retailers 'Occupation Tax Act, and if necessary may impose and enforce a tax lien in a manner consistent with Sections 5a, 5b, 5c, 5d, 5e, 5f, 5g, and 5i of the Retailers 'Occupation Tax Act. No tax lien may be imposed or enforced, however, unless a qualified solid waste energy facility fails to make the payment required under this subsection (i). Only to the extent necessary and for the purpose of enforcing this subsection (i), the Department of Revenue may secure necessary information from a qualified solid waste energy facility in a manner consistent with Section 10 of the Retailers 'Occupation Tax Act.

All information received by the Department of Revenue in its administration and enforcement of this subsection (i) shall be confidential in a manner consistent with Section 11 of the Retailers 'Occupation Tax Act. The Department of Revenue may adopt rules to implement the provisions of this subsection (i).

For purposes of implementing the maximum aggregate distribution provisions in subsections (j) and (k), when a qualified solid waste energy facility makes a late payment to the Department of Revenue for deposit into the Municipal Economic Development Fund, that payment and deposit shall be attributed to the month and corresponding quarter in which the payment should have been made, and the Treasurer shall make retroactive distributions or refunds, as the case may be, whenever such late payments so require.

(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 or, on the effective date of Public Act 90-813, used 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 3.290 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.

(l) 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.

(m) On and after the effective date of this amendatory Act of the 94th General Assembly, beginning on the first date on which renewable energy certificates or other saleable representations are sold by a qualified solid waste energy facility, with or without the electricity generated by the facility, and utilized by an electric utility or another electric supplier to comply with a renewable energy portfolio standard mandated by Illinois law or mandated by order of the Illinois Commerce Commission, that qualified solid waste energy facility may not sell electricity pursuant to this Section and shall be exempt from the requirements of subsections (a) through (l) of this Section, except that it shall remain obligated for any reimbursements required under subsection (d) of this Section. All of the provisions of this Section shall remain in full force and effect with respect to any qualified solid waste energy facility that sold electric energy pursuant to this Section at any time before July 1, 2006 and that does not sell renewable energy certificates or other saleable representations to meet the requirements of a renewable energy portfolio standard mandated by Illinois law or mandated by order of the Illinois Commerce Commission.

(n) Notwithstanding any other provision of law to the contrary, beginning on July 1, 2006, the Illinois Commerce Commission shall not issue any order determining that a facility is a qualified solid waste energy facility unless the qualified solid waste energy facility was determined by the Illinois Commerce Commission to be a qualified solid waste energy facility before July 1, 2006. As a guide to the intent, interpretation, and application of this amendatory Act of the 94th General Assembly, it is hereby declared to be the policy of this State to honor each qualified solid waste energy facility contract in existence on the effective date of this amendatory Act of the 94th General Assembly if the qualified solid waste energy facility continues to meet the requirements of this Section for the duration of its respective contract term.

(Source: P.A. 94-836, eff. 6-6-06.)

APPENDIX B

Financial Reports

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OFFICE OF THE AUDITOR GENERAL
WILLIAM G. HOLLAND

INDEPENDENT AUDITOR'S REPORT

Honorable William G. Holland
Auditor General
State of Illinois

We have audited the accompanying Statement 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, 2007. 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village of Robbins has prepared these financial statements using accounting practices prescribed or permitted by the State of Illinois (Public Utilities Act), which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting practices generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial

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position of the Statement 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 as of December 31, 2007, or changes in financial position or cash flows thereof for the year then ended.

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, 2007, in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2008, on our consideration of the Statement 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' internal control over financial reporting and on our tests of its compliance with certain laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Kelly J. Mittelstaedt

KELLY J. MITTELSTAEDT, CPA
Audit Manager

October 24, 2008

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OFFICE OF THE AUDITOR GENERAL
WILLIAM G. HOLLAND

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable William G. Holland
Auditor General
State of Illinois

We have audited the Statement of Cash Receipts from the State Municipal Economic Development Fund and Cash Disbursements from those Cash Receipts, as of and for the year ended December 31, 2007 (financial statement), and have issued our report thereon dated October 24, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Robbins internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement and not for the purpose of expressing an opinion on the effectiveness of the Village of Robbins internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village of Robbins internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the cash receipts and cash disbursements basis of accounting which is another comprehensive basis of accounting other than generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings as items 07-1 and 07-2 to be a significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies, and, accordingly, would not necessarily disclose all significant deficiencies that are also considered material weaknesses. However of the significant deficiencies described above, we consider items 07-1 and 07-2 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Robbins financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 07-1 and 07-2.

The Village of Robbins responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village of Robbins responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, Village management, and Illinois State Treasurer and is not intended to be and should not be used by anyone other than these specified parties.

Kelly J. Mittelstaedt

KELLY J. MITTELSTAEDT, CPA
Audit Manager

October 24, 2008

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, 2007

	Year Ended December 31, 2007
CASH RECEIPTS:	
Gross Receipts from the State Municipal Economic Development Fund	$448,349.17
Less Offsets by Comptroller from payments	$(0)
Net Receipts from the State Municipal Economic Development Fund	$448,349.17
Interest Income	$2,457.34
Total	$450,806.51
CASH DISBURSEMENTS:	
Cash Disbursements from Receipts from the State Municipal Economic Development Fund	$451,330.92
Excess of Cash Receipts Over Cash Disbursements	$(524.41)
Cash Balance at Beginning of Period	$963.83
Cash Balance at End of Period	$439.42

See accompanying Notes to the Financial Statements

NOTE TO THE FINANCIAL STATEMENTS

Note 1 – Significant Accounting Policies

A. Reporting Entity

The Public Utilities Act was amended in January 1999 to create the Municipal Economic Development Fund. The Municipal Economic Development Fund (MEDF) is a trust fund created to receive and maintain payments received 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 Illinois Commerce Commission (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.

Beginning in February 1999 and through January 2009, each qualified solid waste energy facility is required to pay into the MEDF an amount equal to six-tenths of a mill (($0.0006) per kilowatt hour of electricity the facility sold to electric utilities. The facilities make the payments to the Department of Revenue, which deposits them into the Fund. Public Act 92-435, effective August 17, 2001, allows the Department to assess penalties and interest if a facility submits a payment late or fails to submit payments.

Amendments added by Public Act 94-836, effective June 6, 2006, require the Treasurer to compare the amount received by the Department of Revenue each month to the amount received in the corresponding month in 2002. If the amount received in 2002 is greater than the amount received for the current month, the Comptroller is to transfer the difference from the General Revenue Fund into the MEDF. In 2007, transfers occurred monthly as required, with one exception. The amount for January 2007 ($14,932.48) was not transferred until March 2007. A total of $200,072.76 was transferred from the General Revenue Fund to the State MEDF in calendar year 2007.

The State Treasurer is required to make distributions from the MEDF 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, 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 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 Illinois Commerce Commission and the Illinois Environmental Protection Agency, Robbins had the only operating incinerator in the State that met these criteria; therefore, Robbins was the only community entitled to receive distributions from the Municipal Economic Development Fund.

B. Basis of Accounting

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.

VILLAGE OF ROBBINS
MUNICIPAL ECONOMIC DEVELOPMENT FUND ACCOUNT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2007

FINDING NO. 07-1 - Commingling of Grant Funds and Allocation of Interest

The Village of Robbins commingled Municipal Economic Development Fund (MEDF) monies with grant funds Robbins received from the Department of Commerce and Economic Opportunity (DCEO). In April 2007, Robbins officials deposited $1.6 million in grant funds it received from DCEO into its MEDF account, resulting in a commingling of the funds for approximately one month. When the grant monies were removed from the Village's MEDF account, Village officials did not properly allocate and transfer the amount of interest earned on the grant monies out of the MEDF account, but rather left all the accrued interest in the MEDF account. The commingling of funds resulted in noncompliance with Section 8-403.1(j) of the Public Utilities Act which requires that a recipient of State MEDF monies must hold those monies in a "separate account."

The grant agreement with DCEO allowed Robbins to retain the interest earned on the grant funds but required that it be accounted for and reported to the Department. The interest earned is subject to be refunded to the Department upon demand. Robbins officials stated that they deposited the funds into the MEDF account because the intent of the grant was to make up the difference between what the Village had received each year in distributions and the $500,000 amount it is allowed to receive annually under the Public Utilities Act. While the $1.6 million grant fairly approximated the difference between the amount of MEDF funds received by Robbins over the past eight years and the total maximum in MEDF payments that could be received, the stated purpose of the grant was for Robbins to improve its economic stability.

Recommendation:

Village of Robbins officials should keep all monies received from the State Municipal Economic Development Fund in a separate account, as required by the Public Utilities Act. Further, officials should calculate the amount of interest earned on the DCEO grant funds while they were deposited in the Village's MEDF account and transfer the interest to the proper grant account.

Agency Response:

The Village of Robbins should keep all monies received from the State MEDF in a separate account. In the past, the Village complied with that requirement. However, the DCEO grant was placed in the MEDF account in error. The grant was given based on past MEDF distributions from the State of Illinois and was mistaken for a MEDF distribution. The interest earned will be calculated and transferred into the correct grant account within the next 30 days.

VILLAGE OF ROBBINS
MUNICIPAL ECONOMIC DEVELOPMENT FUND ACCOUNT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2007

FINDING NO. 07-2 - Lack of Spending Controls

Poor internal controls over the use of DCEO and Justice Assistant grant funds resulted in the Village of Robbins using MEDF funds to pay $32,243 in expenses related to these two grants.

In the first instance, the Village received a $37,000 grant from the Department of Commerce and Economic Opportunity (DCEO) to pay for Village planning. Because the grant funds were spent for other purposes, a total of $24,500 in MEDF account monies were then used to reimburse the grant:

- $12,500 in MEDF monies were used to pay the firm doing the planning work for the Village pursuant to the grant, instead of using the DCEO grant funds to pay the firm. Further, the grant closeout report filed with DCEO showed that $12,500 in grant funds were used to pay the planning firm, when in fact, MEDF monies were used. Paying the planning firm would be an acceptable expenditure of MEDF monies under the Public Utilities Act; however, the Village should have used the grant funds it received for this purpose.

- $12,000 in MEDF monies were used to repay to DCEO for "unexpended" grant funds. Robbins used $12,000 of the DCEO planning grant for purposes not allowable under the grant, and consequently had to return $12,000 to DCEO. Since the DCEO funds had already been expended for other purposes, MEDF funds were used to reimburse DCEO.

In the second instance, the Village received a $34,400 Justice Assistance Grant from Cook County. As with the DCEO grant, grant monies were used for purposes other than those specified in the grant. Robbins used $7,743.05 in MEDF monies to repay Cook County for the grant funds used for other purposes. We were unable to determine the nature of the expenditures of the $7,743.05 in grant funds, which were subsequently reimbursed with MEDF funds, to determine whether such expenditures complied with the Public Utilities Act.

The Village's spending policy, adopted on July 22, 2003, specifies that MEDF monies will only be used to attract businesses and support public goods or services or other activities that constitute the Village's major or central operations. In addition, the policy says the Village will classify basic activities supported by MEDF monies and lists these classifications, including general government services; education; health and welfare; public safety; streets and highway maintenance; recreation; and capital outlays for land, buildings, and equipment.

VILLAGE OF ROBBINS
MUNICIPAL ECONOMIC DEVELOPMENT FUND ACCOUNT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2007

FINDING NO. 07-2 - Lack of Spending Controls (Concluded)

We inquired of Robbins officials as to which of the policy's spending classifications applied to the above questioned uses of the MEDF funds. Village officials did not respond directly to which classification the repayment of grant funds would be; however, they stated that they believe the DCEO grant reimbursement complies with the Public Utilities Act guidelines, since the grant was used to prepare a comprehensive plan used as an economic development guide by Village staff and developers.

Recommendation:

Village of Robbins officials should improve controls over grant funds to ensure that such funds are spent only for the purposes specified in the grant. Further, officials should ensure that documentation supporting all expenditures from MEDF funds is retained to demonstrate moneys were spent for the purposes specified in the Public Utilities Act.

Agency Response:

The Village of Robbins recognizes a deficiency in controls over grant funds. Grant funds distributions all compiled with stated MEDF guidelines. The Village is working with its auditor to implement the policies and procedures to improve control over all Village funds.

VILLAGE OF ROBBINS
MUNICIPAL ECONOMIC DEVELOPMENT FUND ACCOUNT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2007

Schedule of Prior Findings and Prior Findings Not Repeated

No prior findings

APPENDIX C

Village of Robbins' Response

VILLAGE OF ROBBINS
INCORPORATED DECEMBER 14, 1917
3327 West 137th Street Robbins, Illinois 60472
Phone (708) 385-8940 Fax (708) 385-8949

Dr. Irene H. Brodie
Mayor
Pamela Bradley
Clerk

October 23, 2008

Bill Helton
Office of the Auditor General
State of Illinois

RE: **RESPONSE TO FINDINGS AND QUESTIONED COSTS**

Dear Mr. Helton**:**

Finding 07-1

The Village of Robbins should keep all monies received from the State MEDF in a separate account. In the past, the Village complied with that requirement. However, the DCEO grant was placed in the MEDF account in error. The grant was given based on past MEDF distributions from the State of Illinois and was mistaken for a MEDF distribution. The interest earned will be calculated and transferred into the correct grant account within the next 30 days.

Finding 07-2

The Village of Robbins recognizes a deficiency in controls over grant funds. Grant funds distributions all compiled with stated MEDF guidelines. The Village is working with its auditor to Implement the policies and procedures to improve control over all Village funds.

Thank you for your cooperation over the years.

Sincerely,

Beverly Gavin